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

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1998
Commission File No. 0-28740

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, New York 10523
(914) 460-1600
(Address and telephone number of Principal Executive Offices)

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 per share
(Title of class)

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, as amended ("Exchange Act") 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 Annual Report on Form 10-K ("Annual Report") or any amendment to this Annual Report on Form 10-K. ___

The aggregate market value of the registrant's Common Stock, par value $.0001 per share ("Common Stock") (its only voting stock), held by non-affiliates of the registrant as of March 12, 1999 was approximately $29.0 million based on the closing sales price of the Common Stock on such day of $2.50 per share. (Reference is made to the fourth paragraph of Part II, Item 5 herein for a statement of the assumptions upon which this calculation is based.)

On March 12, 1999, there were outstanding 18,742,689 shares of the registrant's Common Stock.

PART I

Item 1. Business

Overview

MIM Corporation (the "Company") is an independent pharmacy benefit management ("PBM") and prescription mail order organization that offers a broad range of pharmaceutical services to the health care industry. The Company promotes the cost effective delivery of pharmacy benefits to plan members and the public. The Company targets two types of plan sponsors: (1) sponsors of public and private health plans, such as health maintenance organizations ("HMO's") and other managed care organizations ("MCO's"), and long-term care facilities, such as nursing homes and assisted living facilities; and (2) self-funded plans sponsored by employers. The Company provides flexible program designs, pricing arrangements, formulary management, clinical expertise, innovative technology and quality service designed to control pharmacy costs. The Company promotes the clinically appropriate substitution of generic drugs from equivalent but more expensive brand name drugs that are often prescribed.

The Company was incorporated in Delaware in March 1996 and completed its initial public Offering ("Offering") in August 1996. Prior to the Offering, the Company combined the businesses and operations of Pro-Mark Holdings, Inc. ("Pro-Mark") and MIM Strategic Marketing, LLC, which became 100% and 90% owned subsidiaries, respectively, of the Company in May 1996. On August 24, 1998, the Company acquired all of the outstanding capital stock of Continental Managed Pharmacy Services, Inc. ("Continental"), complementing its core PBM business with mail order pharmacy services.

At December 31, 1998, the Company provided PBM services to 127 plan sponsors with approximately 1.9 million plan members, including six plan sponsors with approximately 1.2 million members receiving mandated health care benefits under Tennessee's TennCare(R) Medicaid waiver program ("TennCare"). As of January 1, 1999, the Company's relationship with these TennCare plan sponsors was restructured. See "The TennCare Program" below. Throughout this Annual Report, all references to the number of members or lives managed by the Company under the TennCare program excludes members or lives duplicatively covered under an agreement between the Company and TennCare behavioral health plan sponsors. In prior periodic reports under the Exchange Act and in previous press releases, the Company has counted such members and lives twice when covered under more than one agreement.

Since the Offering through mid-December 1997, the Company focused its marketing efforts on large public health programs, particularly in states with high Medicaid eligible populations, and on private health plans throughout the United States. Beginning in 1998 and continuing with more emphasis into 1999, the Company has focused its marketing efforts on small to mid- sized employer

groups, both directly through its sales and marketing force and indirectly through commissioned brokers and agents, such as third party administrators. At March 15, 1999, approximately 32% of the plan members for whom the Company provides PBM services were covered through employer groups.

PBM Services

The Company's PBM services include formulary design and management with an emphasis on providing clinically appropriate, cost effective pharmacy services, point of sale ("POS") claims processing, clinical services, an established pharmacy network, mail order pharmacy services, drug utilization review and reporting ("DUR"), quality assurance polices and pharmacy data services and reporting. The Company's benefit management programs include a number of design features and structures that are tailored to a plan sponsor's particular benefit program and cost requirements. The Company's fee structures include traditional fee-for-service arrangements (e.g., billing for ingredient cost and pharmacist's dispensing fee plus certain administrative fees), capitated arrangements (e.g., fixed price per plan participant), cost sharing arrangements (e.g., pricing based on sharing with customers the financial benefits resulting from not exceeding established per capita amounts), and profit sharing arrangements (e.g., pricing which incentivizes the plan sponsors to support fully the Company's cost control efforts).

Formulary Design and Management. The Company offers flexible benefit and formulary designs to meet the specific requirements of each plan sponsor. Formulary design options include open, select, closed, tiered copayment or custom. Open formularies generally cover all FDA approved drugs, except certain classes of excluded pharmaceuticals (such as certain vitamins and cosmetic, experimental, investigative and over-the-counter drugs). A select formulary designates preferred products within each therapeutic drug class and may include financial and other incentives (such as lower copayments) for a member to use one or more preferred products. Closed formularies restrict the availability of certain drugs within a given therapeutic class (except where it is determined to be medically necessary) (see "Clinical Services" below) and are coupled with comprehensive physician and member education initiatives. Closed formularies require the Company's active involvement in Pharmacy and Therapeutics ("P&T") Committees (consisting of local plan sponsors, physicians, pharmacists and other health care professionals) to design and implement clinically appropriate formularies designed to control costs through the use of therapeutically equivalent lower cost pharmaceutical products. As a result of rising pharmacy program costs, the Company believes that both public and private health plans have become increasingly receptive to closed and tiered copayment formularies. Tiered copayment formularies require members utilizing non-formulary medications to pay higher copayments, thereby discouraging the use of non-formulary medications, or in preferred generic programs, brand drugs. Custom formularies are designed to accommodate the needs of a particular group (e.g., hospice, long term care, the elderly, workers' compensation and behavioral health). All formularies are subject to the final approval of the plan sponsor, directly or through their respective P&T Committees.

Cost control and savings initiatives are realized through formulary designs focusing on generic substitution and formulary selection of the most cost effective agents within each therapeutic class, in each case, to the extent consistent with accepted medical and pharmacy practice and applicable law. Generic substitution programs promote the selection of bio-equivalent generic drugs as a cost effective alternative to brand name drugs in accordance with a plan sponsor's generic utilization goals. Formulary selection involves utilizing lower cost brand name drugs within a therapeutic class and therapeutic algorithms that promote appropriate selection of therapeutic agents. Selective utilization within therapeutic classes enables the Company to negotiate and obtain purchasing concessions and other financial incentives from both brand and generic drug manufacturers which are often shared with plan sponsors. The Company currently contracts with over forty pharmaceutical manufacturers to provide such concessions and incentives for formulary products.

POS Claims Processing. Benefit designs and formulary parameters are managed through the Company's point of service ("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. The POS claims processing system adjudicates claims at the point-of-sale, verifying eligibility and reporting to the pharmacist the appropriate pricing and copayment structure. In addition, the system performs a series of on-line drug utilization review ("DUR") edits, as discussed below, (see "Drug Utilization Review") to identify, before a medication is dispensed, potential adverse drug interactions and other possible problems which may exist.

Clinical Services. The Company's formularies typically provide a selection of covered drugs within each therapeutic class. Formulary agents are selected by the plan sponsor working together with the Company's P&T Committee based upon clinical and pharmacoeconomic information. However, when determined to be clinically appropriate, non-formulary drugs (other than products within excluded therapeutic classes) are also covered. Since non-formulary drugs are automatically rejected by the POS claims processing system, the Company may implement sponsor requested overrides, or prior authorization ("PA") and medical necessity ("MN") override procedures for a specific patient and length of therapy. A PA is required upon the failure of a therapeutic trial of formulary alternatives or allergy/intolerance to formulary alternatives not requiring a PA. A drug subject to MN review is not on a plan sponsor's formulary, but coverage is granted upon a failed therapeutic trial of formulary and PA alternatives and/or an allergy/intolerance to formulary alternatives and PA alternatives. In addition, in a medical emergency as determined by a dispensing pharmacist, the Company authorizes, without prior approval, short-term supplies of non-formulary medications. Non-formulary PA and MN overrides are processed on the basis of documented, clinically supported guidelines and typically are granted or denied within 24 to 48 hours after request if accompanied by all necessary supporting documentation. Requests for, and appeals of denials of PA or

MN overrides are handled by the Company's staff of trained pharmacists, nationally certified pharmacy technicians and board certified pharmacotherapy specialists, subject to the plan sponsor's ultimate decision making authority over all such appeals.

Pharmacy Network Management. The Company's pharmacy network consists of pharmacy chains and independent pharmacies, as well as pharmacy service administrative organizations. Participating pharmacies may be included in the Company's open, preferred, select or custom networks, which are designed to ensure that members have the plan sponsor's desired level of access to quality pharmacy services. The open network, consisting of both independent and chain pharmacies, provides maximum access to pharmacy services. The preferred network offers clients, on a negotiated basis, access to a limited subset of independent and chain pharmacies within the Company's national network, allowing enhanced discount opportunities for plan sponsors and their members. The select pharmacy network offers clients maximum savings potential through an even more limited subset of the Company's national network of chain and independent pharmacies with respect to one or more of a sponsor's plans through the negotiation of aggressive reimbursement discounts within such limited network, while maintaining the plan sponsor's desired level of access for members. Custom networks are developed when necessary to support specialty formularies and disease state management protocols. The Company has an open network policy and continually works to increase pharmacy participation in its existing network. Aggressive solicitation of pharmacies occurs in areas that require network penetration such as when the Company begins servicing a client in a geographic area not previously serviced by the Company. Specific pharmacies may be added at a client's or member's request.

The Company utilizes uniform industry as well as plan specific standards to credential new participating pharmacy providers and individual pharmacists and to recredential existing pharmacy providers every two years. In addition, the Company encourages pharmacies and/or pharmacists to participate in various educational, peer review and professional programs and to take other actions designed to maintain and enhance the quality of services rendered by participating pharmacies.

In the case of an emergency, members may use a non-participating pharmacy to obtain their medication by paying the non-participating pharmacy for a prescription and being subsequently reimbursed by the Company. Plan sponsors are provided with direct member reimbursement ("DMR") forms to distribute to plan members on which members may submit emergency out-of-network claims for reimbursement. DMR claims submitted are processed by the Company through its claim processing system, allowing for complete, integrated DUR and reporting.

Mail Order Services. The Company operates a national mail order pharmacy providing savings to plan sponsors through the direct distribution of pharmaceutical products to members. Dispensing pharmaceuticals through mail service generates substantial savings and provides the convenience of home delivery, automatic refills and the dispensing of larger authorized quantities (up to 90 day supplies) than typically available through retail network pharmacies, thereby reducing repetitive dispensing fees incurred in standard 30-day supply prescriptions dispensed in such retail pharmacies. Prescriptions are dispensed from a centralized facility located in Cleveland, Ohio. Prescriptions are received at the facility by mail, facsimile or telephone. Prior to filling a prescription, the Company's pharmacist verifies the patient's eligibility status, his or her physician's name, the prescription's strength, quantity, pricing and directions for use. Prescriptions are dispensed and sent to patients generally within 72 hours of receipt by United States Postal service or a national delivery service.

The cost efficiency of the Company's mail service delivery system is generated through the bulk purchase of pharmaceuticals on terms more favorable than those of smaller orders, price concessions or financial incentives from drug manufacturers on high volume purchases and the comparatively lower cost of prescription fulfillment at the centralized facility. Most of the Company's wholesale pharmaceutical purchases are made from a leading drug distributor through an electronic ordering system, enabling the Company's mail order facility to receive just-in-time delivery of pharmaceutical supplies.

Drug Utilization Review. The Company provides a comprehensive DUR program, evaluating drug usage on a concurrent, prospective and retrospective basis. The concurrent DUR program evaluates, before a medication is dispensed to a patient, potential problems that may exist. The program is designed to assist the dispensing pharmacist in performing their professional obligation to provide patients with appropriate medication and

counseling. Concurrent DUR identifies preventable prescribing problems before the medications are dispensed and may be targeted for specific therapeutic classes or individual drug products. Standard DUR edits implemented through the POS claims processing system include early refill alerts, therapeutic duplication, drug-drug interaction, drug-age conflict, drug-gender conflict, pregnancy conflict, underutilization, maximum and minimum dose screening and other customized alerts (at a client's request). An early refill alert is the only DUR edit that results in an automatic on-line claim rejection. All other DUR edits are implemented through a warning message communicated on-line to the dispensing pharmacist, which enables the pharmacist to use his or her professional judgment to intervene when appropriate.

The Company's retrospective DUR program is an ongoing process in which select medication therapies are reviewed for appropriateness and cost effectiveness from data collected when prescriptions are filled. The retrospective DUR program is designed to identify and address adverse prescribing habits and trends by educating physicians and sharing information with pharmacists to impact prescribing, dispensing and overall drug utilization practices. In addition, the program identifies changes in pharmacotherapy that will improve member outcomes, cost effectiveness and quality of care and monitor potential fraud and abuse by a prescriber, member or pharmacy. Educational interventions are directed toward the dispensing pharmacy and the prescribing physician to warn of potential adverse events.

Prospective DUR programs are designed to improve drug utilization prior to prescribing. The programs include member education and disease state management programs. Members receive standard communication packages as well as customized educational materials designed to maximize drug therapy compliance and cost savings. Disease state management ("DSM") programs are designed to assist plan sponsors and network pharmacies in achieving therapy goals for certain targeted diseases. DSM programs communicate the most cost effective disease treatments to physicians utilizing current literature and national standards. The Company has implemented DSM programs for asthma, diabetes and geriatric care. Patient and physician surveys are distributed to determine acceptance of the DSM program and the corresponding benefits.

Behavioral Health Pharmacy Services. Managed care organizations have recently recognized the particular and specialized behavioral health needs of certain patients within their memberships, which has resulted in MCO's increasingly segregating the behavioral health population into a separate management area. The Company provides services to the segregated behavioral health entities created by MCO's and other behavioral health organizations ("BHO's") which encourage the clinically appropriate and cost effective utilization of behavioral health medications. Through the development of provider education programs, utilization protocols and prescription dispensing evaluation tools, the Company is able to integrate pharmaceutical care with other medical therapies to enhance patient compliance in the behavioral health area, thereby minimizing unnecessary or suboptimal prescribing practices. These services are integrated into a package of behavioral health care products for marketing to private insurers, public managed care programs and other health providers.

Quality Assurance. Quality is monitored through audit procedures and the enforcement of disciplinary policies. The Company continually performs audit procedures on claims data to detect improper claims or inappropriate costs submitted, incorrect quantities dispensed, excessive claims volume and excessive price per dispensed prescription. Claims audits which uncover unusual or inappropriate items may prompt an on-site pharmacy audit. A full on-site audit verifies randomly selected claims for authenticity and accuracy. The Company attempts to recoup all identified overpayments and may take other disciplinary action as appropriate. The Company's disciplinary action policy applies to all pharmacies found in violation of the Company's pharmacy participation agreement or its standard operating policies and procedures. The severity of disciplinary action is dependent on the number and type of discrepancies found.

Pharmacy Data Services and Reporting. The Company utilizes claims data to generate analysis reports for Company management and plan sponsor use. These reports, available on tape, diskette, on-line or hard copy, provide summarized and sorted historical data utilized by management and the plan sponsors to evaluate trends. Standard management report packages provided to clients are reviewed by the clinical pharmacy staff to track trends and recommend systems to ensure cost effective, clinically appropriate pharmacy services.

The Company has developed systems to provide plan sponsors with real-time, on-line access to pharmacy claims data. This reporting is available through the Company's Clinical Management System ("CMS"), a pharmacy intranet system that provides timely, concise utilization data to help manage drug benefit programs. CMS provides detail claims transactions, month-to-date data and a rolling 24-month history of the benefit plan. CMS allows the user the ability to download data to other user applications (e.g., spreadsheet, word processing) so that specific data can be stored and/or manipulated by the user.

Other Services

Individual Customers. For privately insured and uninsured individuals, the Company's recently acquired subsidiary, Continental, historically has administered a mail service program in conjunction with a retail pharmacy prescription drug card program. Continental historically has solicited individual patients covered by indemnity contracts with insurance companies through several marketing programs, including an exclusive agency relationship with an organization dedicated to individual insureds afflicted with diabetes and a joint venture with an organization serving HIV positive patients covered by these insurance arrangements. These organizations have provided Continental's mail order business with a base of customers who require more frequent and more costly prescription medications than the average patient.

Through these programs tailored to individual customers who use long-term or "maintenance" prescription drugs, Continental historically has assisted insured individuals with the financing and management of their prescription medications. These members were not required to pay any up-front costs or membership fees; however, these individuals were billed for copayment amounts or deductibles required under their insurance plans, unless they were eligible for financial hardship waivers. Upon dispensing a prescription, Continental would, on behalf of that patient, submit a claim to his or her insurance company, finance the purchase of the drug at no cost to the patient and await reimbursement from the patient's insurance company.

The Company also offers similar services to those individuals without insurance coverage. Unlike the Continental individual indemnity program, however, members are required to pay an annual membership fee. The program offers discounts of up to 40% off the national average prices on prescriptions filled by the Company's mail order facility. In addition, members receive a prescription drug card which may be used to obtain prescription medication at discount prices at retail pharmacies participating in the Company's network.

The TennCare Program

RxCare of Tennessee, Inc. ("RxCare"), a pharmacy services administrative organization owned by the Tennessee Pharmacists Association and representing approximately 1,600 retail pharmacies, initially retained the Company in 1993 to assist in obtaining contracts with MCO's applying to participate in the TennCare program to provide PBM services to those MCO's and their TennCare eligible and commercial recipients. In January 1994, the State of Tennessee instituted its TennCare program by contracting with MCO's to provide mandated health services to TennCare beneficiaries on a capitated basis. In turn, certain of these MCO's contracted with RxCare to provide TennCare mandated pharmaceutical benefits to their TennCare beneficiaries through RxCare's network of retail pharmacies, in most cases on a corresponding capitated basis.

From January 1994 through December 31, 1998, the Company provided a broad range of PBM services with respect to RxCare's TennCare, TennCare Partners, the TennCare behavioral health program, and commercial PBM business under an agreement with RxCare (the "RxCare Contract"). Under the RxCare Contract, the Company performed essentially all of RxCare's obligations under its PBM contracts with plan sponsors, including designing and marketing PBM programs and services. Under the RxCare Contract, the Company paid certain amounts to RxCare and shared with RxCare the profit, if any, derived from services performed under RxCare's contracts with the plan sponsors.

As of December 31, 1998, the Company serviced six TennCare plan sponsors with approximately 1.2 million members under the RxCare Contract. The RxCare Contract accounted for 72.2% of the Company's revenues for the year ended December 31, 1998 and approximately 83.6% of the Company's revenues for the year ended December 31, 1997. RxCare's contracts with Tennessee Managed Care Network, Inc., Tennessee Behavioral

Health, Inc., Premier Behavioral Systems of Tennessee and Phoenix Healthcare of Tennessee accounted for approximately 16%, 11%, 16% and 12%, respectively, of the Company's revenues in 1998.

The Company and RxCare did not renew the RxCare Contract which expired on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those then under contract with RxCare) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts during this period resulted in the Company executing agreements effective as of January 1, 1999 to provide PBM services directly to five of the six TennCare MCO's and 900,000 of the TennCare lives previously managed under the RxCare Contract as well as substantially all third party administrators ("TPA's") and employer groups previously managed under the RxCare Contract. The Company anticipates that approximately 32% of its revenues for fiscal 1999 will be derived from providing PBM services to these five TennCare MCO's. To date, the Company has been unable to secure a contract with the two TennCare BHO's to which it previously provided PBM services under the RxCare Contract. For the year ended December 31, 1998, amounts paid to the Company by these BHO's represented approximately 27% of the Company's revenues.

Other Matters

The Company's pharmaceutical claims costs historically have been subject to significant increase over annual averages from October through February, which the Company believes is due to increased medical requirements during the colder months. The resulting increase in pharmaceutical costs impacts the profitability of capitated contracts or other risk-based arrangements. Risk-based business represented approximately 32% of the Company's revenues while non-risk business (including the provision of mail order services) represented approximately 68% of the Company's revenues for the year ended December 31, 1998. Non-risk arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under risk-based contracts. The Company presently anticipates that approximately 28% of its revenues in fiscal 1999 will be derived from risk-based arrangements.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, a component of pharmaceutical claims, have historically affected the Company's cost of revenue. The Company believes that it is likely for prices to continue to increase which could have an adverse effect on the Company's gross profit. To the extent such cost increases adversely effect the Company's gross profit, the Company may be required to increase contract rates on new contracts and upon renewal of existing contracts. However, there can be no assurance that the Company will be successful in obtaining these rate increases. The higher level of non-risk contracts with the Company's customers in 1998 compared to prior years mitigates the adverse effects of price increases, although no assurance can be given that the recent trend towards non-risk arrangements will continue.

Competition

The PBM business is highly competitive, and certain of the Company's current and potential competitors have considerably greater financial, technical, marketing and other resources than the Company. The PBM business includes a number of large, well capitalized companies with nationwide operations and many smaller organizations typically operating on a local or regional basis. Among larger companies offering pharmacy benefit management services are Medco Containment Services, Inc. (a subsidiary of Merck & Co., Inc.), PCS, Inc., Express Scripts, Inc., Advance ParadigM, Inc. and Diversified Pharmaceutical Services, Inc. Numerous insurance and Blue Cross and Blue Shield plans, managed care organizations and retail drug chains also have their own pharmacy benefit management capabilities.

Competition in the PBM business to a large extent is based upon price, although other factors, including quality, technology and breadth of services and products, are also important. The Company believes that its ability and willingness, where appropriate, to assume or share its customers' financial risks and its emphasis on clinical management services represent distinct competitive advantages in the PBM industry.

Government Regulation

The Company believes that it is in substantial compliance with all legal requirements material to its operations. Among the various Federal and state laws and regulations which may govern or impact the Company's current and planned operations are the following:

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 the Medicare or state health care programs (including Medicaid and TennCare), and certain state laws may extend the prohibition to items or services that are paid for by private insurance and self-pay patients. The Company's arrangements with pharmacy service administration organizations, drug manufacturers, marketing agents, brokers, health plan sponsors, pharmacies and others parties routinely involve payments to or from persons who provide or purchase, or recommend or arrange for the purchase of, goods or services paid in part by the TennCare program, the U.S. HealthCare Finance Administration ("HCFA") on behalf of Medicaid or by other programs covered by such laws. Management carefully considers the import of such "anti-kickback" laws when structuring its operations, and believes the Company is in compliance therewith. However, the laws in this area are subject to rapid change and often are uncertain in their application, and there can be no assurance that one or more of such arrangements will not be challenged or found to violate such laws. Violation of the Federal anti-kickback statute could subject the Company to substantial criminal and civil penalties, including exclusion from the Medicare and Medicaid (including TennCare) programs. There are a number of states in which the Company does business which have laws analogous to Federal anti-kickback laws and regulations which likewise govern or impact the Company's current and planned 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. To date, enforcement of antitrust laws have not had any material adverse effect on the Company's business.

Other State Laws. Many states have statutes and regulations that do or may impact the Company's business operations. In some states, pharmacy benefit managers may be subject to regulation under insurance laws or laws licensing HMOs and other MCO's, in which event requirements could include satisfying statutorily imposed performance obligations, the posting of bonds, maintenance of reserves, required filings with regulatory agencies, and compliance with disclosure requirements and other regulation of the Company's operations. State insurance laws also may affect the structuring of certain risk-sharing programs offered by the Company. A number of states have laws designed to restrict the ability of PBM's to impose limitations on the consumer's choice of pharmacies, or requiring that the benefits of discounts negotiated by managed care organizations be passed along to consumers in proportionate reductions of copayments. Some states require that pharmacies be permitted to participate in provider networks if they are willing to comply with network requirements (including price), while other states require PBM's to follow certain prescribed procedures in establishing a network and admitting and terminating its members. Many states require that Medicaid obtain the lowest prices from a pharmacy, which may limit the Company's ability to reduce the prices it pays for drugs below Medicaid prices. There are extensive state and federal laws applicable to the dispensing of prescription drugs. Severe sanctions may be imposed for violations of these laws. States have a variety of laws regulating pharmacists' ability to switch prescribed drugs or to split fees and certain state laws have been the basis for investigations and multi-state settlements requiring the

discontinuance of certain financial incentives provided by manufacturers to retail pharmacies to promote the sale of the manufacturers' drugs.

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 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 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 business and results of operations. 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 business and results of operations.

Employees

At March 15, 1999, the Company employed approximately 275 persons including 33 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.

Item 2. Properties

The Company's corporate headquarters is located in approximately 11,000 square feet of leased space in Elmsford, New York. This lease expires on September 1, 2008. The Company's operating facilities are located in Wakefield, Rhode Island and Cleveland, Ohio. In the Rhode Island location, the Company leases space of approximately 27,000 square feet in several different facilities under several leases with various lease expirations from May 2000 through November 2004. In the Ohio location, the Company leases space of approximately 19,500 square feet, which lease expires in June 2001. The Company also leases approximately 2,000 square feet in Nashville, TN for a regional sales administration facility. This lease expires on April 30, 1999. The Company believes that its leases provide for lease payments that reasonably approximate market rates and that its facilities are adequate and suitable for its requirements.

Item 3. Legal Proceedings

On March 5, 1996, Pro-Mark Holdings, Inc. ("Pro-Mark"), a subsidiary of MIM Corporation, was added as a third-party defendant in a proceeding in the Superior Court of the State of Rhode Island, and on September 16, 1996 the third-party complaint was amended to add MIM Corporation as a third-party defendant. The third-party complaint alleged that the Company interfered with certain contractual relationships and misappropriated certain confidential information. The third-party complaint sought to enjoin the Company from using the allegedly misappropriated confidential information and sought an unspecified amount of compensatory and consequential damages, interest and attorneys' fees. On November 20, 1998, this action was settled pursuant to a settlement and release agreement among the parties to the action. Under the terms of the settlement, the Company was not required to make payment to any party and no non-monetary restrictions or limitations were otherwise imposed against the Company or any subsidiary or any of their respective officers, directors or employees.

In February 1999, the Company reached an agreement in principle with respect to a civil settlement of a Federal and State of Tennessee investigation focusing mainly on the conduct of two former officers (one of which is a former director and still principal stockholder of the Company) of a subsidiary prior to the Company's Offering. Based upon the agreement in principle, the investigation, as it relates to the Company, would be fully resolved through the payment of a $2.2 million civil settlement and an agreement to implement a corporate integrity program in conjunction with the Office of the Inspector General of the U.S. Department of Health and Human Services. In that connection, the Company recorded a non-recurring charge of $2.2 million against fourth quarter 1998 earnings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" in

Item 7 in Part II of this Annual Report. This settlement is subject to several conditions, including the execution of a definitive agreement. The Company anticipates that it will have no continued involvement in the governments' joint investigation other than continuing to cooperate with the governments in their efforts.

On March 29, 1999, Xantus Healthplan of Tennessee, Inc. ("Xantus"), one of the TennCare MCO's to which the Company provides PBM services, filed a complaint in the Chancery Court for Davidson County, Tennessee. Xantus alleged that the Company advised Xantus in writing that it would cease providing PBM services on Monday, March 29, 1999 to Xantus and its members in the event that Xantus failed to pay approximately $3.3 million representing past due amounts in connection with PBM services rendered by the Company in 1999. The complaint further alleged that the Company does not have the right to cease providing services under the agreement between Xantus and the Company. Additionally, Xantus applied for a temporary restraining order as well as temporary injunction to prevent the Company from ceasing to provide such PBM services. The hearing on the motion for the temporary injunction was scheduled to be heard on Thursday, April 1, 1999. However, on March 31, 1999, the State of Tennessee and Xantus entered into a consent decree whereby, among other things, the Commissioner of Commerce and Insurance for the State of Tennessee was appointed receiver of Xantus for purposes of rehabilitation. Due to the fact that the receiver was appointed at the time of the filing of this Annual Report, the Company is unable to predict the consequences of this appointment on the Company's ability to retain Xantus's business or its ability to collect monies owed to it by Xantus. As of March 31, 1999, Xantus owes the Company $9.8 million relating to PBM services rendered by the Company in 1999. The failure of the Company to collect all or a substantial portion of the monies owed to it by Xantus would have a material adverse effect on the Company's financial condition and results of operations.

From time to time, the Company may be a party to legal proceedings arising in the ordinary course of the Company's business. Management does not presently believe that any current matters would have a material adverse effect on the consolidated financial position or results of operations of the Company.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal 1998.

PART II

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

The Company's Common Stock began trading on The Nasdaq National Market Tier of The Nasdaq Stock Market ("Nasdaq") on August 15, 1996 under the symbol "MIMS". The following table represents the high and low sales prices for the Company's Common Stock for the periods shown. Such prices are interdealer prices, without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

	MIM Common Stock	
	High	Low
1997:		
First Quarter	$10.375	$4.75
Second Quarter	$16.75	$5.75
Third Quarter	$17.375	$9.062
Fourth Quarter	$9.875	$3.625
1998:		
First Quarter	$6.50	$3.688
Second Quarter	$6.438	$4.00
Third Quarter	$6.438	$2.50
Fourth Quarter	$5.00	$2.281

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

As of March 12, 1999, there were 117 stockholders of record in addition to approximately 2,000 stockholders whose shares were held in nominee name.

For purposes of calculating the aggregate market value of the shares of Common Stock held by non-affiliates, as shown on the cover page of this Annual Report, it has been assumed that all outstanding shares were held by non-affiliates, except for shares held by directors and executive officers of the Company and stockholders owning 5% or more of the outstanding Common Stock based upon public filings made with the Securities and Exchange Commission ("Commission"). However, this should not be deemed to constitute an admission that such persons are, in fact, affiliates of the Company, or that there are not other persons who may be deemed to be affiliates of the Company. Further information concerning ownership of Common Stock by executive officers, directors and principal stockholders of the Company is included in Item 12 in Part III of this Annual Report.

Except for the performance units and restricted shares of Common Stock issued to certain executive officers of the Company on December 2, 1998, which were issued in reliance on Section 4(2) of the Securities Act, during the three months ended December 31, 1998, the Company did not sell any securities without registration under the Securities Act of 1933, as amended (the "Securities Act"). See Long-Term Incentive Plan - Awards in Last Fiscal Year in Item 11 in Part III of this Annual Report.

From August 14, 1996 through December 31, 1998, the $46,788,000 net proceeds from the Company's Offering of its Common Stock, affected pursuant to a Registration Statement assigned file number 333-05327 by the Commission and declared effective by the Commission on August 14, 1996, have been applied in the following approximate amounts:

Construction of plant, building and facilities	$ -
Purchase and installation of machinery and equipment	$ 3,345,000
Purchases of real estate	$ -
Acquisition of other businesses	$ 2,325,000
Repayment of indebtedness	$ -
Working capital	$ 24,929,000
Temporary investments:	
Marketable securities	$ 11,694,000
Overnight cash deposits	$ 4,495,000

To date, the Company has expended a relatively insignificant portion of the Offering proceeds on expansion of the Company's "preferred generics" business which was described more fully in the Offering prospectus and the Company's Annual Report on Form 10-K for the year ended December 31, 1996. At the time of the Offering, however, as disclosed in the Offering prospectus and subsequent Forms SR, the Company intended to apply approximately $18.6 million of Offering proceeds to fund an expansion of the "preferred generics" program. The Company has determined not to apply any material portion of the Offering proceeds to fund any expansion of this program. The Company presently intends to use the remaining Offering proceeds to support the continued growth of its PBM and mail order business.

Item 6. Selected Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" set forth in Item 7 of this Annual Report and with the Company's Consolidated Financial Statements and Notes thereto appearing in Item 8 of this Annual Report.

Statement of Operations Data	Year Ended December 31, 1998	1997	1996	1995	1994
	(in thousands, except per share amounts)				
Revenue	$451,070	$242,291	$283,159	$213,929	$109,326
Non-recurring charges	$3,700(1)	--	$26,640(2)	--	--
Net income (loss)	$4,271	($13,497)	($31,754)	($6,772)	($2,456)
Net income (loss) per basic share	$0.28	($1.07)	($3.32)	($1.43)	($0.55)
Net income (loss) per diluted share (3)	$0.26	($1.07)	($3.32)	($1.43)	$(0.55)
Weighted average shares outstanding used in computing net income per basic share	15,115	12,620	9,557	4,732	4,500
Weighted average shares outstanding used in computing net income per diluted share	16,324	12,620	9,557	4,732	4,500

Balance Sheet Data	December 31, 1998	1997	1996	1995	1994
			(in thousands)		
Cash and cash equivalents	$ 4,495	$ 9,593	$ 1,834	$ 1,804	$ 2,933
Investment securities	11,694	22,636	37,038	--	--
Working capital (deficit)	19,823	9,333	19,569	(12,080)	(5,087)
Total assets	110,106	62,727	61,800	18,924	15,260
Capital lease obligations, net of current portion	598	756	375	110	239
Long-term debt, net of current portion	6,185(4)	--	--	--	--
Stockholders' equity (deficit)	$ 39,054	$ 16,810	$ 30,143	$(11,524)	$ (3,693)

(1) In 1998, the Company recorded $1.5 million and $2.2 million non-recurring charges, respectively, against earnings in connection with the negotiated termination of the RxCare relationship and amounts paid in settlement of the Federal and State of Tennessee investigation relating to the conduct of two former officers of the Company prior to the Offering, respectively. See "Business - The TennCare Program" in Item 1 and Item 3, Legal Proceedings, of Part I of this Annual Report. Excluding these items, net income for 1998 would have been $8.0 million, or $0.48 per diluted share.

(2) In 1996, the Company recorded a $26.6 million non-recurring, non-cash stock option charge in connection with the grant by the Company's then majority stockholder of certain options to then unaffiliated third parties, who later became officers of the Company. See Note 9 to the Consolidated Financial Statements. Excluding this item, the net loss for 1996 would have been $5.1 million, or $0.54 per share.

(3) The historical diluted loss per common share for the years 1997 through 1994 excludes the effect of common stock equivalents, as their inclusion would be antidilutive.

(4) This amount represents long-term debt assumed by the Company in connection with its acquisition of Continental.

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

This Annual Report contains statements that may be considered forward looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act, including statements regarding the Company's and its management's expectations, hopes, intentions or strategies regarding the future, as well as other statements which are not historical facts. Forward looking statements may include statements relating to the Company's and its management's business development activities, sales and marketing efforts, the status of material contractual arrangements, including the negotiation, continuation, renewal or re-negotiation of such arrangements, future capital expenditures, the effects of government regulation and competition on the Company's business, future operating performance of the Company, the results, benefits and risks associated with the integration of acquired companies, the effect of year 2000 problems on the Company's operations (see "Year 2000 disclosure" below), and/or effect of legal proceedings or investigations and/or the resolution or settlement thereof. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties that may cause actual results to differ materially from those in the forward looking statements as a result of various factors. These factors include, among other things, risks associated with "capitated" contracts or other risk-sharing arrangements, increased government regulation related to the health care and insurance industries in general and more specifically, pharmacy benefit management organizations, increased competition from the Company's competitors, the existence of complex laws and regulations relating to the Company's business and risks associated with the Company's reliance on the TennCare MCO's for substantial percentages of its revenues and gross profit and its need to maintain favorable relations with these clients. This Annual Report, together with the Company's other filings with the Commission under the Exchange Act and Securities Act, contains information regarding other important factors that could also cause such differences. The Company does not undertake any obligation to publicly release the results of any revisions to these forward looking statements that may be made to reflect any future events and circumstances.

Overview

A majority of the Company's revenues to date have been derived from operations in the State of Tennessee under the RxCare Contract. The Company assisted RxCare in defining and marketing PBM services to private health plan sponsors on a consulting basis in 1993, but did not commence substantial operations through the provision of PBM services to such plan sponsors until January 1994 when the Company, through the RxCare Contract, began servicing several of the health plan sponsors involved in the then newly instituted TennCare health care benefits program. See "Business - The TennCare Program" in Item 1 in Part I of this Annual Report.

At December 31, 1998, the Company provided PBM services to a total of 127 plan sponsors with an aggregate of approximately 1.9 million plan members. As of December 31, 1998, under the RxCare Contract, the Company serviced six TennCare plan sponsors with approximately 1.2 million plan members. The RxCare Contract accounted for 72.2% of the Company's revenues for the year ended December 31, 1998 and 83.6% of the Company's revenues for the year ended December 31, 1997. Throughout this Annual Report, all references to the number of members or lives managed by the Company under the TennCare program excludes members or lives duplicatively covered under an agreement between the Company and TennCare behavioral health plan sponsors. In prior periodic reports under the Exchange Act and in previous press releases, the Company has counted such members and lives twice when covered under more than one agreement.

The Company and RxCare did not renew the RxCare Contract which expired on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those then under contract with RxCare) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts during this period resulted in the Company executing agreements effective as of January 1, 1999 to provide PBM services directly to five of the six TennCare MCO's and 900,000 of the TennCare lives previously managed under the RxCare Contract as well as substantially all TPA's and employer groups previously managed under the RxCare Contract. The Company anticipates that approximately 32% of its revenues for fiscal 1999 will be derived from providing PBM services to these five TennCare MCO's. To date, the Company has been unable to secure a contract with the two TennCare BHO's to which it previously provided PBM services

under the RxCare Contract. For the year ended December 31, 1998, amounts paid to the Company by these BHO's represented approximately 27% of the Company's revenues. The Company has made operational adjustments determined to be necessary due to the BHO and MCO contract losses.

1998 Acquisition

On August 24, 1998, the Company completed its acquisition of Continental, a company which provides pharmacy benefit management services and mail order pharmacy services. The acquisition was treated as a purchase for financial reporting purposes. The Company issued 3,912,448 shares of Common Stock as consideration for the purchase. The aggregate purchase price, including acquisition costs of approximately $1.0 million, approximated $19.0 million. The fair value of assets acquired approximated $11.3 million and liabilities assumed approximated $12.0 million, resulting in approximately $18.4 million of goodwill and $1.3 million of other intangible assets which will be amortized over their estimated useful lives (25 years and 6.5 years, respectively). The Consolidated Financial Statements of the Company included in Item 8 of this Annual Report for the year ended December 31, 1998 include the results of operations and financial position of Continental from and after the date of acquisition.

Results of Operations

Year ended December 31, 1998 compared to year ended December 31, 1997

For the year ended December 31, 1998, the Company recorded revenue of $451.1 million, an increase of $208.8 million over the prior year. Approximately $62.6 million of the increase in revenues resulted from increased commercial business, including $19.4 million from a Nevada based managed care organization (the "Nevada Plans"). The acquisition of Continental resulted in increased revenues of $23.1 million, including $13.6 million attributable to mail order pharmacy services. The Company anticipates that mail order pharmacy services will generate approximately 8% of the Company's revenues in fiscal 1999. The increase in commercial revenues resulted from managing an additional 91 plans covering an additional 207,000 lives under new and existing commercial plans. Revenue from TennCare contracts increased approximately $123.1 million as a result of two new contracts entered into in the fourth quarter of 1997 ($85.1 million) and contract renewals on more favorable terms and increased enrollment in the TennCare plans ($63.0 million), partially offset by a decrease in revenues of $25.0 million resulting from the restructuring of a major TennCare contract in April 1997.

For the year ended December 31, 1998, approximately 32% of the Company's revenues were generated from capitated or other risk-based contracts, compared to 53% for the year ended December 31, 1997. Effective January 1, 1999, the Company began providing PBM services directly to five of the six TennCare MCO's previously managed under the RxCare Contract. The Company will be compensated on a capitated basis under three of the five TennCare contracts, thereby increasing the Company's financial risk in 1999 as compared to 1998. Based upon its present contracted arrangements, the Company anticipates that approximately 28% of its revenues in 1999 will be derived from capitated or other risk-based contracts.

Cost of revenue for the year ended December 31, 1998 increased $182.4 million to $421.4 million compared to the prior year. New commercial contracts together with increased enrollment in existing commercial plans accounted for $54.0 million of the increase in cost of revenue, including $20.2 million relating to the Nevada Plans. Costs attributable to the acquisition of Continental accounted for $18.4 million of the increase in cost of revenue. Costs related to TennCare contracts increased cost of revenue $110.0 million. Costs relating to the two new TennCare contracts accounted for $80.3 million of such increase, while increased enrollment in existing TennCare plans increased cost of revenue $58.7 million. These cost increases were offset by the restructuring of a major TennCare contract in April 1997, which resulted in a decrease in cost of revenue of $25.5 million. As a percentage of revenue, cost of revenue decreased to 93.4% for the year ended December 31, 1998 from 98.6% for the year ended December 31, 1997 primarily as a result of contract renewals on more favorable terms.

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 to restrict formularies to the extent contemplated by the Company at the time a contract is entered into, 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. After analyzing those factors described above, the Company recorded a $4.1 million reserve in December 1997 with respect to the Nevada Plans. The arrangements with the Nevada Plans were terminated in August 1998. The reserve established was adequate to absorb the actual losses. Management does not believe that there is an overall trend towards losses on its existing capitated contracts.

Selling, general and administrative expenses were $23.1 million for the year ended December 31, 1998, an increase of $4.0 million as compared to $19.1 million for the year ended December 31, 1997. The acquisition of Continental accounted for $3.8 million of the increase. The remaining $0.2 million increase in expenses reflects expenditures incurred in connection with the Company's continuing commitment to enhance its ability to manage efficiently pharmacy benefits by investing in additional operational and clinical personnel and information systems to support new and existing customers, partially offset by lower legal costs. As a percentage of revenue, selling, general and administrative expenses decreased to 5.1% for the year ended December 31, 1998 from 7.9% for the year ended December 31, 1997 as revenue increases did not result in proportional increases in expenditures.

The Company recorded a non-recurring charge against earnings of $1.5 million in connection with its negotiated termination of its relationship with RxCare ("RxCare Settlement"). See "Overview." In addition, the Company recorded a non-recurring charge against earnings of $2.2 million in connection with the conclusion of an agreement in principle with respect to a civil settlement of the Federal and State of Tennessee investigation ("Tennessee Settlement") relating to the conduct of two former officers (one of which is a former director and still principal stockholder of the Company) of a subsidiary prior to the Company's Offering. The Tennessee Settlement is subject to several conditions, including the execution of a definitive agreement. The Company anticipates that the investigation will be fully resolved with this Settlement. See Item 3, Legal Proceedings, in Part I of this Annual Report.

For the year ended December 31, 1998, the Company recorded amortization of goodwill and other intangibles of $0.3 million in connection with its acquisition of Continental. The Continental acquisition resulted in the recording of approximately $18.4 million of goodwill and $1.3 million of other intangible assets, which will be amortized over their estimated useful lives (25 years and 6.5 years, respectively). The Company anticipates that its annual amortization of goodwill and other intangibles will be approximately $0.9 million in fiscal 1999.

For the year ended December 31, 1998, the Company recorded interest income, net of interest expense, of $1.7 million. Interest income was $1.8 million, a decrease of $0.5 million from a year ago, resulting from a reduced level of invested capital due to the additional working capital needs of the Company. See "Liquidity and Capital Resources."

For the year ended December 31, 1998, the Company recorded net income of $8.0 million, or $.48 per diluted share, before recording the $1.5 million and $2.2 million non-recurring charges for the RxCare Settlement and Tennessee Settlement, respectively. Net income for the year ended December 31, 1998, after recording the non-recurring charges, was $4.3 million, or $.26 per diluted share. For the year ended December 31, 1997, the Company recorded a net loss of $13.5 million, or $(1.07) per share.

For the year ended December 31, 1998, accounts receivable increased $41.0 million to $64.7 million from $23.7 million for the prior year. The increase resulted primarily from a proportionate increase in PBM business during the period. In addition, the Company's acquisition of Continental accounted for approximately $10.4 million of the increase in accounts receivable and delays in the receipt of payments from certain fee-for-service PBM clients and drug manufacturers accounted for approximately $13.6 million of the increase in accounts receivable. Because a substantial majority of these payments were collected by the Company in the first quarter of 1999, the Company does not believe that this increase in accounts receivable in 1998 due to delayed payments reflects a trend or that the Company's liquidity has been or will be materially adversely affected.

Year ended December 31, 1997 compared to year ended December 31, 1996

For the year ended December 31, 1997, the Company recorded revenues of $242.3 million compared with 1996 revenues of $283.2 million, a decrease of $40.9 million, or 14%. In an effort to stem future losses and increase profitability, the Company through RxCare, terminated the capitated contract with Blue Cross/Blue Shield of Tennessee, Inc. ("BCBS") effective March 31, 1997. Although this contract previously had been renegotiated and extended, high utilization rates continued to hamper the Company's ability to gain profitability under the contract even though the Company was able to lower average cost of each prescription. Subsequent to the termination of the original BCBS contract, the Company had negotiated a contract directly (rather than through RxCare) with an affiliate of BCBS to begin pharmacy benefit management services on April 1, 1997. Although the Company continued to provide essentially the same services under such restructured contract as it did before the restructuring, the new contract eliminated capitation risk to the Company and provides for payment of certain administrative and clinical consulting services on a fee-for-service basis. The restructuring in April 1997 of the BCBS contract decreased revenue for the year ended December 31, 1997 compared to December 31, 1996 by $107.0 million. This decrease in revenues was offset by an increase of $34.8 million in other TennCare business resulting from increased enrollment and several favorable contract restructurings. Further revenue increases of $31.3 million resulted from increased enrollment in existing commercial plans as well as the servicing of 11 new commercial plans covering approximately 418,000 new members throughout the United States.

Cost of revenue for 1997 decreased to $239.0 million from $278.1 million for 1996, a decrease of $39.1 million. The above-described restructuring of the BCBS contract resulted in a decrease in cost of revenue of $111.6 million. Costs relating to the remaining TennCare contracts increased by $34.2 million due to eligibility increases, increased drug prices and increased utilization of prescription drugs. Increased enrollment in existing commercial plans together with several new commercial contracts resulted in a $38.3 million increase in cost of revenue. Included in cost of revenues for commercial business is a $4.1 million reserve established to cover anticipated future losses under certain of the Nevada Plans. As a percentage of revenue, cost of revenue increased to 98.6% in 1997 from 98.2% in 1996.

For the year ended December 31, 1997, gross profit decreased $1.8 million to $3.3 million, after recording the $4.1 million reserve previously described, from $5.1 million at December 31, 1996. Gross profit increases of $5.0 million in TennCare business resulted from favorable contract renegotiations as well as increased eligibility, offset by decreases of $6.8 million in commercial business resulting primarily from the Nevada Plans. The Nevada Plans generated $7.3 million in gross losses in the fourth quarter of 1997 (including a $4.1 million reserve for anticipated future losses). The Company believed this reserve to be a reasonable estimate of its exposure.

Selling, general and administrative expenses increased $7.5 million to $19.1 million in 1997 from $11.6 million in 1996, an increase of 65.0%. The $7.5 million increase was attributable to expenses associated with an expanded national sales effort, additional headquarter personnel and operations support needed to service new business and increases in legal and consulting fees. As a percentage of revenue, general and administrative expenses increased to 7.9% in 1997 from 4.1% in 1996.

For the year ended December 31, 1997, the Company recorded interest income of $2.3 million compared to $1.4 million for the year ended December 31, 1996, an increase of $0.9 million. The increase resulted from funds invested from the Company's Offering being invested for the entire year in 1997 as opposed to only five months in 1996.

For the year ended December 31, 1997, the Company recorded a net loss of $13.5 million, or $1.07 per share. This compares with a net loss of $5.1 million, or $0.54 per share for the year ended December 31, 1996 before recording a $26.6 million nonrecurring, non-cash stock option charge. The charge in 1996 represented the difference between the exercise price and the deemed fair market value of the Common Stock granted by the Company's then principal stockholder to certain then unaffiliated third parties who later become executive officers and directors of the Company. This increase in net loss is the result of the above-described changes in revenue, cost of revenue and expenses.

Liquidity and Capital Resources

The Company utilizes both funds generated from operations, if any, and funds raised in the Offering for capital expenditures and working capital needs. For the year ended December 31, 1998, net cash used by the Company for operating activities totaled $16.4 million, primarily due to an increase in accounts receivable of $41.0 million. The increase in accounts receivable resulted from increased PBM business, the acquisition of Continental's accounts receivable ($10.4 million) and certain changes in payment patterns primarily attributable to certain delays in payments ($13.6 million). Because a substantial majority of the delayed payments were collected by the Company in the first quarter of 1999, the Company does not believe that this increase in accounts receivable in 1998 due to delayed payments reflects a trend or that the Company's liquidity has been or will be materially adversely affected. Such uses were offset by a $5.3 million increase in claims payable, a $5.7 million increase in payables to plan sponsors and others and an increase in accrued expenses of $1.9 million. The increases in claims payable and payables to plan sponsors and others increased primarily due to increases in PBM business, partially offset by reductions in the percentage of drug manufacturer rebates owed by the Company to certain clients under rebate sharing arrangements. Accrued expenses increased due to the accrual of $2.2 million in connection with the Tennessee Settlement.

Investing activities generated $7.8 million in cash from proceeds of maturities of investment securities of $39.8 million, offset by the purchase of investment securities of approximately $28.9 million. The Company purchased $2.2 million of equipment primarily to upgrade and enhance information systems necessary to strengthen and support the Company's ability to manage its customer's pharmacy benefit programs and to be competitive in the PBM industry. Financing activities generated $3.5 million of cash primarily from an increase in debt of $3.6 million.

At December 31, 1998, the Company had working capital of $19.8 million, including $11.7 million in investment securities, compared to $9.3 million at December 31, 1997. Cash and cash equivalents decreased to $4.5 million at December 31, 1998 compared with $9.6 million at December 31, 1997. The Company had investment securities held to maturity of $11.7 million and $22.6 million at December 31, 1998 and 1997, respectively. The decrease in cash and investment securities was due to the Company's increased working capital requirements. With the exception of the Company's $2.3 million preferred stock investment in Wang Healthcare Information Systems, Inc. ("WHIS"), the Company's investments are primarily corporate debt securities rated AA or higher and government securities. In June 1997, the Company's invested $2.3 million in the preferred stock of WHIS, a company engaged in the development, sales and marketing of PC-based information systems for physicians and their staff, using image-based technology.

As discussed above, effective January 1, 1999, the Company began to provide PBM services directly to five of the six TennCare MCO's and 900,000 of the TennCare lives previously managed under the RxCare Contract. To date, however, the Company has been unable to secure a contract with the sixth TennCare MCO or with either of the two TennCare BHO's for which it previously provided PBM services under the RxCare Contract. The Company does not believe that the loss of these contracts will have a material adverse effect on its liquidity in fiscal 1999.

On March 31, 1999, the State of Tennessee and Xantus entered into a consent decree whereby, among other things, the Commissioner of Commerce and Insurance for the State of Tennessee was appointed receiver of Xantus for purposes of rehabilitation. Due to the fact that the receiver was appointed at the time of the filing of this Annual Report, the Company is unable to predict the consequences of this appointment on the Company's ability to retain Xantus's business or its ability to collect monies owed to it by Xantus. As of March 31, 1999, Xantus owes the Company $9.8 million relating to PBM services rendered by the Company in 1999. The failure of the Company to collect all or a substantial portion of the monies owed to it by Xantus would have a material adverse effect on the Company's financial condition and results of operations.

Under Section 145 of the Delaware General Corporation Law ("Section 145") and the Company's Amended and Restated By-Laws ("By-Laws"), the Company is obligated to indemnify two former officers (one of which is a former director and still principal stockholder of the Company) of a subsidiary who are the subject of the Federal and State of Tennessee investigation described above, unless it is ultimately determined by the Company's Board of Directors that these former officers failed to act in good faith and in a manner they reasonably believed to be in the best interests of the Company, that they had reason to believe that their conduct was unlawful or for any other reason consistent with Section 145 or the By-Laws. In addition, until the Board makes such a determination, the Company is obligated under Section 145 and its By-Laws to advance the costs of defense to such persons; however, if the Board determines that either or both of these former officer are not entitled to indemnification, such individuals would be obligated to reimburse the Company for all amounts so advanced. The Company is not presently in a position to assess the likelihood that either or both of these former officers will be entitled to such indemnification and advancement of defense costs or to estimate the total amount that it may have to pay in connection with such obligations or the time period over which such amounts may have to be advanced. No assurance can be given, however, that the Company's obligations to either or both of these former officers would not have a material adverse effect on the Company's results of operations or financial condition.

From time to time, the Company may be a party to legal proceedings or involved in related investigations, inquiries or discussions, in each case, arising in the ordinary course of the Company's business. Although no assurance can be given, management does not presently believe that any current matters would have a material adverse effect on the liquidity, financial position or results of operations of the Company.

At December 31, 1998, the Company had, for tax purposes, unused net

operating loss carry forwards of approximately $47 million which will begin expiring in 2008. As it is uncertain whether the Company will realize the full benefit from these carryforwards, the Company has recorded a valuation allowance equal to the deferred tax asset generated by the carryforwards. The Company assesses the need for a valuation allowance at each balance sheet date. The Company has undergone a "change in control" as defined by the Internal Revenue Code of 1986, as amended ("Code"), and the rules and regulations promulgated thereunder. The amount of net operating loss carryforwards that may be utilized in any given year will be subject to a limitation as a result of this change.

The annual limitation approximates $2.7 million. Actual utilization in any year will vary based on the Company's tax position in that year.

As the Company continues to grow, it anticipates that its working capital needs will also continue to increase. The Company expects to spend approximately $1.7 million on capital expenditures during fiscal 1999 primarily for expansion and upgrading of information systems. The Company believes that it has sufficient cash on hand or available to fund the Company's anticipated working capital and other cash needs for at least the next 12 months.

The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its PBM business, which the Company would expect to fund from cash on hand or future indebtedness or, if appropriate, the sale or exchange of equity securities of the Company.

Other Matters

The Company's pharmaceutical claims costs historically have been subject to significant increase over annual averages from October through February, which the Company believes is due to increased medical requirements during the colder months. The resulting increase in pharmaceutical costs impacts the profitability of capitated contracts or other risk-based arrangements. Risk-based business represented approximately 32% of the Company's revenues while non-risk business (including the provision of mail order services) represented approximately 68% of the Company's revenues for the year ended December 31, 1998. Non-risk arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under risk-based contracts. The Company presently anticipates that approximately 28% of its revenues in fiscal 1999 will be derived from risk-based arrangements.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, a component of pharmaceutical claims, have historically affected the Company's cost of revenue. The Company believes that it is likely for prices to continue to increase which could have an adverse effect on the Company's gross profit. To the extent such cost increases adversely effect the Company's gross profit, the Company may be required to increase contract rates on new contracts and upon renewal of existing contracts. However, there can be no assurance that the Company will be successful in obtaining these rate increases. The higher level of non-risk contracts with the Company's customers in 1998 and 1999 compared to prior years mitigates the adverse effects of price increases, although no assurance can be given that the recent trend towards no-risk arrangements will continue.

Year 2000 disclosure

The so-called "year 2000 problem," which is common to many companies, concerns the inability of information systems, primarily computer hardware and software programs, to recognize properly and process date sensitive information following December 31, 1999. The Company has committed substantial resources (approximately $2.4 million) over the past two years to improve its information systems ("IS project"). The Company has used this IS project as an opportunity to evaluate its state of readiness, estimate expected costs and identify and quantify risks associated with any potential year 2000 issues.

State of Readiness:

In evaluating the Company's exposure to the year 2000 problem, management first identified those systems that were critical to the ongoing business of the Company and that would require significant manual intervention should those systems be unable to process dates correctly following December 31, 1999. Those systems were the Company's claims adjudication and processing system and the internal accounting system (which includes pharmacy reimbursement). Once those systems were identified, the following steps were identified as those that would be required to be taken to ascertain the Company's state of readiness:

I. Obtaining letters from software and hardware vendors concerning the ability of their products to properly process dates after December 31, 1999;
II. Testing the operating systems of all hardware used in the identified information systems to determine if dates after December 31, 1999 can be processed correctly;

III. Surveying other parties who provide or process information in electronic format to the Company as to their state of readiness and ability to process dates after December 31, 1999; and
IV. Testing the identified information systems to confirm that they will properly recognize and process dates after December 31, 1999.

The Company (excluding for purposes of this year 2000 discussion only, Continental) has completed Step I. The Company will continue to obtain letters from new hardware and software vendors. The Company is currently in the process of implementing Step II. The Company has begun testing its operating systems, and where appropriate software patches have been acquired. Any software or hardware determined to be non-compliant will be modified, repaired or replaced. Installation of patches and full operating systems testing is anticipated to be completed during the second quarter of 1999. The Company cannot estimate the costs of such modifications, repairs and replacements at this time, but does not believe that the costs of such modifications, repairs or replacements will be material. The Company will disclose the results of its testing and attempt to further quantify this estimate in future periodic reports following its completion of Step II.

With respect to Step III above, the Company has engaged in discussions with the third party vendors that transmit data from member pharmacies and based upon such discussions it believes that such third party vendors' systems will be able to properly recognize and process dates after December 31, 1999. The Company is in the process of surveying member pharmacies in its network as to their ability to transmit data correctly to such third party vendors and anticipates completing this survey during the second quarter of 1999. Once this survey is complete, the Company will evaluate any additional steps required to allow member pharmacies to transmit data after December 31, 1999 and will disclose such additional steps, if any, and their related costs in future periodic reports.

With respect to Step IV above, the Company intends to perform a comprehensive year 2000 compliance test of the claims adjudication and processing systems as part of the next regularly scheduled disaster recovery drill, which is currently planned for June 1999. This date has been postponed from the previously scheduled March 1999 test in order to incorporate software upgrades during the second quarter of 1999. The Company's internal accounting and other administrative systems generally have been internally developed during the last few years or are presently being developed. Accordingly, in light of the fact that such systems were developed with a view to year 2000 compliance, the Company fully expects that these systems will be able to properly recognize and process dates after December 31, 1999. The Company intends to test these systems for year 2000 compliance as part of the disaster recovery drill described above.

Continental's computer systems related to the delivery of medications through mail order were upgraded in the fourth quarter of 1998 to become year 2000 compliant. The Company will disclose its ongoing assessment of Continental's state of readiness in future periodic reports.

Costs:

As noted above, the Company spent approximately $2.4 million over the past two years to improve its information systems. In addition, the Company anticipates that it will spend approximately $1.7 million over the next 12 months to further improve its information systems. These improvements were not specifically instituted to address the year 2000 issue, but rather to address other business issues. Nonetheless, the IS project provided the Company with a platform from which to address any year 2000 issues. Management does not believe that the amount of funds expended in connection with the IS project would have differed materially in the absence of the year 2000 problem. The Company's cash on hand as a result of the Offering has provided all of the funds expended to date on the IS project and is expected to provide substantially all of the funds expected to be spent in the next 12 months on the IS project.

Risks:

On July 29, 1998, the Commission issued Release No. 33-7558 (the "Release") in an effort to provide further guidance to reporting companies concerning disclosure of the year 2000 problem. In this Release the Commission

required that registrants include in its year 2000 disclosure a description of its "most reasonably likely worst case scenario." Based on the Company's assessment and the results of remediation performed to date as described above, the Company believes that all problems related to the year 2000 will be addressed in a timely manner so that the Company will experience little or no disruption in its business immediately following December 31, 1999. However, if unforeseen difficulties arise, if the Company's assessment of Continental uncovers significant problems (which is not presently expected to occur) or if compliance testing is delayed or necessary remediation efforts are not accomplished in accordance with the Company's plans described above, the Company anticipates that its "most reasonably likely worst case scenario" (as required to be described by the Release) is that some percentage of the Company's claims would need to be processed manually for some limited period of time. At this point in time, the Company cannot reasonably estimate the number of pharmacies or the level of claims involved or the costs that would be incurred if the Company were required to hire temporary staff and incur other expenses to manually process such claims. The Company expects to be better able to quantify the number of pharmacies and level of claims involved as well as the related costs following its completion of the survey of member pharmacies in the second quarter of 1999 and presently intends to disclose such estimates in future periodic reports. In addition, the Company anticipates that all businesses (regardless of their state of readiness), including the Company, will encounter some minimal level of disruption in its business (e.g., phone and fax systems, alarm systems, etc.) as a result of the year 2000 problem. However, the Company does not believe that it will incur any material expenses or suffer any material loss of revenues in connection with such minimal disruptions.

Contingency Plans:

As discussed above, in the event of the occurrence of the "most reasonably likely worst case scenario" the Company would hire an appropriate level of temporary staff to manually process the pharmacy claims submitted on paper. As discussed above, at this time the Company cannot reasonably estimate the number of pharmacies or level of claims involved or the costs that would be incurred if the Company were required to hire temporary staff and incur other expenses to manually process such claims. While some level of manual processing is common in the industry and while manual processing increases the time it takes the Company to pay the member pharmacies and invoice the related payors, the Company does not foresee any material lost revenues or other material expenses in connection with this scenario. However, an extended delay in processing claims, making payments to pharmacies and billing the Company's customers could materially adversely impact the Company's liquidity.

In addition, while not part of the "most reasonably likely worst case scenario," the delay in paying such pharmacies for their claims could result in adverse relations between the Company and the pharmacies. Such adverse relations could cause certain pharmacies to drop out of the Company's networks which in turn could cause the Company to be in breach under service area provisions under certain of its services agreements with its customers. The Company does not believe that any material relationship with any pharmacy will be so affected or that any material number of pharmacies would withdraw from the Company's networks or that it will breach any such service area provision of any contract with its customers. Notwithstanding the foregoing, based upon past experience, the Company believes that it could quickly replace any such withdrawing pharmacy so as to prevent any breach of any such provision. The Company cannot presently reasonably estimate the possible impact in terms of lost revenues, additional expenses or litigation damages or expenses that could result from such events.

Forward Looking Statements:

Certain information set forth above regarding the year 2000 problem and the Company's plans to address those problems are forward looking statements under the Securities Act and the Exchange Act. See the first paragraph in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of forward looking statements and related risks and uncertainties. In addition, certain factors particular to the year 2000 problem could cause actual results to differ materially from those contained in the forward looking statements, including, without limitation: failure to identify critical information systems which experience failures, delays and errors in the compliance and remediation efforts described above, unexpected failures by key vendors, member pharmacies, software providers or business partners to be year 2000 compliant or the inability to repair critical information systems in the time frames described above. In any such event, the Company's results of operations and financial condition could be materially adversely affected. In addition, the failure to be year 2000

compliant of third parties outside of the Company's control such as electric utilities or financial institutions could adversely effect the Company's results of operations and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk represents the only market risk exposure applicable to the Company. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's investments in marketable securities. All of these instruments are classified as held-to-maturity on the Company's consolidated balance sheet and were entered into by the Company solely for investment purposes and not for trading purposes. The Company does not invest in or otherwise use derivative financial instruments. The Company's investments consist primarily of corporate debt securities, corporate preferred stock and State and local governmental obligations, each rated AA or higher. The table below presents principal cash flow amounts and related weighted average effective interest rates by expected (contractual) maturity dates for the Company's financial instruments subject to interest rate risk:

	1999	2000	2001	2002	2003	Thereafter
Short-term investments						
Fixed rate investments	11,650	--	--	--	--	--
Weighted average rate	6.41%	--	--	--	--	--
Long-term investments:						
Fixed rate investments	--	--	--	--	--	--
Weighted average rate	--	--	--	--	--	--
Long-term debt:						
Variable rate instruments	208	312	5,873	--	--	--
Weighted average rate	9.00%	9.00%	7.76%	--	--	--

In the table above, the weighted average interest rate for fixed and variable rate financial instruments in each year was computed utilizing the effective interest rate at December 31, 1998 for that instrument multiplied by the percentage obtained by dividing the principal payments expected in that year with respect to that instrument by the aggregate expected principal payments with respect to all financial instruments within the same class of instrument.

At December 31, 1998, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable and payables to plan sponsors and others 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 PUBLIC ACCOUNTANTS

To MIM Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of MIM Corporation (a Delaware corporation) and Subsidiaries as of December 31, 1998 and 1997 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1998. 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 and schedule based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 consolidated financial statements referred to above present fairly, in all material respects, the financial position of MIM Corporation and Subsidiaries as of December 31, 1998 and 1997 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

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 12, 1999 (except with respect to the
matter described in Note 7
as to which the date is March
31, 1999.)

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

	1998	1997
ASSETS		
Current assets		
Cash and cash equivalents	$ 4,495	$ 9,593
Investment securities	11,694	19,235
Receivables, less allowance for doubtful accounts of $1,307 and $1,386, respectively	64,747	23,666
Inventory	1,187	--
Prepaid expenses and other current assets	857	888
Total current assets	82,980	53,382
Investment securities, net of current portion	--	3,401
Other investments	2,311	2,300
Property and equipment, net	4,823	3,499
Due from affiliates, less allowance for doubtful accounts of $403 and $2,360, respectively	34	--
Other assets, net	293	145
Deferred income taxes	270	--
Goodwill and other intangible assets, net	19,395	--
Total assets	$ 110,106	$ 62,727
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 277	$ 222
Current portion of long-term debt	208	--
Accounts payable	6,926	931
Deferred revenue	--	2,799
Claims payable	32,855	26,979
Payables to plan sponsors and others	16,490	10,839
Accrued expenses	6,401	2,279
Total current liabilities	63,157	44,049
Capital lease obligations, net of current portion	598	756
Long-term debt, net of current portion	6,185	--
Commitments and contingencies		
Minority interest	1,112	1,112
Stockholders' equity		
Preferred stock, $.0001 par value; 5,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, $.0001 par value; 40,000,000 shares authorized, 18,090,748 and 13,335,150 shares issued and outstanding, respectively	2	1
Additional paid-in capital	91,603	73,585
Accumulated deficit	(50,790)	(55,061)
Stockholder notes receivable	(1,761)	(1,715)
Total stockholders' equity	39,054	16,810
Total liabilities and stockholders' equity	$ 110,106	$ 62,727

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 of dollars, except for per share amounts)

	1998	1997	1996
Revenue	$ 451,070	$ 242,291	$ 283,159
Cost of revenue	421,374	239,002	278,068
Gross profit	29,696	3,289	5,091
General and administrative expenses	23,092	19,098	11,619
Amortization of goodwill and other intangibles	330	--	--
Non-recurring charges	3,700	--	--
Executive stock option compensation expense	--	--	26,640
Income (loss) from operations	2,574	(15,809)	(33,168)
Interest income, net	1,712	2,295	1,393
Other	(15)	17	21
Net income (loss)	$ 4,271	$ (13,497)	$ (31,754)
Basic income (loss) per common share	$ .28	$ (1.07)	$ (3.32)
Diluted income (loss) per common share	$ .26	$ (1.07)	$ (3.32)
Weighted average common shares used in computing basic income (loss) per share	15,115	12,620	9,557
Weighted average common shares used in computing diluted income (loss) per share	16,324	12,620	9,557

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

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

	Common Stock	Additional Paid-In Capital	Accumulated Deficit	Stockholder Notes Receivable	Total Stockholders' Equity (Deficit)
Balance, December 31, 1995	$ 1	$ --	$ (9,188)	$ (2,337)	$(11,524)
Stockholder loans, net	--	--	--	(22)	(22)
Stockholder distribution	--	--	(622)	622	--
Net proceeds from initial public offering	--	46,786	--	--	46,786
Non-cash stock option charge	--	26,640	--	--	26,640
Non-employee stock option compensation expense	--	17	--	--	17
Net loss	--	--	(31,754)	--	(31,754)
Balance, December 31, 1996	1	73,443	(41,564)	(1,737)	30,143
Stockholder loans, net	--	--	--	22	22
Exercise of stock options	--	113	--	--	113
Non-employee stock option compensation expense	--	29	--	--	29
Net loss	--	--	(13,497)	--	(13,497)
Balance, December 31, 1997	1	73,585	(55,061)	(1,715)	16,810
Stockholder loans, net	--	--	--	(46)	(46)
Shares issued in connection with the acquisition of Continental	1	17,997	--	--	17,998
Exercise of stock options	--	5	--	--	5
Non-employee stock option compensation expense	--	16	--	--	16
Net income	--	--	4,271	--	4,271
Balance, December 31, 1998	$ 2	$ 91,603	$(50,790)	$ (1,761)	$ 39,054

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

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
Years Ended December 31,
(In thousands of dollars, except for share data)

	1998	1997	1996
Cash flows from operating activities:			
Net income (loss)	$ 4,271	$(13,497)	$(31,754)
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation, amortization and other	1,693	1,074	760
Stock option charges	16	29	26,657
Provision for losses on receivables and due from affiliates	58	501	928
Changes in assets and liabilities, net of effect from purchase of Continental:			
Receivables	(31,864)	(5,318)	(4,551)
Inventory	(365)	--	--
Prepaid expenses and other current assets	142	241	(648)
Accounts payable	(339)	(631)	491
Deferred revenue	(2,799)	2,799	--
Claims payable	5,274	9,701	(2,016)
Payables to plan sponsors and others	5,651	665	1,738
Accrued expenses	1,885	1,353	755
Net cash used in operating activities	(16,377)	(3,083)	(7,640)
Cash flows from investing activities:			
Purchases of property and equipment	(2,173)	(1,575)	(870)
Purchase of investment securities	(28,871)	(27,507)	(37,038)
Maturities of investment securities	39,814	41,909	--
Cost of acquisition, net of cash acquired	(750)	--	--
Purchase of other investments	(25)	(2,300)	--
Stockholder notes receivable, net	(46)	22	(22)
Due from affiliates, net	(34)	425	(828)
Decrease in other assets	(121)	(48)	(93)
Net cash provided by (used in) investing activities	7,794	10,926	(38,851)
Cash flows from financing activities:			
Principal payments on capital lease obligations	(132)	(197)	(265)
Increase in debt	3,612	--	--
Proceeds from initial public offering	--	--	46,786
Proceeds from exercise of stock options	5	113	--
Net cash provided by (used in) financing activities	3,485	(84)	46,521
Net (decrease) increase in cash and cash equivalents	(5,098)	7,759	30
Cash and cash equivalents--beginning of period	9,593	1,834	1,804
Cash and cash equivalents--end of period	$ 4,495	$ 9,593	$ 1,834

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

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS-CONTINUED
Years Ended December 31,
(In thousands of dollars, except for share data)

Supplemental Disclosures:

The Company issued 3,912,448 shares of Common Stock to acquire Continental Managed Pharmacy Services, Inc. in August 1998. The aggregate value of shares issued approximated $18,000.

The Company paid $186, $41 and $55 for interest for each of the years ended December 31, 1998, 1997 and 1996, respectively.

Capital lease obligations of $40, $587 and $527 were incurred for each of the years ended December 31, 1998, 1997 and 1996, respectively.

The Company distributed $622 to a stockholder through the cancellation of stockholder notes receivable at December 31, 1996.

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

NOTE 1--NATURE OF BUSINESS

Corporate Organization

MIM Corporation (the "Company") was incorporated in Delaware in March 1996 for the purpose of combining (the "Formation") the businesses and operations of Pro-Mark Holdings, Inc., a Delaware corporation ("Pro-Mark"), and MIM Strategic Marketing, LLC, a Rhode Island limited liability company ("MIM Strategic"). The Formation was effected in May 1996. Pro-Mark is a wholly owned subsidiary of MIM Corporation, and MIM Strategic is 90% owned by MIM Corporation. On August 24, 1998, the Company acquired Continental Managed Pharmacy Services, Inc. ("Continental"), complementing its core PBM business with mail order pharmacy services. As used in these notes, the "Company" refers to MIM Corporation and its subsidiaries and predecessors.

Business

The Company operates in a single business segment and derives its revenues primarily from agreements to provide pharmacy benefit management ("PBM") services to various health plan sponsors in the United States. From 1994 through December 31, 1998, a majority of the services provided by the Company were to plan sponsors of Tennessee-based plans who had entered into PBM contracts with RxCare of Tennessee, Inc. ("RxCare"), a subsidiary of the Tennessee Pharmacists Association. Pursuant to these contracts ("TennCare contracts"), RxCare provided mandated pharmaceutical services to formerly Medicaid eligible and uninsured and uninsurable Tennessee residents under the State's TennCare Medicaid waiver program ("TennCare").

Under an agreement with RxCare formalized in March 1994 and thereafter amended (the "RxCare Contract"), the Company had been responsible for operating and managing RxCare's TennCare contracts. The RxCare Contract entitled the Company to receive all plan sponsor payments due RxCare and all rebates negotiated with pharmaceutical manufacturers in connection with RxCare programs. In return, the Company implemented and enforced the drug benefit programs, bore all program costs including payments to dispensing pharmacies and certain payments to RxCare and sponsors, and shared with RxCare the remaining profit, if any.

The Company and RxCare did not renew the RxCare Contract which expired on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those then under contract with RxCare) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts during this period resulted in the Company executing agreements effective as of January 1, 1999 to provide PBM services directly to five of the six TennCare managed care organizations ("MCO's") and 900,000 of the TennCare lives previously managed under the RxCare Contract as well as substantially all third party administrators ("TPA's") and employer groups previously managed under the RxCare Contract. To date, the Company has been unable to secure a contract with the two TennCare behavioral health organizations ("BHO's") to which it previously provided PBM services under the RxCare Contract. For the year ended December 31, 1998, amounts paid to the Company by these BHO's represented approximately 27% of the Company's revenues.

On August 24, 1998, the Company completed its acquisition of Continental. The acquisition was treated as a purchase for financial reporting purposes. The Company issued 3,912,448 shares of Common Stock as consideration for the purchase. The aggregate purchase price, including costs of acquisition of approximately $1.0 million, approximated $19.0 million. The fair value of assets acquired approximated $11.3 million (including approximately $.5 million of property and equipment) and liabilities assumed approximated $12.0 million (including approximately $2.8 million of assumed debt (see Note 6)), resulting in approximately $18.4 million of goodwill and $1.3 million of other intangible assets, which will be amortized over their estimated useful lives (25 years and 6.5 years, respectively). The consolidated financial statements of the Company for the year ended December 31, 1998 include the results of operations and financial position of Continental from and after the date of acquisition.

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

The following unaudited consolidated pro forma financial information has been prepared assuming Continental was acquired as of January 1, 1997, with pro forma adjustments for amortization of goodwill and other intangible assets and income taxes. The pro forma financial information is presented for informational purposes only and is not indicative of the results that would have been realized had the acquisition been made on January 1, 1997. In addition, this pro forma financial information is not intended to be a projection of future operating results.

	Year ended December 31,	
	1998	1997
Revenues	$491,716	$289,571
Net income (loss)	$ 4,783	$(12,979)
Basic earnings (loss) per share	$ .27	$ (.79)
Diluted earnings (loss) per share	$ .25	$ (.79)

The amounts above include $65,958 and $ 47,280 of revenues from the operations of Continental for the years ended December 31, 1998 and December 31, 1997, respectively.

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 generally accepted accounting principles 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.

Receivables

Receivables include amounts due from plan sponsors under the Company's PBM contracts, amounts due from pharmaceutical manufacturers for rebates and 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. The cost of the inventory is determined using the first-in, first-out (FIFO) method.

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

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 is 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 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.

Goodwill and Other Intangible Assets

Goodwill and other intangible assets represent the cost in excess of the fair market value of the tangible net assets acquired in connection with the acquisition of Continental. Amortization expense for the year ended December 31, 1998 was $330.

Long-Lived Assets

The Company reviews its long-lived assets and certain related intangibles and other investments for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. The Company does not believe that any such changes have occurred.

Deferred Revenue

Deferred revenue represents fees received in advance from certain plan sponsors and are recognized as revenue in the month these fees are earned.

Claims Payable

The Company is responsible for all covered prescriptions provided to plan sponsor members during the contract period. At December 31, 1998 and 1997, certain prescriptions were dispensed to members for which the related claims had not yet been presented to the Company for payment. Estimates of $2,523 and $1,858 at December 31, 1998 and 1997, respectively, have been accrued for these claims in the accompanying consolidated balance sheets. Unpaid claims incurred and reported amounted to $29,360 and $20,786 at December 31, 1998 and 1997, respectively.

Payables to Plan Sponsors and Others

Certain pharmacy benefit management contracts provide for an income or loss share with the plan sponsor. The income or loss share is calculated by deducting all related costs and expenses from revenues earned under the contract. To the extent revenues exceed costs, the Company records a payable representing the plan sponsor's share of the profit attributable to that contract, and to the extent costs and expenses exceed revenues the Company records a receivable. Certain plan sponsor contracts also provide for the sharing of pharmaceutical manufacturers' rebates with the plan sponsors.

Revenue Recognition

Capitated Agreements. 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 agreements generally have a one-year term or, if longer, provide for adjustment of the capitated rate each year. These contracts are subject to rate adjustment or termination upon the occurrence of certain events.

Capitation payments under risk-based contracts are based upon the latest eligible member data provided to the Company by the plan sponsor. On a monthly basis, the Company receives payments (and recognizes revenue) for those members eligible for the current month, plus or minus capitation amounts for those members determined to be retroactively eligible or ineligible for prior months under the contract. The amount accrued for future net retroactive eligibility capitation payments is based upon management's estimates. Revenue under capitated arrangements for the years ended December 31, 1998, 1997 and 1996 was approximately $142,960, $127,477 and $232,395, respectively.

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 to restrict formularies, 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.

Fee-for-Service Agreements. Under its fee-for-service PBM contracts, the Company provides covered pharmacy services to plan sponsor members and is reimbursed by the plan sponsor for the actual ingredient cost and pharmacist's dispensing fee of a prescription, plus certain administrative fees. Revenue on these contracts is recognized when pharmacy claims are submitted to the Company. Fee-for-service revenue for the years ended December 31, 1998, 1997 and 1996 was $294,484, $114,814 and $50,764, respectively.

Mail Order Services. The Company's mail order services are available to plan sponsor members as well as the general public. The Company's mail order facility dispenses the prescribed medication and bills the sponsor, the patient and/or the patient's health insurance company. Revenue is recorded when the prescription is shipped. Revenue from mail order services for the year ended December 31, 1998 was $13,626, including $7,300 with respect to members of clients managed under PBM contracts. Because the Company acquired Continental in 1998, the Company did not provide any mail order services in prior years.

Cost of Revenue

Cost of revenue includes pharmacy claims, fees paid to pharmacists and other direct costs associated with pharmacy management, claims processing operations and mail order services, offset by volume rebates received from pharmaceutical manufacturers. For the years ended December 31, 1998, 1997 and 1996, rebates earned net of rebate sharing arrangements on pharmacy benefit management contracts were $21,996, $13,290 and $7,738, respectively.

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 bases of assets and liabilities at currently enacted tax laws and rates.

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

Earnings per Share

Basic income (loss) per share is based on the average number of shares outstanding and diluted income (loss) per share is based on the average number of shares outstanding including common stock equivalents. For the years ended December 31, 1997 and 1996, diluted loss per share is the same as basic loss per share because the inclusion of common stock equivalents would be antidilutive. Common shares outstanding and per share amounts reflect the Formation (see Note 1) and are considered outstanding from the date each entity was formed.

	Years Ended December 31,		
	1998	1997	1996
Numerator:			
Net income	$ 4,271	$(13,497)	$(31,754)
Denominator - Basic:			
Weighted average number of common shares outstanding	15,115	12,620	9,557
Basic income (loss) per share	$ .28	$ (1.07)	$ (3.32)
Denominator - Diluted:			
Weighted average number of common shares outstanding	15,115	12,620	9,557
Common share equivalents of outstanding stock options	1,209	--	--
Total shares outstanding	16,324	12,620	9,557
Diluted income (loss) per share	$ .26	$ (1.07)	$ (3.32)

Disclosure of Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, investment securities (see Note 3), accounts receivable, accounts payable and long term debt (see Note 6). The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable 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 and non-employee directors are accounted for in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") (see Note 9).

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year financial statement presentation.

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

NOTE 3 - INVESTMENT SECURITIES AND OTHER INVESTMENTS

Investment Securities

The Company's marketable investment securities are classified as held-to-maturity and are carried at amortized cost on the accompanying balance sheets as of December 31, 1998 and 1997. Management believes that it has the intent and ability to hold such securities to maturity. Amortized cost (which approximates fair value) of these securities as of December 31, 1998 and 1997 is as follows:

	1998	1997
Held-to-maturity securities:		
U.S. government	$ --	$ 3,600
States and political subdivision	1,353	295
Corporate securities	10,341	18,741
Total investment securities	$11,694	$22,636

The contractual maturities of all held-to-maturity securities at December 31, 1998 are as follows:

	Amortized Cost
Due in one year or less	$11,694
Due after one year through five years	--
Total investment securities	$11,694

Other Investments

On June 23, 1997, the Company acquired an 8% interest in Wang Healthcare Information Systems ("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, par value $0.01 per share, of WHIS, representing a minority 8% interest, for an aggregate purchase price equal to $2,300. The preferred stock is not registered on a securities exchange and, therefore, the fair value of these securities is not readily determinable.

NOTE 4--RELATED PARTY TRANSACTIONS

During 1995, the Company advanced RxCare approximately $1,957 to fund losses RxCare incurred in connection with one of its PBM contracts, which was previously fully reserved for. Through December 1998, the advance was offset by profit sharing amounts due under the RxCare Contract.

On October 1, 1998, the Company and RxCare amended the RxCare Contract. The amendment reflected the parties' mutual decision to terminate their relationship effective December 31, 1998 and permitted both parties to independently pursue business opportunities with current RxCare plan sponsors to become effective from and after January 1, 1999. The Company agreed to pay RxCare $1,500 and waive RxCare's payment obligations with respect to the remaining outstanding advances of $800 at December 31, 1998. The $1,500 was paid in November 1998 and is included in the statement of operations as a non-recurring charge. No amount was due RxCare for the years ended December 31, 1998 or 1997.

In March 1997, RxCare repaid in full an advance of approximately $349 the Company had made in 1996 directly to individual pharmacies in Tennessee on behalf of RxCare.

The Company entered into two three-year contracts with Zenith Goldline in December 1995. Pursuant to these contracts, the Company is entitled to receive fees based on a percentage of the growth in Zenith Goldline's gross margins from related sales. Included in due from affiliates at December 31, 1998 and 1997 is management's estimate of revenues earned under these agreements. At December 31, 1998, the collectibility of the amounts is uncertain and a full reserve has been recorded against the revenues earned.

During 1996, the Company advanced to MIM Holdings $99. MIM Holdings is controlled by a former executive officer and director of the Company. MIM Holdings had repaid $13 through December 31, 1996. The remaining $86 principal amount owed by MIM Holdings and accrued interest from September 1996 was paid in full at December 31, 1997.

Other Activities

Pursuant to the RxCare Contract, which expired on December 31, 1998, the Company made monthly payments to RxCare to defray the cost of office space and equipment provided by RxCare on behalf of the Company and to provide RxCare with cash flow to meet its operating expenses. Expenses under this arrangement were $240 for each of the years ended December 31, 1998, 1997 and 1996, respectively. In addition, from November 1995 through October 1996, the Company paid RxCare $6.5 monthly to cover expenses associated with a regional cost containment initiative.

The Company leases one of its facilities from Alchemie Properties, LLC ("Alchemie") pursuant to a ten-year agreement. Alchemie is controlled by a former officer and director of the Company. Rent expense was approximately $56 for each of the years ended December 31, 1998 and 1997, respectively, and $52 for the year ended December 31, 1996. The Company has incurred an aggregate of approximately $513 for alterations and improvements to this space through December 31, 1998, which upon termination of the lease will revert to the lessor. The future minimum rental payments under this agreement are included in Note 7.

Consulting and Service Agreements

In January 1994, the Company entered into a consulting agreement with an officer of RxCare which provided for payments by the Company of $5.5 per month, and additional compensation as agreed by the parties for special projects, through December 1996. The Company made no payments in 1998 and 1997 and paid $66 in 1996. In December 1996, the Company was reimbursed $225 for amounts paid in 1994 for the special projects, which were recorded as a reduction of general and administrative expenses.

In September 1995, the Company entered into a contract with MIM Holdings to receive management consulting services in return for monthly payments to MIM Holdings of $75. Consulting expenses under this contract amounted to $225 for the year ended December 31, 1996. The contract was terminated on March 31, 1996.

A professional service agreement was entered into on January 1, 1996 between MIM Holdings and the Company. Under this agreement, MIM Holdings provided the Company certain professional services, for which the Company paid MIM Holdings $150 for the year ended December 31, 1996. The agreement was terminated in May 1996.

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

Stockholder Notes Receivable

In June 1994, the Company advanced to a former executive officer and director approximately $979 for purposes of acquiring a principal residence, $975 of which is secured by a first mortgage on a personal residence. In exchange for the funds, the Company received a promissory note, the aggregate outstanding principal balance of which was $979 at December 31, 1998 and 1997. The original note required repayment by June 15, 1997 with interest of 5.42% per annum payable monthly. The note was amended making the principal balance due and payable on June 15, 2000 with interest of 7.125% payable monthly. Interest income on the notes for each of the years ended December 31, 1998, 1997 and 1996 was $70, $60 and $52, respectively.

In August 1994, the Company advanced Alchemie $299 for the purposes of acquiring a building leased by the Company. The balance remaining on the advance was approximately $280 at December 31, 1998 and 1997. The note bears interest at a rate of 10% per annum with principal due and payable on December 1, 2004. Interest income was $29 for each of the years ended December 31, 1998, 1997 and 1996, respectively. The note is secured by a lien on Alchemie's rental income.

During 1995, the Company advanced to MIM Holdings $800 for certain consulting services to be performed for the Company in 1996 and paid $278 for certain expenses on behalf of MIM Holdings including $150 for consulting services to MIM Holdings by an officer of RxCare. These amounts, totaling $1,078, were recorded as a stockholder note receivable. $622 of such amount was recorded as a stockholder distribution during 1996 and the remaining balance of $456 bears interest at 10% per annum, payable quarterly in arrears, with principal due on March 31, 2001. The note is guaranteed by a former officer and director of the Company and further secured by the assignment to the Company of a note due to MIM Holdings in the aggregate principal amount of $100. The outstanding balance at December 31, 1998 and 1997 was $502 and $456, respectively. Interest income on the note for each of the years ended December 31, 1998, 1997 and 1996, respectively was $46.

Indemnification

Under certain circumstances, the Company may be obligated to indemnify and advance defense costs to two former officers (one of which is a former director and still principal stockholder of the Company) of a subsidiary of the Company in connection with their involvement in the Federal and State of Tennessee investigation of which they are the subject (see Note 7). The Company is not presently in a position to assess the likelihood that either or both of these former officers will be entitled to such indemnification and advancement of defense costs or to estimate the total amount that it may have to pay in connection with such obligations or the time period over which such amounts may have to be advanced.

NOTE 5--PROPERTY AND EQUIPMENT

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

	1998	1997
Computer and office equipment, including equipment under capital leases	$6,603	$4,227
Furniture and fixtures	546	442
Leasehold improvements	613	540
	7,762	5,209
Less: Accumulated depreciation	(2,939)	(1,710)
Property and equipment, net	$4,823	$3,499

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

NOTE 6--LONG TERM DEBT

The Company's long term debt consists of a Revolving Note Agreement (the "Agreement") through May 2001 and two installment notes ("Installment Notes I and II") with a bank (the "Bank"), which were assumed by the Company in connection with the Continental acquisition. The Company may borrow up to $6,500 under the Agreement. Advances under the Agreement are limited to 85% of eligible receivables (as defined in the Agreement) and outstanding amounts bear interest at the Bank's prime rate (7.75% at December 31, 1998). At December 31, 1998, $670 was available for borrowing under the Agreement. Installment Note I bears interest at the Bank's prime rate plus 1.25% (9.0% at December 31, 1998) with payments due in monthly installments of $9 plus interest and with final payment due February 1, 2000. Installment Note II bears interest at the same rate as Installment Note I with payments due in monthly installments of $14 plus interest and with final payment due February 28, 1999.

The Agreement and Installment Notes I and II are secured by all of the accounts receivable and furniture and equipment of Continental and Continental's obligations thereunder are guaranteed by the Company. Continental has also granted a security interest in its inventory, accounts receivable and furniture and equipment to a pharmaceutical vendor (the "Supplier"). Under the terms of an Inter-Creditor Agreement between Continental, the Bank and the Supplier, the Supplier will not exercise any right or remedy it may have with respect to the same collateral as covered by the Bank's security interest, until the amounts owed to the Bank are fully paid and satisfied and the Bank's interest has been terminated in writing. The Inter-Creditor Agreement does not preclude the Supplier from taking such action to enforce payment of indebtedness to the Supplier not involving the same collateral as covered by the Bank's security interest.

Under the terms of the Agreement and Installment Notes I and II, Continental is required to comply with certain financial covenants which, among other things require Continental to maintain a specified level of net worth.

The Company has notes payable outstanding to an employee, also assumed in connection with the Continental acquisition. The notes bear interest at the greater of 9% or prime plus 1% (9.0% at December 31, 1998) and are payable in monthly installments of principal and interest of $7 through July 31, 2001.

The Company had no long-term debt outstanding during 1997 or prior periods.

Long-term debt consists of the following at December 31, 1998:

Revolving Note	$5,830
Variable rate Installment Notes I and II	367
Notes payable - employee	196
	$6,393
Less: current portion	208
	$6,185

Future maturities of long-term debt for the next five years are as follows:

1999	$ 208
2000	312
2001	5,873
2002	--
2003	--
Total	$6,393

NOTE 7--COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company was a third-party defendant in a proceeding in the Superior Court of the State of Rhode Island. The third-party complaint alleged that the Company interfered with certain contractual relationships and misappropriated certain confidential information. The third-party complaint sought to enjoin the Company from using the allegedly misappropriated confidential information and sought an unspecified amount of compensatory and consequential damages, interest and attorneys' fees. On November 20, 1998, this action was settled pursuant to a settlement and release agreement among the parties to the action. Under the terms of the settlement, the Company was not required to make payment to any party and no non-monetary restrictions or limitations were otherwise imposed against the Company or any subsidiary or any of their respective officers, directors or employees.

In February 1999, the Company reached an agreement in principle with respect to a civil settlement of a Federal and State of Tennessee investigation focusing mainly on the conduct of two former officers (one of which is a former officer and still principal stockholder of the Company) of a subsidiary prior to the Company's initial public offering (see Note 9). Based upon the agreement in principle, the investigation, as it relates to the Company, would be fully resolved through the payment of a $2.2 million civil settlement and an agreement to implement a corporate integrity program in conjunction with the Office of the Inspector General of the U.S. Department of Health and Human Services. In that connection, the Company recorded a non-recurring charge of $2.2 million against fourth quarter 1998 earnings. This settlement is subject to several conditions, including the execution of a definitive agreement. The Company anticipates that it will have no continued involvement in the governments' joint investigation other than continuing to cooperate with the governments in their efforts.

On March 29, 1999, Xantus Healthplan of Tennessee, Inc. ("Xantus"), one of the TennCare MCO's to which the Company provides PBM services, filed a complaint in the Chancery Court for Davidson County, Tennessee. Xantus alleged that the Company advised Xantus in writing that it would cease providing PBM services on Monday, March 29, 1999 to Xantus and its members in the event that Xantus failed to pay approximately $3.3 million representing past due amounts in connection with PBM services rendered by the Company in 1999. The complaint further alleged that the Company does not have the right to cease providing services under the agreement between Xantus and the Company. Additionally, Xantus applied for a temporary restraining order as well as temporary injunction to prevent the Company from ceasing to provide such PBM services. The hearing on the motion for the temporary injunction was scheduled to be heard on Thursday, April 1, 1999. However, on March 31, 1999, the State of Tennessee and Xantus entered into a consent decree whereby, among other things, the Commissioner of Commerce and Insurance for the State of Tennessee was appointed receiver of Xantus for purposes of rehabilitation. Due to the fact that the receiver was appointed at the time of the filing of this Annual Report, the Company is unable to predict the consequences of this appointment on the Company's ability to retain Xantus's business or its ability to collect monies owed to it by Xantus. As of March 31, 1999, Xantus owes the Company $9.8 million relating to PBM services rendered by the Company in 1999. The failure of the Company to collect all or a substantial portion of the monies owed to it by Xantus would have a material adverse effect on the Company's financial condition and results of operations.

From time to time, the Company may be a party to legal proceedings arising in the ordinary course of the Company's business. Management does not presently believe that any current matters would have a material adverse effect on the consolidated financial position or results of operations of the Company.

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), 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.

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

Employment Agreements

The Company has entered into employment agreements with certain key employees which expire at various dates through December 2003. Total minimum commitments under these agreements are approximately as follows:

1999	$1,019
2000	780
2001	555
2002	443
2003	406
	$3,203

Other Agreements

As discussed in Note 4, the Company rents one of its facilities from Alchemie. Rent expense for non-related party leased facilities and equipment was approximately $809, $477 and $208 for the years ended December 31, 1998, 1997 and 1996, respectively.

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 of the identified years are as follows:

1999	$1,204
2000	1,058
2001	825
2002	352
2003	331
Thereafter	1,434
	$5,204

Capital Leases

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

1999	$342
2000	342
2001	303
Total minimum lease payments	987
Less: amount representing interest	112
Obligations under leases	875
Less: current portion of lease obligation	277
	$598

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

NOTE 8--INCOME TAXES

The Company accounts for income taxes in accordance with SFAS 109. Under SFAS 109, deferred tax assets or liabilities are computed based on the differences between the financial statement and income tax bases of assets and liabilities as measured by currently enacted tax laws and rates. Deferred income tax expenses and benefits are based on changes in the deferred assets and liabilities from period to period.

The effect of temporary differences which give rise to a significant portion of deferred taxes is as follows as of December 31, 1998 and 1997:

	1998	1997
Deferred tax assets:		
Reserves and accruals not yet deductible for tax purposes	$ 1,433	$ 3,040
Net operating loss carryforward	19,176	13,950
Property basis differences	82	--
Subtotal	20,691	16,990
Less: valuation allowance	(20,421)	(16,921)
Total deferred tax assets	270	(69)
Deferred tax liabilities:		
Property basis differences	0	69
Total deferred tax liability	0	69
Net deferred taxes	$ 270	$ --

It is uncertain whether the Company will realize the full benefit from its deferred tax assets, and it has therefore recorded a valuation allowance. The Company will assess the need for the valuation allowance at each balance sheet date.

There is no provision (benefit) for income taxes for the years ended December 31, 1998 and 1997. A reconciliation to the tax provision (benefit) at the Federal statutory rate is presented below:

	1998	1997
Tax provision (benefit) at statutory rate	$ 1,452	$(4,589)
State tax provision (benefit), net of federal benefit	282	(891)
Change in valuation allowance	(1,886)	5,460
Amortization of goodwill and other intangibles	134	--
Other	18	20
Recorded income taxes	$ --	$ --

At December 31, 1998, the Company had, for tax purposes, unused net operating loss carryforwards of approximately $47 million which will begin expiring in 2008. As it is uncertain whether the Company will realize the full benefit from these carryforwards, the Company has recorded a valuation allowance equal to the deferred tax asset generated by the carryforwards. The Company assesses the need for a valuation allowance at each balance sheet date. The Company has undergone a "change in control" as defined by the Internal Revenue Code of

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

1986, as amended, and the rules and regulations promulgated thereunder. The amount of net operating loss carryforwards that may be utilized in any given year will be subject to a limitation as a result of this change. The annual limitation approximates $2.7 million. Actual utilization in any year will vary based on the Company's tax position in that year.

NOTE 9--STOCKHOLDERS' EQUITY

Public Offering

On August 14, 1996, the Company completed its initial public offering, and sold 4,000,000 shares of Common Stock at a public offering price of $13.00 per share. Net proceeds amounted to $46,788 after offering costs of $1,574.

Stock Option Plans

In May 1996, the Company adopted the MIM Corporation 1996 Stock Incentive Plan (the "Plan"). The Plan provides for the granting of incentive stock options (ISOs) and non-qualified stock options to employees and key contractors of the Company. Options granted under the Plan generally vest over a three-year period, but vest in full upon a change in control of the Company or at the discretion of the Company's compensation committee, and generally are exercisable for from 10 to 15 years after the date of grant subject, in some cases, to earlier termination in certain circumstances. The exercise price of ISOs granted under the Plan 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% shareholder). If non-qualified stock options are granted at an exercise price less than fair market value on the grant date, the amount by which fair market value exceeds the exercise price will be charged to compensation expense over the period the options vest. 4,375,000 shares are authorized for issuance under the Plan. At December 31, 1998, 116,491 shares remained available for grant under the amended Plan.

As of December 31, 1998 and 1997, the exercisable portion of outstanding options was 1,353,267 and 1,516,445, respectively. Stock option activity under the amended Plan through December 31, 1998 is as follows:

	Options	Average Price
Balance, December 31, 1995	3,021,900	$0.0067
Granted	1,124,902	$ 11.26
Canceled	(46,421)	
Exercised	(16,800)	
Balance, December 31, 1996	4,083,581	$ 2.99
Granted	85,000	$ 9.49
Canceled	(178,750)	
Exercised	(1,294,550)	
Balance, December 31, 1997	2,695,281	$ 4.21
Granted	935,110	$ 4.28
Canceled	(683,229)	
Exercised	(843,150)	
Balance, December 31, 1998	2,104,012	$ 4.73

On December 2, 1998, the Company granted Richard H. Friedman an option to purchase 800,000 shares of Common Stock at $4.50 per share (then-current market price) under his employment agreement as the Company's Chairman and Chief Executive Officer. This option was not granted under the Plan. Under the agreement, the options vest in three equal installments on the first three anniversaries of the date of grant. In addition, on December 2, 1998, the Company granted Mr. Friedman 200,000 performance units and 300,000 restricted shares. The performance units and the restricted shares are also not covered by the Plan. The performance units vest and become payable in two equal installments in fiscal 2002 and 2003 upon the Company's achievement of certain specified levels of after-tax net income in fiscal 2001. The restrictions to which the restricted shares are subject lapse in December 2006, but may be accelerated in the event that the Company achieves certain specified levels of earnings per share in fiscal 2001. The grants of options, performance units and restricted shares to Mr. Friedman are subject to stockholder approval.

On April 17, 1998, the Company granted Scott R. Yablon an option to purchase 1,000,000 shares of Common Stock at $4.50 per share (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. Under this agreement, options with respect to 500,000 shares vested immediately upon his commencement of employment with the Company and the options covering the remaining 500,000 shares vest in two equal installments on the first two anniversary dates of the date of grant. These options expire 10 years from the date of grant. As of December 31, 1998, the exercisable portion of outstanding options was 500,000 shares.

Effective July 6, 1998, each then current employee of the Company holding options under the Plan was offered an opportunity to reprice the exercise price of not less than all options granted at a particular exercise price to an exercise price of $6.50 per share. The average of the high and low sales price of the Common Stock on July 6, 1998 was $4.75 per share. In consideration of receiving repriced options, each employee agreed that all such repriced options, including those already vested, would become unvested and exercisable in three equal installments on the first three anniversaries of the date of the repricing. In connection with the repricing, an aggregate of approximately 473,000 shares were repriced to $6.50 per share.

In July 1996, the Company adopted the MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan (the "Directors Plan"). The purpose of the Directors Plan is 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 since the adoption of the Directors Plan. 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 generally vest over three years. A total of 100,000 shares of Common Stock are authorized for issuance under the Directors Plan. At December 31, 1998, options to purchase 40,000 shares at an exercise price of $13.00, options to purchase 40,000 shares at an exercise price of $4.6875 and options to purchase 20,000 shares at an exercise price of $4.35 were outstanding under the Directors Plan, 26,667 of which were exercisable.

Accounting for Stock-Based Compensation

In May 1996, the majority stockholder of the Company granted to three individuals who were then unaffiliated with the Company (each of whom later became a director of the Company and two of whom also became officers of the Company), options to purchase an aggregate of 3,600,000 shares of Common Stock owned by him at $0.10 per share. These options were immediately exercisable and have a term of ten years, subject to earlier termination upon a change in control of the Company, as defined. In connection with these options, for the year ended December 31, 1996, the Company recorded a nonrecurring, non-cash stock option charge (and a corresponding credit to additional paid-in capital) of $26,640, representing the difference between the exercise price and the deemed fair

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

market value of the Common Stock at the date of grant. In January 1998, two of these individuals, who were at that time officers of the Company, exercised 3,300,000 of these options.

In July 1996, the majority stockholder also granted to one of these individuals an additional option ("additional option") to purchase 1,860,000 shares of Common Stock owned by him at $13 per share. The additional option has a term of ten years, subject to earlier termination upon a change in control of the Company, as defined, or within certain specified periods following the grantee's death, disability or termination of employment for any reason. The additional option vests in installments of 620,000 shares each on December 31, 1996, 1997 and 1998, and is immediately exercisable upon the approval of a change in control of the Company, as defined, by the Company's Board of Directors and, if required, stockholders. The unvested portion of the additional option, 620,000 shares, terminated in 1998 due to the grantee's termination of employment with the Company and the unexercised vested portion of the additional options, 1,240,000 shares, terminated 60 days following grantee's termination.

Had compensation cost for the Company's stock option plans for employees and directors been determined based on the fair value method in accordance with SFAS 123, the Company's results would have been as follows for the years ended December 31:

	1998		1997		1996	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss)	$4,271	$2,742	$(13,497)	$(14,416)	$(31,754)	$(32,131)
Basic income (loss) per common share	$ .28	$ .18	$ (1.07)	$ (1.14)	$ (3.32)	$ (3.36)
Diluted income (loss) per common share	$ .26	$ .17	$ (1.07)	$ (1.14)	$ (3.32)	$ (3.36)

Because the fair value method prescribed by SFAS No. 123 has not been applied to options granted prior to January 1, 1995 (as permitted by SFAS No. 123), the resulting pro forma compensation expense may not be representative of the amount of compensation expense to be recorded in future years. Pro forma compensation expense for options granted is reflected over the vesting period, therefore 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:

	1998	1997	1996
Volatility	98%	60%	60%
Risk-free interest rate	5%	5%	5%
Expected life of options	4 years	4 years	4 years

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options which 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

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

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.

NOTE 10--CONCENTRATION OF CREDIT RISK

Through December 31, 1998 the majority of the Company's revenues were derived from TennCare contracts managed by the Company pursuant to the RxCare Contract. The following table outlines contracts with plan sponsors having revenues and/or accounts receivable which individually exceeded 10% of the Company's total revenues and/or accounts receivable during the applicable time period:

	Plan Sponsor					
	A	B	C	D	E	F
Year ended December 31, 1996						
% of total revenue	18%	47%	11%	-	-	-
% of total accounts receivable at period end	*	13%	14%	-	-	-
Year ended December 31, 1997						
% of total revenue	21%	10%	13%	10%	-	-
% of total accounts receivable at period end	*	*	*	*	-	-
Year ended December 31, 1998						
% of total revenue	16%	-	-	11%	16%	12%
% of total accounts receivable at period end	*	-	-	*	*	12%

- - ------------
* Less than 10%.

There were no other contracts representing 10% or more of the Company's total revenues and/or accounts receivable for the years ended December 31, 1998, 1997 and 1996. The RxCare Contract expired as of December 31, 1998 and effective January 1, 1999, the Company began providing PBM services to five of the six TennCare MCO's previously managed under the RxCare Contract. It is possible that the State of Tennessee or the Federal government could terminate or require modifications to the TennCare program. The Company is unable to predict the effect of any such future changes to the TennCare program.

NOTE 11--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 15% of their salary, subject to Internal Revenue Service limits. The Company may make a discretionary matching contribution. The Company recorded a $50 matching contribution for 1998. The Company made no matching contributions for the years ended December 31, 1997 and 1996.

NOTE 12--NON-RECURRING CHARGES

The Company recorded a $1,500 non-recurring charge against earnings in connection with its negotiated termination of its relationship with RxCare. The negotiated termination, among other things, allowed the Company to directly market its services to Tennessee customers (including those then under contract with RxCare) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts during this period resulted in the Company executing agreements effective as of January 1, 1999 to provide PBM services directly to five of the six TennCare MCO's and 900,000 of the TennCare lives previously managed under the RxCare Contract as well as substantially all third party administrators and

employer groups previously managed under the RxCare Contract. In addition, the Company recorded a $2,200 non-recurring charge against earnings in connection with the conclusion of 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 a subsidiary prior to the Company's initial public offering. This settlement is subject to several conditions, including the execution of a definitive agreement. The Company anticipates that the investigation will be fully resolved with this settlement.

NOTE 13--SUBSEQUENT EVENTS

On February 9, 1999, the Company entered into an agreement with a principal stockholder of the Company to purchase, in a private transaction not reported on Nasdaq, 100,000 shares of Common Stock from such stockholder at $3.375 per share. The last price of the Common Stock on February 9, 1999 was $3.50 per share.

MIM Corporation and Subsidiaries

Schedule II - Valuation and Qualifying Accounts
For the years ended December 31, 1998, 1997 and 1996

(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, 1996					
Accounts receivable	$ 360	--	$ 728	--	$ 1,088
Accounts receivable, other	$ 1,957	--	$ 200	--	$ 2,157
Year ended December 31, 1997					
Accounts receivable	$ 1,088	$(1,755)	$ 1,348	$ 705	$ 1,386
Accounts receivable, other	$ 2,157	--	$ 203	--	$ 2,360
Year ended December 31, 1998					
Accounts receivable	$ 1,386	(137)	$ 58	--	$ 1,307
Accounts receivable, other	$ 2,360	$(1,957)	--	$ --	$ 403

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of Registrant

The following table sets forth certain information with respect to the directors and executive officers of the Company.

Name	Age	Position
Richard H. Friedman....	48	Chairman of the Board and Chief Executive Officer
Scott R. Yablon.....	47	President, Chief Operating Officer and Director
Louis A. Luzzi, Ph.D...	66	Director
Richard A. Cirillo.....	48	Director
Louis DiFazio, Ph.D....	61	Director
Michael Kooper.....	63	Director
Barry A. Posner.....	35	Vice President, Secretary and General Counsel
Edward J. Sitar.....	38	Chief Financial Officer

Richard H. Friedman is currently the Chairman and Chief Executive Officer of the Company. He joined the Company in April 1996 and was elected a director of the Company and appointed Chief Financial Officer and Chief Operating Officer in May 1996. Mr. Friedman also served as the Company's Treasurer from April 1996 until February 1998. From February 1992 to December 1994, Mr. Friedman served as Chief Financial Officer and Vice President of Finance of Zenith Laboratories Inc. ("Zenith"). In December 1994, Zenith was acquired by IVAX Corporation, an international health care company and a major multi-source generic pharmaceutical manufacturer and marketer. From January 1995 to January 1996, he was Vice President of Administration of IVAX Corporation's North American Multi-Source Pharmaceutical Group and each of its operating companies, including Zenith and Zenith Goldline.

Scott R. Yablon joined the Company on May 1, 1998 as an employee and, effective May 15, 1998, served as its President, Chief Financial Officer, Chief Operating Officer and Treasurer. He relinquished the positions of Chief Financial Officer and Treasurer on March 22, 1999, upon the promotion of Mr. Edward J. Sitar to those positions at that time. Mr. Yablon has served as a director of the Company since July 1996. Prior to joining the Company, he held the position of Vice President - Finance and Administration at Forbes, Inc.. He also served as a member of the Investment Committee of Forbes Inc., Vice President, Treasurer and Secretary of Forbes Investors Advisory Institute and Vice President and Treasurer of Forbes Trinchera, Sangre de Cristo Ranches, Fiji Forbes and Forbes Europe.

Louis A. Luzzi, Ph.D. has served as a director of the Company since July 1996. Dr. Luzzi is the Dean of Pharmacy and Provost for Health Science Affairs of the University of Rhode Island College of Pharmacy. He has been a Professor of Pharmacy at the University of Rhode Island since 1981. Dr. Luzzi participates in several university, industry and government committees and has published numerous articles.

Richard A. Cirillo has served as a director of the Company since April 1998. Mr. Cirillo is a member of the law firm Rogers and Wells LLP, which he has been associated with since 1975. Rogers and Wells LLP has served as outside general counsel to the Company since March 1997.

Louis DiFazio, Ph.D., has served as a director of the Company since May 1998. From 1990 through March 1997, Dr. DiFazio served as President of Technical Operations for the Pharmaceutical Group of Bristol-Myers Squibb and from March 1997 until his retirement in June 1998 served as Group Senior Vice President. Dr. DiFazio also serves as a member of the Board of Trustees of Rutgers University and the University of Rhode Island. Dr. DiFazio received his B.S. in Pharmacy at Rutgers University and his Ph.D. in Pharmaceutical Chemistry from the University of Rhode Island.

Martin ("Michael") Kooper has served as a director of the Company since April 1998. Mr. Kooper has served as the President of the Kooper Group since December 1997, a successor to Michael Kooper Enterprises, an insurance and risk management consulting firm. From 1980 through December 1997, Mr. Kooper served as President of Michael Kooper Enterprises.

Barry A. Posner joined the Company in March 1997 as General Counsel and was appointed as the Company's Secretary at that time. On April 16, 1998, Mr. Posner was appointed Vice President of the Company. From September 1990 through March 1997, Mr. Posner was associated with the Stamford, Connecticut law firm of Finn Dixon & Herling LLP, where he practiced corporate law, specializing in the areas of mergers and acquisitions and securities law, and commercial real estate law.

Edward J. Sitar joined the Company in August 1998 as Vice President of Finance. On March 22, 1999, Mr. Sitar was appointed Chief Financial Officer and Treasurer, relinquishing the position of Vice President of Finance. From May 1996 to August 1998, Mr. Sitar was the Vice President of Finance for Vital Signs, Inc., a publicly traded manufacturer and distributor of single use medical products. From June 1993 to April 1996, Mr. Sitar was the Controller of Zenith.

Executive officers are appointed by, and serve at the pleasure of, the Board of Directors, subject to the terms of their respective employment agreements with the Company, which among other things, provide for each of them to serve in the executive position(s) listed above.

Section 16 (a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires directors and officers of the Company and persons, or "groups" of persons, who own more than 10% of a registered class of the Company's equity securities (collectively, "Covered Persons") to file with the Commission and Nasdaq within specified time periods, initial reports of beneficial ownership, and subsequent reports of changes in ownership, of certain equity securities of the Company. Based solely on its review of copies of such reports furnished to it and upon written representations of Covered Persons that no other reports were required, other than as described below, the Company believes that all such filing requirements applicable to Covered Persons with respect to all reporting periods through the end of fiscal 1998 have been complied with on a timely basis. Mr. Posner failed to file timely one Statement of Changes of Beneficial Ownership on Form 4 reporting one transaction. Mr. Larry Edelson-Kayne, a former officer, failed to file timely an Initial Statement of Beneficial Ownership on Form 3. Mr. Michael Erlenbach, a 10% beneficial owner, failed to file timely one Statement of Changes of Beneficial Ownership on Form 4 reporting four transactions. Mr. E. David Corvese, a director of the Company until August 1998 and a 10% beneficial owner, failed to file timely four Statements of Changes of Beneficial Ownership on Form 4 reporting 107 transactions.

Item 11. Executive Compensation

The following table sets forth certain information concerning the annual, long-term and other compensation of the two Chief Executive Officers who held that title during 1998 and the four other most highly compensated executive officers of the Company (the "Named Executive Officers") for services rendered in all capacities to the Company and its subsidiaries during each of the years ended December 31, 1998, 1997 and 1996, respectively:

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Other Annual Compensation (2)	Long-term Compensation	All Other Compensation
		Salary (1)	Bonus		Securities Underlying Options	
Richard H. Friedman.....	1998	$333,462	$212,500	$ 33,134	800,000	$ 5,217 (4)
Chief Executive Officer	1997	$275,000	--	$ 12,000	--	$ 4,710 (4)
	1996	$187,977	--	$ 7,000	1,500,000 (3)	$ 3,657 (4)
John H. Klein.....	1998	$125,000	--	$ 5,000	--	$205,217 (5)
Former Chief Executive	1997	$325,000	--	$ 12,000	--	$ 4,710 (4)
Officer	1996	$220,192	--	$ 7,000	3,660,000 (3)	--
Scott R. Yablon.....	1998	$207,500 (6)	$162,500	$ 6,678	1,000,000 (7)	$ 4,605 (4)
President and	1997	--	--	--	--	--
Chief Operating Officer	1996	--	--	--	--	--
Barry A. Posner.....	1998	$191,346 (8)	$100,000	$ 10,828	50,000 (9)	$ 5,890 (4)
Vice President, General	1997	$127,366	--	$ 4,166	150,000 (7)	$ 4,710 (4)
Counsel and Secretary	1996	--	--	--	--	--
E. Paul Larrat (10).....	1998	$191,346	$ 10,000	$ 7,400	60,000 (9)	$ 5,890 (4)
Executive Vice President	1997	$155,000	--	$ 3,600	--	$ 4,113 (4)
Pro-Mark Holdings, Inc.	1996	$135,556	--	$ 3,600	137,500 (11)	$ 7,549 (4)
Eric Pallokat (12).....	1998	$138,904	$ 82,500	$ 6,000	25,000 (7)	--
Vice President of Sales					25,000 (9)	
and Marketing	1997	$115,000	--	$ 6,000	--	--
	1996	$ 53,077	--	$ 2,887	25,000 (7)	--

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(1) The annualized base salaries of the Named Executive Officers for 1998 were as follows: Mr. Friedman ($325,000; $425,000 effective December 1998), Mr. Klein ($325,000), Mr. Yablon ($325,000), Mr. Posner ($200,000), Mr. Larrat (175,000) and Mr. Pallokat (130,000).

(2) Represents automobile allowances, and for Messrs. Friedman, Yablon and Posner in 1998, reimbursement for club membership and related fees and expenses of $21,135, $3,678 and $3,428, respectively.

(3) Represents options to purchase shares of the Company's Common Stock from E. David Corvese. See "Common Stock Ownership by Certain Beneficial Owners and Management" below.

(4) Represents life insurance premiums paid by the Named Executive Officer and reimbursed by the Company.

(5) Represents reimbursement of life insurance premiums in the amount of $5,217 and payment of severance of $200,000. Mr. Klein resigned as Chairman and Chief Executive Officer of the Company effective May 15, 1998. Pursuant to a separation agreement, the Company agreed to pay Mr. Klein severance equal to his annual salary through May 1999.

(6) Mr. Yablon joined the Company as President and Chief Operating Officer in May 1998.

(7) Represents options to purchase shares of the Company Common Stock from the Company at market price on the date of grant.

(8) The annualized base salary for Mr. Posner was increased from $175,000 to $200,000 effective in April 1998.

(9) Represents options with respect to which the exercise price was repriced to $6.50 per share on July 6, 1998. See "Option Grants in Last Fiscal Year" and "10-Year Option Repricing" tables below.

(10) $55,000 of Mr. Larrat's base salary is paid to him indirectly by the Company to the University of Rhode Island College of Pharmacy through a time sharing arrangement. In turn, the University pays such amounts to Mr. Larrat. The balance of his salary is paid directly to him by the Company. Mr. Larrat resigned all of his positions with the Company and its subsidiaries effective March 1999.

(11) Represents options to purchase 77,500 shares of Common Stock at $0.0067 per share and 60,000 shares at $6.50 per share.

(12) Mr. Pallokat resigned all of his positions with the Company and its subsidiaries effective February 1999.

The following table sets forth information concerning stock option grants made during fiscal 1998 to the Named Executive Officers. These grants are also reflected in the Summary Compensation Table. In accordance with the rules and regulations of the Commission, the hypothetical gains or "option spreads" for each option grant are shown assuming compound annual rates of stock price appreciation of 5% and 10% from the grant date to the expiration date. The assumed rates of growth are prescribed by the Commission and are for illustrative purposes only; they are not intended to predict the future stock prices, which will depend upon market conditions and the Company's future performance, among other things.

Option Grants in Last Fiscal Year

Name	Individual Grants (1)				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term	
	Number of Securities Underlying Options Granted	% of Total Options Granted to Employees in 1998	Exercise Price ($/share)	Expiration Date	5%	10%
Richard H. Friedman ...	800,000	27.7%	$ 4.50	12/2/08	$2,264,021	$3,387,473
John H. Klein.....	-	-	-	-	-	-
Scott R. Yablon.....	1,000,000 (1)	34.7%	$ 4.50	4/17/08	$2,830,026	$4,234,341
Barry A. Posner.....	50,000 (2)	1.7%	$4.6875	5/27/08	$ 147,397	$ 236,033
	50,000 (3)	1.7%	$ 6.50	7/6/08	$ 204,391	$ 471,091
	100,000	3.5%	$ 4.50	12/2/08	$ 283,003	$ 423,434
E. Paul Larrat	60,000 (3)	2.0%	$ 6.50	7/6/08	$ 245,269	$ 565,310
Eric Pallokat	25,000 (4)	0.8%	$4.6875	5/27/08	$ 73,699	$ 118,017
	25,000 (3)	0.8%	$ 6.50	7/6/08	$ 102,195	$ 235,546

(1) Options representing 500,000 shares were immediately vested and exercisable and the remaining 500,000 shares become exercisable in equal installments on April 17, 1999 and 2000.

(2) Such options become exercisable in three equal installments on May 27, 1999, 2000 and 2001.

(3) Represents options with respect to which the exercise price was repriced to $6.50 per share on July 6, 1998. See "10-year Option Repricing" table below.

(4) All such options expired upon Mr. Pallokat's resignation in February 1999.

The following table sets forth for each Named Executive Officer the number of shares covered by both exercisable and unexercisable stock options held as of December 31, 1998. Also reported are the values for "in-the-money" options, which represent the difference between the respective exercise prices of such stock options and $3.375, the per share closing price of the Common Stock on December 31, 1998.

Aggregated Option Exercises In Last Fiscal Year
And Fiscal Year-End Option Values

Name	Shares Acquired On Exercise (#)	Value Realized ($)	Number of Securities Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End (1)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Richard H. Friedman (2)	1,500,000	$7,350,000	--	800,000	--	--
John H. Klein (2)	1,800,000	$8,820,000	--	--	--	--
Scott R. Yablon (3)	--	--	500,000	500,000	--	--
Barry A. Posner (3)	--	--	--	200,000	--	--
E. Paul Larrat (3)	--	--	77,500	60,000	$ 261,043	--
Eric Pallokat (3)	--	--	--	50,000 (4)	--	--

(1) Except as indicated, none of the options were "in-the-money".

(2) Indicated options represented shares of Common Stock purchased from E. David Corvese (see "Common Stock Ownership by Certain Beneficial Owners and Management" below). In January 1998, Messrs. Friedman and Klein exercised these options for a total of 1,500,000 and 1,800,000 shares, respectively.

(3) Indicated options are to purchase shares of Common Stock from the Company.

(4) All such options expired upon Mr. Pallokat's resignation in February 1999.

The following table sets forth for each Named Executive Officer the number of performance units and restricted shares of Common Stock granted by the Company during the year ended December 31, 1998. In addition, for each award, the table also sets forth the related maturation period and future payments expected to be made under varying circumstances.

Long-Term Incentive Plan -
Awards In Last Fiscal Year

Name	Number of Shares, Units Or Rights	Performance Or Period Until Maturation Or Payment	Estimated Future Payments Under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
Richard H. Friedman	200,000 (1)	4/1/02	$2,000,000	$5,000,000	$8,000,000
	300,000 (2)	12/2/06	$1,350,000	$1,350,000	$1,350,000
John H. Klein	--	--	--	--	--

Scott R. Yablon	--	--	--	--	--
Barry A. Posner	10,000 (1)	4/1/02	$ 100,000	$ 250,000	$ 400,000
	20,000 (2)	12/2/06	$ 450,000	$ 450,000	$ 450,000
E. Paul Larrat	--	--	--	--	--
Eric Pallokat	--	--	--	--	--

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(1) Represents performance units granted to the indicated individual on December 2, 1998. The performance units vest and become payable upon the achievement by the Company of certain specified levels of after-tax net income in fiscal 2001. Upon vesting, the performance units are payable in two equal installments in April 2002 and 2003 as follows: (a) $10 per unit upon the Company's achievement of a threshold level of after-tax net income in fiscal 2001; (b) $25 per unit upon the Company's achievement of a target level of after-tax net income in fiscal 2001; and (c) $40 per unit upon the Company's achievement of a maximum level of after-tax net income in fiscal 2001.

(2) Represents restricted shares of Common Stock issued by the Company to the indicated individual on December 2, 1998. The restricted shares are subject to restrictions on transfer and encumbrance through December 2, 2006 and are automatically forfeited to the Company upon termination of the grantee's employment with the Company prior to December 2, 2006. The restrictions to which the restricted shares are subject may lapse prior to December 2, 2006 in the event that the Company achieves certain specified levels of earnings per share in fiscal 2001 or 2002. The indicated individual possesses voting rights with respect to the restricted shares, but is not entitled to receive dividend or other distributions, if any, paid with respect to the restricted shares. The values shown in the table reflect the value of shares based on the last sale price of the Common Stock on the date of grant ($4.50). The last sale price of the Common Stock on December 31, 1998 was $3.375 per share.

The following table sets forth certain information with respect to shares repriced by the Company in favor of any executive officers of the Company during the last ten years:

10-Year Option Repricings(1)(2)

Name	Date	Number of Securities Underlying Repriced Options (#)	Market Price at Time of Repricing ($)	Exercise Price at Time of Repricing ($)	New Exercise Price($)	Length (months) of Original Option Term Remaining at Time of Repricing
Barry A. Posner	7/6/98	50,000	$ 4.75	$ 7.4375	$ 6.50	105
E. Paul Larrat	7/6/98	60,000	$ 4.75	$ 13.00	$ 6.50	95
Eric Pallokat	7/6/98	25,000	$ 4.75	$ 13.00	$ 6.50	98

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(1) Other than the July 1998 repricing, the Company has not repriced the exercise price of any options held by any executive officers during the last 10 years.

(2) See "Compensation Committee Report on Executive Compensation" below for a description of the factors that the Compensation Committee considered in connection with its approval of these repricings.

Compensation of Directors

Directors who are not officers of the Company ("Outside Directors") receive fees of $1,500 per month and $500 per meeting of the Board and any committee thereof and are reimbursed for expenses incurred in connection with attending such meetings. In addition, each Outside Director joining the Company since the adoption of the Company's 1996 Non-Employee Directors Stock Incentive Plan (the "Directors Plan") receives options to purchase 20,000 shares of the Common Stock under that Plan. Directors who are also officers of the Company are not paid any director fees.

The Directors Plan was adopted in July 1996 to attract and retain qualified individuals to serve as non-employee directors of the Company, 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 grant of non-qualified stock options to purchase 20,000 shares of Common Stock to non-employee directors joining the Company since the adoption of the Directors Plan. The exercise price of such options is equal to the fair market value of Common Stock on the date of grant. Options granted under the Directors Plan generally vest over three years. A reserve of 100,000 shares of the Company Common Stock has been established for issuance under the Directors Plan. Through March 15, 1999, options to purchase 20,000 shares have been granted under the Directors Plan to each of Messrs. Luzzi and Yablon at an exercise price of $13 per share, options to purchase 20,000 shares have been granted to Mr. Cirillo at an exercise price of $4.35 per share and options to purchase 20,000 shares have been granted to each of Messrs. Kooper and DiFazio at an exercise price of $4.6875 per share.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Company's Board administers the Company's stock incentive plans and makes recommendations to the Company's Board regarding executive officer compensation matters, including policies regarding the relationship of corporate performance and other factors to executive compensation. During 1998, the following persons served as members of the Compensation Committee: Messrs. Friedman, Yablon, Luzzi, Cirillo, and DiFazio. Only Messrs. Friedman and Yablon, each of whom resigned from the Committee during 1998, were officers of the Company during 1998. The Company's Compensation Committee presently consists of Messrs. Cirillo, Luzzi and DiFazio, none of whom is or ever has been an officer of the Company.

As disclosed above, in 1998, the Company paid $55,000 to the University of Rhode Island College of Pharmacy ("URI College of Pharmacy") in connection with a time sharing arrangement with respect to Mr. Larrat. URI College of Pharmacy paid these funds to Mr. Larrat as salary. In addition, in 1998, the Company paid an additional $10,000 in charitable contributions to URI College of Pharmacy. Dr. Luzzi is the Dean of URI College of Pharmacy.

Compensation Committee Report On Executive Compensation

The Company believes that a strong link should exist between executive compensation and management's success in maximizing shareholder value. This belief was adhered to in 1998 by developing and formalizing both short-term and long-term incentive executive compensation programs which provide competitive compensation, strong incentives for the executives to stay with the Company and deliver superior financial results, and significant potential rewards if the Company achieves aggressive financial goals. The Compensation Committee's role and responsibilities involve the development and administration of executive compensation policies and programs that are consistent with, linked to, and supportive of the basic strategic objective of maximizing shareholder value, while taking into consideration the activities and responsibilities of management.

Early in 1998, the executive organization of the Company underwent dramatic change with the departure of the Company's Vice-Chairman and of the Chairman and CEO, the appointment of Mr. Friedman as the new Chairman and CEO, the recruitment of a new President, and the necessary restructuring of the business to poise the Company for the future. It became a high priority of the entire Board to pursue two major objectives simultaneously: (1) to secure a long-term agreement with the new CEO, and (2) to develop an aggressive executive and key employee compensation program for the remainder of the senior management.

The Board engaged the professional services of an outside consultant to review the existing compensation programs and to assist in developing the desired program. The consultant found that while some of the executive salaries were within a competitive range, the executive bonus opportunities were below the level that would be considered appropriate. The consultant further reported that the long-term compensation portion of the program should be a more balanced combination of performance units, performance shares and stock options instead of the sole reliance on stock options for long term incentive that the Company had used in the past.

The Board directed its Compensation Committee, consisting of Messrs. Cirillo, DiFazio and Luzzi (none of whom is an officer or employee of the Company), to work with the consultant and to develop and adopt a Total Compensation Program focused on maximizing shareholder value. At its meeting in December 1998, the Compensation Committee adopted the substantive compensation provisions of a new five year employment agreement to be entered into with Mr. Friedman as well as the new 1998 Total Compensation Program for Key Employees for other senior management. These actions were based on the recommendation of the outside consultant and an internal review of the CEO's recommendations regarding participation and appropriate grants of units, shares and options.

A proposal requesting stockholder approval of the employment agreement with Mr. Friedman will be included in the Company's Proxy Statement with respect to its 1999 Annual Meeting of Stockholders. In addition, the Total Compensation Program will require certain changes to, and additional authorized shares under, the Company's 1996 Amended and Restated Stock Incentive Plan ("Plan"). A proposal requesting stockholder approval of a further Amended and Restated Stock Incentive Plan will also be included in the Company's Proxy Statement with respect to its 1999 Annual Meeting of Stockholders.

Compensation Philosophy and Elements

The Compensation Committee adheres to four principles in discharging its responsibilities, which have been applied through its adoption in December 1998 of the 1998 Total Compensation Program for Key Employees ("Program"). First, the majority of the annual bonus and long-term compensation for management and key employees should be in large part at risk, with actual compensation levels corresponding to the Company's actual financial performance. Second, over time, incentive compensation of the Company's executives should focus more heavily on long-term rather than short-term accomplishments and results. Third, equity-based compensation and equity ownership expectations should be used on an increasing basis to provide management with clear and distinct links to shareholder interests. Fourth, the overall compensation programs should be structured to ensure the Company's ability to attract, retain, motivate, and reward those individuals who are best suited to achieving the desired performance results, both long and short-term, while taking into account the duties and responsibilities of the individual.

The Program provides the Compensation Committee with the discretion to pay cash bonuses and grant (i) performance units payable in cash upon achievement of certain performance criteria established by the Compensation Committee, (ii) performance shares which are subject to restrictions on transfer and encumbrance for a specified period of time, but which restrictions may lapse early upon achievement of certain performance criteria established by the Compensation Committee and (iii) both non-qualified and incentive stock options.

The Program provides management and employees with the opportunity for significant cash bonuses and long term rewards if the corporate and individual objectives are achieved. Specifically, the key executives, other than the CEO and COO, may receive significant bonuses IF the company's aggressive annual financial profit plan and individual objectives are achieved. The maximum amount payable to any one individual under the cash bonus and performance unit portions of the Program is $1,000,000. The CEO and COO have higher bonus opportunities, but their potential payouts from both bonus and performance units in any one year is no more than $5,000,000. These outside limits are not expected awards but are set pursuant to regulations concerning "performance-based" compensation plans in Code Section 162(m) to enable the Compensation Committee "negative discretion" in determining the actual bonus or performance unit awards.

Compensation of the Chief Executive Officer

In considering the appropriate salary, bonus opportunity, and long-term incentive for the new CEO, the Compensation Committee considered his unique role during 1998 and his expected role over the next five years. The Compensation Committee determined that in a very real sense, the Company would have faced extreme difficulty in 1998 were it not for the fact that Mr. Friedman accepted the challenge to replace both the former Vice-Chairman and the former Chairman and CEO and give the investment community and the Company's stockholders reassurance that the Company would overcome the problems it faced in its primary market. The

Board further determined that Mr. Friedman's demonstrated commitment through the purchase of a large block of stock, his active and effective involvement in restructuring the business, and his recruitment and leadership of an aggressive team were assets that should be protected. The Committee's bonus award to Mr. Friedman and its negotiation of a new, performance-driven, five year agreement were based on this recognition of his key role in maximizing future shareholder value.

New employment agreements have also been entered into with the Vice President and General Counsel and Chief Financial Officer reflecting their participation in the new Program. The President and Chief Operating Officer was recruited in May 1998 and his employment agreement was negotiated at that time and is described in "Employment Agreements" below.

Code Section 162(m)

The CEO's total compensation package under his new employment agreement is believed to qualify as "performance-based" compensation with the meaning of Code Section 162(m). The Total Compensation Program was adopted by a Compensation Committee composed entirely of outside directors and Mr. Friedman's agreement was approved by the entire Board of Directors. In order to qualify for favorable treatment under Code Section 162(m), Mr. Friedman's agreement must be approved by the Company's stockholders. None of the other executives covered by the Total Compensation Program will receive cash compensation in excess of $1,000,000 in any one year under the cash bonus portion of the Program. The performance units, performance shares and stock options for all persons other than Mr. Friedman were granted from shares authorized under the Plan, but the form of the awards require certain amendments to the Plan and authorization of additional shares, which will be submitted for stockholder approval at the 1999 Annual Meeting of Stockholders.

Report on Repricing of Options

Effective July 6, 1998, each then current employee of the Company, including the Named Executive Officers, holding options under the Plan was offered the opportunity to reprice the exercise price of not less than all options granted at a particular exercise price to an exercise price of $6.50 per share. The average of the high and low sales price of the Common Stock on July 2, 1998 was $4.75. In consideration of receiving repriced options, each employee agreed that all such repriced options, including those already vested, would become unvested and exercisable in three equal installments on the first three anniversaries of the date of repricing. In connection with the repricing, approximately 473,000 shares were repriced to $6.50 per share.

The Compensation Committee and the Board of Directors approved the repricing in July 1998 in an effort to incentivize adequately and fairly the Company's employees to perform their duties to the fullest extent of their respective abilities and to promote better morale in the workplace. The Compensation Committee and the Board of Directors concluded in July 1998 that the options granted to employees at or around the time of the Offering (with exercise prices of or about $13.00) represented an excessive premium over then recent ranges of the market price of the Common Stock so as to prevent the proper incentivizing of the Company's employees. The Compensation Committee and the Board of Directors determined that the Common Stock was undervalued due to many factors, including the significant holdings of prior officers and directors of the Company and that these factors and the consequent undervaluation of the Common Stock were not likely to be alleviated in the short term. In addition, the repricing program was adopted partly in response to departures from the Company of certain management and key non-management personnel in an effort to prevent the loss of additional valued employees. Furthermore, in connection with the Formation, certain employees had been granted options to purchase Common Stock at $0.0067 in exchange and conversion of their options in a subsidiary of the Company As a result, as a matter of fairness and equality to many other employees who had received $13.00 options at the time of the Offering, the Compensation Committee and the Board of Directors authorized the repricing.

MIM CORPORATION COMPENSATION COMMITTEE
Richard A. Cirillo
Louis DiFazio, Ph.D.
Louis A. Luzzi, Ph.D.

Employment Agreements

In December 1998, Mr. Friedman entered in to an employment agreement with the Company which provides for his employment as the Chairman and Chief Executive Officer for a term of employment through November 30, 2003 (unless earlier terminated) at an initial base annual salary of $425,000. The employment agreement is subject to stockholder approval at the Company's 1999 Annual Meeting of Stockholders. Under the agreement, Mr. Friedman is entitled to receive certain fringe benefits, including an automobile allowance, and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Friedman was granted options to purchase 800,000 shares of Common Stock at an exercise price of $4.50 per share (the market price on December 2, 1998, the date of grant). The options vest in three equal installments on the first three anniversaries of the date of grant. In addition, Mr. Friedman was granted 200,000 performance units and 300,000 restricted shares. See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of the terms and conditions applicable to the performance units and restricted shares. These grants to Mr. Friedman of options, performance units and restricted shares are subject to stockholder approval at the Company's 1999 Annual Meeting of Stockholders.

If Mr. Friedman's employment is terminated early due to his death or disability, (i) all vested options may be exercised by his estate for one year following termination, (ii) all performance units shall vest and become immediately payable at the accrued value measured at the end of the fiscal year following his termination and (iii) any restricted shares to which Mr. Friedman would have been entitled at the end of the fiscal year following his termination shall vest and become immediately transferable without restriction; provided, however, that should Mr. Friedman remain disabled for six months following his termination for disability, he shall also be entitled to receive for a period of two years following termination, his annual salary at the time of termination and continuing coverage under all benefit plans and programs to which he was previously entitled. If Mr. Friedman's employment is terminated early by the Company without cause, (i) Mr. Friedman shall be entitled to receive, for the longer of two years following termination or the period remaining in his term of employment under the agreement, his annual salary at the time of termination (less the net proceeds of any long term disability or workers' compensation benefits) and continuing coverage under all benefit plans and programs to which he was previously entitled, (ii) all unvested options shall become vested and immediately exercisable in accordance with the terms of the options and Mr. Friedman shall become vested in any other pension or deferred compensation plans, (iii) any performance units to which he would have been entitled at the time of his termination shall become vested and immediately payable at the then applicable target rate, (iv) any restricted shares to which Mr. Friedman would have been entitled at the end of the fiscal year following his termination shall vest and become immediately transferable without restriction. If the Company terminates Mr. Friedman for cause, he shall be entitled to receive only salary, bonus and other benefits earned and accrued through the date of termination and to retain any performance shares previously vested. If Mr. Friedman's terminates his employment for good reason, (i) Mr. Friedman shall be entitled to receive, for a period of two years following termination, his annual salary at the time of termination and continuing coverage under all benefit plans and programs to which he was previously entitled, (ii) all unvested options shall become vested and immediately exercisable in accordance with the terms of the options and Mr. Friedman shall become vested in any other pension or deferred compensation plans, (iii) all performance units granted to Mr. Friedman shall become vested and immediately payable at the then applicable maximum rate, (iv) all restricted shares issued to Mr. Friedman shall vest and become immediately transferable without restriction. Upon the Company undergoing certain specified changes of control which result in his termination by the Company or a material reduction in his duties, (i) Mr. Friedman shall be entitled to receive, for the longer of three years following termination or the period remaining in his term of employment under the agreement, his annual salary at the time of termination and continuing coverage under all benefit plans and programs to which he was previously entitled, (ii) all unvested options shall become vested and immediately exercisable in accordance with the terms of

the options and Mr. Friedman shall become vested in any other pension or deferred compensation plans, (iii) all performance units granted to Mr. Friedman shall become vested and immediately payable at the then applicable maximum rate, (iv) all restricted shares issued to Mr. Friedman shall vest and become immediately transferable without restriction.

During the term of his employment and for one year following the later of his termination or his receipt of severance payments, Mr. Friedman may not directly or indirectly (other than with the Company) participate in the United States in any pharmacy benefit management business or other business which is at any time a material part of the Company's overall business. Similarly, for a period of two years following termination, Mr. Friedman may not solicit or otherwise interfere with the Company's relationship with any present or former employee or customer of the Company.

In April 1998, Mr. Yablon entered in to an employment agreement with the Company which provides for his employment as the Company's President and Chief Operating Officer for term of employment through April 30, 2001 (unless earlier terminated) at an initial base annual salary of $325,000. Under the agreement, Mr. Yablon is entitled to receive certain fringe benefits, including automobile and life insurance allowances and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Yablon was granted options to purchase 1,000,000 shares of Common Stock at an exercise price of $4.50 (the market price on the date of grant). Options with respect to 500,000 shares vested immediately and the remaining options vest in two equal installments on the first two anniversary dates of the date of grant. If Mr. Yablon's employment is terminated early due to disability, or by the Company without cause, or by Mr. Yablon with cause, the Company is obligated to continue to pay his salary and fringe benefits for one year following such termination. During the term of employment and for one year after the later of the termination of employment or severance payments, Mr. Yablon is subject to substantially the same restrictions on competition as described above with respect to Mr. Friedman.

In March 1999, Mr. Posner entered in to an employment agreement with the Company which provides for his employment as Vice President and General Counsel for a term of employment through February 28, 2004 (unless earlier terminated) at an initial base annual salary of $230,000. Under the agreement, Mr. Posner is entitled to receive certain fringe benefits, including an automobile allowance, and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Posner was granted options to purchase 100,000 shares of Common Stock at an exercise price of $4.50 per share (the market price on December 2,1 998, the date of grant). The options vest in three equal installments on the first three anniversaries of the date of grant. See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of certain grants of performance units and restricted shares to Mr. Posner in December 1998 and a summary of the terms and conditions applicable to the performance units and restricted shares. Under the agreement, upon termination, Mr. Posner is entitled to substantially the same entitlements as described above with respect to Mr. Friedman. In addition. Mr. Posner is subject to the same restrictions on competition and non-interference as described above with respect to Mr. Friedman.

In March 1999, Mr. Sitar entered in to an employment agreement with the Company which provides for his employment as Chief Financial Officer for a term of employment through February 28, 2004 (unless earlier terminated) at an initial base annual salary of $180,000. Under the agreement, Mr. Sitar is entitled to receive certain fringe benefits, including an automobile allowance, and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Sitar was granted options to purchase 50,000 shares of Common Stock at an exercise price of $4.50 per share (the market price on the date of grant). The options vest in three equal installments on the first three anniversaries of the date of grant. See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of certain grants of performance units and restricted shares to Mr. Sitar in December 1998 and a summary of the terms and conditions applicable to the performance units and restricted shares. Under the agreement, upon termination, Mr. Sitar is entitled to substantially the same entitlements as described above with respect to Mr. Friedman. In addition. Mr. Sitar is subject to the same restrictions on competition and non-interference as described above with respect to Mr. Friedman.

Stockholder Return Performance Graph

The Company's Common Stock first commenced trading on the Nasdaq on August 15, 1996 in connection with the Company's Offering. The graph set forth below compares, for the period of August 15, 1996 through December 31, 1998, the total cumulative return to holders of the Company's Common Stock with the cumulative total return of the Nasdaq Stock Market (U.S.) Index and the NASDAQ Health Services Index.

Comparison of Cumulative Total Return Among MIM Corporation, the Nasdaq Stock Market (U.S.) Index and the Nasdaq Health Services Index*

[THE FOLLOWING TABLE WAS REPRESENTED BY A LINE GRAPH IN THE PRINTED MATERIAL.]

	Cumulative Total Return										
	8/15/96	9/96	12/96	3/97	6/97	9/97	12/97	3/98	6/98	9/98	12/98
MIM CORPORATION	100	112	38	49	111	75	37	31	37	24	26
NASDAQ STOCK MARKET (U.S)	100	108	114	107	127	148	139	163	167	151	196
NASDAQ HEALTH SERVICES	100	104	92	86	96	105	94	103	94	71	81

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* The above graph assumes an investment of $100 in MIM's Common Stock on August 15, 1996 and in the Nasdaq Stock Market (U.S.) Index and the Nasdaq Health Services Index on July 31, 1996, and that all dividends were reinvested. The performances shown in the above table are not necessarily indicative of future performance.

Item 12. Common Stock Ownership by Certain Beneficial Owners and Management

Except as otherwise set forth below, the following table sets forth, to the Company's knowledge, as of March 12, 1999, the beneficial ownership of the Company's Common Stock by: (1) each person or entity known to the Company to own beneficially five percent or more of the Company's Common Stock; (2) each of the Company's directors; (3) each of the Named Executive Officers of the Company; and (4) all directors and executive officers of the Company as a group. Such information is based upon information provided to the Company by such persons.

Name and/or Address of Beneficial Owner	Number of Shares Beneficially Owned(1)(2)	Percent of Class
Richard H. Friedman..... 100 Clearbrook Road Elmsford, NY 10523	1,800,000(3)	9.5%
Scott R. Yablon..... 100 Clearbrook Road Elmsford, NY 10523	763,334(4)	3.9%
Barry A. Posner..... 100 Clearbrook Road Elmsford, NY 10523	21,600(5)	*

E. Paul Larrat..... 167 Tillinghast Road E. Greenwich, RI 02818	77,500(6)	*
Eric Pallokat..... 4 Birch Road Mahwah, NJ 07430	--	--
E. David Corvese..... 25 North Road Peace Dale, RI 02883	2,062,106	11.0%
John H. Klein..... 7 Loman Court Cresskill, NJ 07626	1,800,000	9.6%
Michael R. Erlenbach..... 6438 Huntington Solon, OH 44139	1,750,669	9.4%
Louis A. Luzzi, Ph.D..... University of Rhode Island College of Pharmacy Forgerty Hall Kingston, RI 02881	15,134(7)	*
Richard A. Cirillo..... c/o Rogers & Wells LLP 200 Park Avenue New York, NY 10166	6,667(8)	*
Louis DiFazio, Ph.D..... Route 206 Princeton, NJ 08543	2,500(9)	*
Michael Kooper..... 770 Lexington Avenue New York, NY 10021	--(9)	--
All directors and executive officers as a group (nine persons)	2,678,100(1)(2)(10)	13.5%

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* Less than 1%.

(1) The inclusion herein of any shares as beneficially owned does not constitute an admission of beneficial ownership of those shares. Except as otherwise indicated, each person has sole voting power and sole investment power with respect to all shares beneficially owned by such person.

(2) Shares deemed beneficially owned by virtue of the right of an individual to acquire them within 60 days after March 1, 1999 upon the exercise of an option are treated as outstanding for purposes of determining beneficial ownership and the percentage beneficially owned by such individual.

(3) Includes 300,000 shares of Common Stock subject to restrictions on transfer and encumbrance through December 2, 2006 with respect to which Mr. Friedman possesses voting rights. See "Long Term Incentive Plan - Awards in Last Fiscal Year" in Item 11 of this Annual Report for a description of terms and conditions relating to these restricted shares. Excludes 800,000 shares subject to the unvested portion of options held by Mr. Friedman.

(4) Represents 763,334 shares issuable upon exercise of the vested portion of options. Excludes 256,666 shares subject to the unvested portion of options held by Mr. Yablon.

(5) Includes 20,000 shares of Common Stock subject to restrictions on transfer and encumbrance through December 2, 2006 with respect to which Mr. Posner possesses voting rights. See "Long Term Incentive Plan - Awards in Last Fiscal Year" in Item 11 of this Annual Report for a description of terms and conditions relating to these restricted shares. Excludes 200,000 shares subject to the unvested portion of options held by Mr. Posner.

(6) Represents 77,500 shares issuable upon exercise of the vested portion of options.

(7) Excludes 6,666 shares subject to unvested options held by Dr. Luzzi. Dr. Luzzi and his wife share voting and investment power over these shares.

(8) Consists of 6,667 shares issuable upon exercise of the vested portion of options. Excludes 13,333 shares

subject to the unvested portion of options.

(9) Excludes 20,000 shares subject to the unvested portions of options.

(10) Includes 842,334 shares issuable upon exercise of the vested portion of options. See footnotes 2 through 9 above.

Item 13. Certain Relationships and Related Transactions

At December 31, 1997, Alchemie Properties, LLC, a Rhode Island limited liability company of which Mr. Corvese is the manager and principal owner ("Alchemie"), was indebted to the Company in the amount of $280,629 respecting a loan received from the Company in 1994 in the original principal amount of $299,000. The loan bears interest at 10% per annum, with interest payable monthly and principal payable in full on or before December 1, 2004, and is secured by a lien on Alchemie's rental income.

During 1998, the Company paid $55,500 in rent to Alchemie pursuant to a ten-year lease entered into in December 1994 for approximately 7,200 square feet of office space in Peace Dale, Rhode Island.

At December 31, 1998, MIM Holdings was indebted to the Company in the amount of $456,000 respecting loans received from the Company during 1995 in the aggregate principal amount of $1,078,000. The Company holds a $456,000 promissory note from MIM Holdings due March 31, 2001 that bears interest at 10% per annum. Interest generally is payable quarterly, although in December 1996 the note was amended to extend the due date to September 30, 1997 for all interest accruing from January 1, 1996 to said date. This note is guaranteed by Mr. Corvese and further secured by the assignment to MIM of a $100,000 promissory note that was originally given by an officer to MIM Holdings. The remaining $622,000 of indebtedness will not be repaid and was recorded as a stockholder distribution during the first half of 1996.

Effective March 31, 1998, Mr. Corvese terminated his employment and resigned all of his positions with the Company and agreed not to stand for re-election to the Board at the 1998 Annual Meeting of Stockholders. Pursuant to a Separation Agreement dated March 31, 1998, the Company agreed to pay Mr. Corvese an aggregate of $325,000 in 12 equal monthly installments and to continue to provide Mr. Corvese and his dependents with medical and dental insurance coverage for those 12 months. Under the Separtion Agreement, Mr. Corvese is restricted from competing with the Company or soliciting its employees or customers for one year from the last day he received severance payments from the Company. During 1998, the Company paid Mr. Corvese a total of $243,750 in severance.

Effective May 15, 1998, Mr. Klein terminated his employment and resigned all of his positions with the Company and Mr. Friedman was appointed Chairman and Chief Executive Officer. Pursuant to a Separation Agreement dated May 15, 1998, the Company agreed to pay Mr. Klein an aggregate of $325,000 in 12 equal monthly installments and to continue to provide Mr. Klein and his dependents with medical and dental insurance coverage for those 12 months. Under the Separation Agreement, Mr. Klein is restricted from competing with the Company or soliciting its employees or customers for one year from the last day he received severance payments from the Company. During 1998, the Company paid Mr. Klein a total of $200,000 in severance.

In connection with the Continental acquisition in August 1998, the three largest shareholders of Continental ("Continental Shareholders"), including Mr. Erlenbach (see Item 12), entered into an indemnification agreement with the Company, whereby the Continental Shareholders, severally and not jointly, agreed to indemnify and hold the Company harmless from and against certain claims threatened against Continental. Under the agreement, the Continental Shareholders are responsible for all amounts payable in connection with the threatened claims over and above $100,000. The indemnification obligations of the Continental Shareholders terminate on December 31, 1999, except with respect to indemnifiable claims of which they are notified by the Company prior to that time. In addition, the Continental Shareholders entered into a pledge agreement with the Company, whereby they granted the Company security interests in an aggregate of 487,453 shares (in proportion to their respective ownership percentages) of Common Stock received by them in connection with the Continental acquisition in order to secure their respective obligations under the indemnification agreement.

On February 9, 1999, the Company entered into an agreement with Mr. Corvese to purchase, in a private transaction not reported on Nasdaq, 100,000 shares of Common Stock from Mr. Corvese at $3.375 per share. The last sale price per share of the Common Stock on February 9, 1999 was $3.50.

As discussed above, under Section 145 of the Delaware General Corporation Law and the Company's By-Laws, under certain circumstances the Company may be obligated to indemnify Mr. Corvese as well as Michael J. Ryan, a former officer of one of the Company's subsidiaries, in connection with their involvement in the Federal and State of Tennessee investigation of which they are the subject. In addition, until the Board can make a determination as to whether or not either or both of Messrs. Corvese and Ryan are so entitled to indemnification, the Company is obligated under Section 145 and its By-Laws to advance the costs of defense to such persons; however, if the Board determines that either or both of these former officers are not entitled to indemnification, such individuals would be obligated to reimburse the Company for all amounts so advanced. The Company is not presently in a position to assess the likelihood that either or both of these former officers will be entitled to such indemnification and advancement of defense costs or to estimate the total amount that it may have to pay in connection with such obligations or the time period over which such amounts may have to be advanced. No assurance can be given, however, that the Company's obligations to either or both of these former officers would not have a material adverse effect on the Company's results of operations or financial condition.

PART IV

Item 14. 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	(6)(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	(7)(Exh. 3(ii))
4.1	Specimen Common Stock Certificate	(6)(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	(10)
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	Promissory Notes of E. David Corvese and Nancy Corvese in favor of Pro-Mark Holdings, Inc. dated June 15, 1994	(1)(Exh. 10.9)
10.5	Amendment to Promissory Note among E. David Corvese, Nancy Corvese and Pro-Mark Holdings, Inc. dated as of June 15, 1997	(4)(Exh. 10.1)
10.6	Amendment to Promissory Note among E. David Corvese, Nancy Corvese and Pro-Mark Holdings, Inc. dated as of June 15, 1997	(4)(Exh. 10.2)
10.7	Promissory Note of Alchemie Properties, LLC in favor of Pro-Mark Holdings, Inc. dated August 14, 1994	(1)(Exh. 10.10)
10.8	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated December 31, 1996	(2)(Exh. 10.12)
10.9	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated March 31, 1996	(1)(Exh. 10.11)
10.10	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated December 31, 1996, replacing Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated March 31, 1996	(2)(Exh. 10.14)
10.11	Indemnity letter from MIM Holdings, LLC dated August 5, 1996	(1)(Exh. 10.36)
10.12	Assignment from MIM Holdings, LLC to MIM Corporation dated as of December 31, 1996	(2)(Exh. 10.43)
10.13	Guaranty of E. David Corvese in favor of MIM Corporation dated as of December 31, 1996	(2)(Exh. 10.42)

10.14	Employment Agreement between MIM Corporation and Richard H. Friedman dated as of December 1, 1998*	(10)
10.15	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 26, 1997*	(3)(Exh. 10.1)
10.16	Amendment No. 1 to Employment Agreement dated as of May 15, 1998 between MIM Corporation and Barry A. Posner*	(8)(Exh. 10.50)
10.17	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 1, 1999*	(10)
10.18	Employment Agreement dated as of February 1, 1998 between MIM Corporation and Larry E. Edelson-Kayne* ...	(7)(Exh. 10.48)
10.19	Employment Agreement dated as of April 17, 1998 between MIM Corporation and Scott R. Yablon*	(8)(Exh. 10.49)
10.20	Employment Agreement dated as of August 19, 1998 between MIM Corporation and Edward J. Sitar *	(9)(Exh. 10.51)
10.21	Employment Agreement between MIM Corporation and Edward J. Sitar dated as of March 1, 1999*	(10)
10.22	Separation Agreement dated as of March 31, 1998 between MIM Corporation and E. David Corvese *	(7)(Exh.10.47)
10.23	Separation Agreement dated as of May 15, 1998 between MIM Corporation and John H. Klein *	(6)(Exh. 10.19)
10.24	Stock Option Agreement between E. David Corvese and Leslie B. Daniels dated as of May 30, 1996*	(1)(Exh. 10.26)
10.25	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)
10.26	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)
10.27	Registration Rights Agreement-III between MIM Corporation and John H. Klein and E. David Corvese dated July 29, 1996*	(1)(Exh. 10.32)
10.28	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)
10.29	Registration Rights Agreement-V between MIM Corporation and Richard H. Friedman and Leslie B. Daniels dated July 31, 1996*	(1)(Exh. 10.35)
10.30	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)

10.31	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*	(10)
10.32	MIM Corporation 1996 Stock Incentive Plan, as amended December 9, 1996*	(2)(Exh. 10.32)
10.33	MIM Corporation 1996 Amended and Restated Stock Incentive Plan, as amended December 2, 1998	(10)
10.34	MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan*	(1)(Exh. 10.29)
10.35	Lease between Alchemie Properties, LLC and Pro-Mark Holdings, Inc. dated as of December 1, 1994	(1)(Exh. 10.27)
10.36	Lease Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated April 23, 1997	(5)(Exh.10.41)
10.37	Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated as of April 23, 1997	(5)(Exh.10.42)
10.38	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated December 10, 1997	(5) (Exh.10.43)
10.39	Lease Amendment and Extension Agreement-II between Mutual Properties Stonedale L.P. and MIM Corporation dated March 27, 1998	(5) (Exh.10.44)
10.40	Lease Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated December 23, 1997	(5) (Exh.10.45)
10.41	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated March 27, 1998	(5) (Exh.10.46)
10.42	Lease Agreement between Continental Managed Pharmacy Services, Inc. and Melvin I. Lazerick dated May 12, 1998	(10)
10.43	Amendment No. 1 to Lease Agreement between Continental Managed Pharmacy Services, Inc. and Melvin I. Lazerick dated January 29, 1999	(10)
10.44	Letter Agreement dated August 24, 1998 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10)
10.45	Letter Agreement dated January 28, 1997 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10)
10.46	Letter Agreement dated January 24, 1995 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10)
10.47	Additional Credit Agreement dated January 23, 1996 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10)
10.48	Guaranty dated August 24, 1998 between MIM Corporation and Comerica Bank	(10)
10.49	Third Amended and Restated Master Revolving Note dated August 24, 1998 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10)

10.50	Variable Rate Installment Note dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10)
10.51	Variable Rate Installment Note dated January 26, 1996 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10)
10.52	Security Agreement (Equipment) dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10)
10.53	Security Agreement (Accounts and Chattel Paper) dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10)
10.54	Intercreditor Agreement dated January 24, 1995 between Continental Managed Pharmacy Services, Inc. and Foxmeyer Drug Company	(10)
10.55	Indemnification Agreement dated August 13, 1998 among MIM Corporation, Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach	(10)
10.56	Pledge Agreement dated August 13, 1998 among MIM Corporation, Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach	(10)
10.57	Stock Purchase Agreement dated February 9, 1999 between MIM Corporation and E. David Corvese	(10)
21	Subsidiaries of the Company	(10)
23	Consent of Arthur Andersen LLP	(10)
27	Financial Data Schedule	(10)

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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 Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1997.

(4) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 1997.

(5) 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.

(6) 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.

(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, 1998.

(8) 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.

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

(10) Filed herewith.

* Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Item 14(c) of Form 10-K and Regulation SK-601 ss. 10 (iii).

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the last quarter of the fiscal year covered by this Annual Report.

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 30, 1999.

MIM CORPORATION

By: /s/ Edward J. Sitar

Edward J. Sitar
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 30, 1999
/s/ Scott R. Yablon Scott R. Yablon	President, Chief Operating Officer and Director	March 30, 1999
/s/ Edward J. Sitar Edward J. Sitar	Chief Financial Officer and Treasurer (principal financial officer)	March 30, 1999
/s/ Louis DiFazio Louis DiFazio, Ph.D.	Director	March 30, 1999
/s/ Louis A. Luzzi Louis A. Luzzi, Ph.D.	Director	March 30, 1999
/s/ Richard A. Cirillo Richard A. Cirillo	Director	March 30, 1999
/s/ Michael Kooper Michael Kooper	Director	March 30, 1999

EXHIBIT INDEX

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

10.2	Amendment No. 3 to Drug Benefit Program Services Agreement dated October 1, 1998
10.14	Employment Agreement between MIM Corporation and Richard H. Friedman dated as of December 1, 1998
10.17	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 1, 1999
10.21	Employment Agreement between MIM Corporation and Edward J. Sitar dated as of March 1, 1999
10.31	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
10.33	MIM Corporation 1996 Amended and Restated Stock Incentive Plan, as amended December 2, 1998
10.42	Lease Agreement between Continental Managed Pharmacy Services, Inc. and Melvin I. Lazerick dated May 12, 1998
10.43	Amendment No. 1 to Lease Agreement between Continental Managed Pharmacy Services, Inc. and Melvin I. Lazerick dated January 29, 1999
10.44	Letter Agreement dated August 24, 1998 between Continental Managed Pharmacy Services, Inc. and Comerica Bank
10.45	Letter Agreement dated January 28, 1997 between Continental Managed Pharmacy Services, Inc. and Comerica Bank
10.46	Letter Agreement dated January 24, 1995 between Continental Managed Pharmacy Services, Inc. and Comerica Bank
10.47	Additional Credit Agreement dated January 23, 1996 between Continental Managed Pharmacy Services, Inc. and Comerica Bank
10.48	Guaranty dated August 24, 1998 between MIM Corporation and Comerica Bank
10.49	Third Amended and Restated Master Revolving Note dated August 24, 1998 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank
10.50	Variable Rate Installment Note dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank
10.51	Variable Rate Installment Note dated January 26, 1996 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank
10.52	Security Agreement (Equipment) dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank

10.53 Security Agreement (Accounts and Chattel Paper) dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank

10.54 Intercreditor Agreement dated January 24, 1995 between Continental Managed Pharmacy Services, Inc. and Foxmeyer Drug Company

10.55 Indemnification Agreement dated August 13, 1998 among MIM Corporation, Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach

10.56 Pledge Agreement dated August 13, 1998 among MIM Corporation, Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach

10.57 Stock Purchase Agreement dated February 9, 1999 between MIM Corporation and E. David Corvese

21 Subsidiaries of the Company

23 Consent of Arthur Andersen LLP

27 Financial Data Schedule

AMENDMENT NO. 3
TO
DRUG BENEFIT PROGRAM SERVICES AGREEMENT

In consideration of the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned, being the parties to that certain Drug Benefit Program Services Agreement dated as of March 1, 1994, as amended (the "Service Agreement"), hereby amend the Service Agreement effective October 1, 1998 as follows:

1. Sections 2.1(a), 2.1(b), 2.1(c), 3.1(a), 3.1(b) and 3.1(c) of the Service Agreement are deleted. Furthermore, the phrase "including but not limited to the following:" is deleted from Section 3.1 of the Service Agreement and substituted therefor shall be ".".

2. RxCare and Pro-Mark expressly agree that each of them is free to solicit, negotiate, market, communicate and enter into contracts with any Drug Benefit Program or other person, entity or individual (whether Managed Care Organizations or Behavioral Health Organizations or the State of Tennessee) to provide pharmaceutical benefit management services on its own behalf and for its own benefit regardless of whether RxCare currently has a contract in force and effect with any such Drug Benefit Program and so long as any such new contract is not effective until the later of the following: (a) January 1, 1999 or (b) the day following the termination date of the existing contract between RxCare and such applicable Drug Benefit Program. Furthermore, RxCare and Pro-Mark shall notify each other within 24 hours of the receipt of any written or oral notification (whether or not such notification is in proper form under the terms of the applicable agreement) from an applicable Drug Benefit Program as to the termination date of each existing contract or Drug Benefit

Program covered under an existing contract which in any case has been or is currently being serviced by Pro-Mark under the Service Agreement.

3. As part of the consideration for this Amendment, Pro-Mark agrees to pay RxCare the sum of $1,500,000.00. This payment shall be made at the time of the execution of this Amendment, and such payment shall not be considered in calculating the existence of cumulative losses or cumulative profits under the Service Agreement. As additional consideration for the execution and delivery of this Amendment by RxCare, Pro-Mark shall waive RxCare's obligations with respect to all cumulative losses under the Service Agreement (if any) existing on December 31, 1998 and RxCare shall have no further financial obligation with respect to such cumulative losses after December 31, 1998 under the Service Agreement, including any obligation under Amendment No. 2 to the Service Agreement, as further evidenced by a correspondence dated March 28, 1996, from Kathie Garrity of Pro-Mark to Gary Cripps. The parties acknowledge that a bona fide dispute exists with respect to RxCare's obligations (which it denies) under the instrument entitled "Amendment No. 2 to the Service Agreement." If cumulative profits exist under the Service Agreement on December 31, 1998 (prior to final adjustment to zero balance but excluding therefrom the amounts contemplated by Para. 4, Para. 5 and Para. 6 of this Amendment) one-half of such cumulative profits shall be paid by Pro-Mark to RxCare in accordance with the Service Agreement.

4. Pro-Mark will furnish RxCare with administrative expense payments of $20,000.00 per month for the months of October, November and December 1998. These payments shall be delivered via an aggregate payment of $60,000.00 at the time of the execution of this Amendment.

5. Pro-Mark and RxCare shall use reasonable efforts to collect any monies owed to Pro-Mark and RxCare from Integrated Pharmaceutical Services, Inc. and Foundation Health Care, Inc. (collectively "Foundation/IPS") resulting from alleged underpayments by Foundation/IPS with respect to the provision of Pro-Mark Services (the "Foundation/IPS Claim"). In the event that the parties receive a settlement offer from Foundation/IPS (or any successor in interest) and only one of the parties desires to accept such offer, such party shall give written notice ("Notice") to the other party (by orally confirmed facsimile transmission) at the address set forth below the signature contained on this Amendment. The Notice shall include the offer received from Foundation/IPS and a statement setting forth all expenses incurred by such notifying party. The other party shall have five (5) days from the date of the receipt of the Notice to accept the settlement offer on the terms set forth in the Notice or to pay to the accepting party an amount equal to one-half of the settlement offer less one-half of the aggregate legal fees and expenses incurred by both parties. RxCare and Pro-Mark shall cooperate with each other with respect to the collection of the Foundation/IPS Claim and each party will be entitled to receive one-half of any amounts collected, whether by judgment, settlement or otherwise, less one-half of aggregate legal fees and expenses incurred by the parties in pursuing the claim.

6. Within ten (10) days after receipt from each manufacturer of rebate payments delivered on account of the contracts with the Behavioral Health Organizations operating under the TennCare Partners Program for the period July 1, 1998, through December 31, 1998 (the "BHO rebates") Pro-Mark shall pay to RxCare one-half thereof. Should it later be determined by virtue of a settlement or proceeding to which RxCare and Pro-Mark are parties that such BHO rebates must be paid over (whether in whole or in part) to

a third party, (i) RxCare shall surrender to Pro-Mark or such third-party, as the case may be, one-half of the required repayment amount, subject to a maximum liability equalling the payments actually received by it from Pro-Mark on account of its share of BHO rebates, and (ii) Pro-Mark shall surrender to RxCare or such third-party, as the case may be, one-half of the required repayment amount. With the exception of the foregoing, Pro-Mark agrees to indemnify and hold RxCare harmless with respect to the claims of any third party unrelated to RxCare relating to the BHO rebate payments in excess of the actual amount of BHO rebates received by RxCare. Examples (for illustration but not limitation) of the parties' agreement hereunder are as follows:

EXAMPLE I

BHO rebate payments received total $2,000,000.00. Total payments by Pro-Mark to RxCare shall equal $1,000,000.00. Third party makes a claim with respect to the BHO rebates in the total amount of $3,000,000.00. The third party prevails and recovers a $3,000,000.00 judgment in a proceeding to which each of Pro-Mark and RxCare is a party. RxCare is responsible for $1,000,000.00 (its maximum liability) of such obligation. Pro-Mark is responsible for remaining obligation of $2,000,000.00.

EXAMPLE II

BHO rebate payments received total $2,000,000.00. Total payments by Pro-Mark to RxCare shall equal $1,000,000.00. A third party makes a claim with respect to BHO rebates in the total amount of $1,000,000.00. The third party prevails and recovers a $1,000,000.00 judgment in a proceeding to which each of Pro-Mark and RxCare is a party. RxCare is responsible for $500,000.00 of such obligation. Pro-Mark is responsible for the remaining obligation of $500,000.00.

EXAMPLE III.

BHO rebate payments received total $2,000,000.00. Total payments by Pro-Mark to RxCare shall equal $1,000,000.00. A third party makes a claim with respect to the BHO rebates in the total amount of $500,000.00. The third party

prevails and recovers a $500,000.00 judgment in a proceeding to which each of Pro-Mark and RxCare is a party. RxCare is responsible for $250,000.00 of such obligation. Pro-Mark is responsible for the remaining obligation of $250,000.00.

7. In order to avoid controversies and disputes, RxCare and Pro-Mark each agrees that it, and its officers, directors, employees and agents and their respective parent companies, their officers, directors, employees and agents shall limit comments about the other, about their current and former relationship and about the termination of that relationship to the following statement and will decline to make further comments or respond to further questions citing this agreement:

RxCare and Pro-Mark consider each other to be professional organizations able to provide competent services to their customers. They ended their contractual relationship to pursue their own business goals separately and they each wish the other success. The parties have agreed to limit their comments about the other to the foregoing statement and to not comment further on the other, their relationship or its termination.

8. Each of Pro-Mark and RxCare shall have a perpetual, non-exclusive royalty free right to the ownership, possession and use, for any purpose whatsoever, of the software and data constituting the "pharmacists credentialling system" utilized by the parties under the Service Agreement, including the paper copies of all completed pharmacy questionnaires, supporting documentation and the verification process associated therewith (collectively, the "Credentialling System"). The parties agree to execute and deliver any and all agreements, instruments and documents and take any and all action reasonably requested by the other to evidence each party's respective rights in and to the joint ownership, use and right to possession of the Credentialling System. Promptly, but in any event within seven (7) days

of the execution and delivery of this Amendment, Pro-Mark will deliver legible copies, to the extent in existence, of the completed pharmacy questionnaires (with supporting documentation) as well as all data relating to the Credentialling System together with a usable version of the software and electronically stored data. Pro-Mark further agrees to store all original Credentialling System questionnaires, together with supporting documentation, at its Nashville, Tennessee offices and shall provide RxCare access to such original documents during regular business hours upon three (3) days prior notice (oral or written).

9. Each of Pro-Mark and RxCare agrees to continue to perform their respective obligations under the Service Agreement in good faith through the termination date, except as such obligations are modified hereby. Each of the parties further agrees to cooperate and provide reasonable assistance in good faith with respect to the conversion or transition of any Drug Benefit Programs to a new claims' processor, pharmacy benefit management company or other service provider. The parties acknowledge and agree that Pro-Mark shall require at least 14 days prior written notice of a transition or conversion of any Drug Benefit Program.

10. Any term defined in the Service Agreement shall have the same meaning and effect when used in this Amendment.

11. Except as modified hereby, all other provisions of the Service Agreement, including Amendment No. 1, shall remain in full force and effect; provided, however, that nothing herein shall affect the effectiveness of the notices of non-renewal given by each of the parties to the other.

12. In further consideration of their undertaking, the parties agree as follows:

(A) The parties release and discharge any claims which they have raised or could have raised against the other with respect to internal financial accounting under the Service Agreement;

(B) The parties each release and discharge any claims which they have raised or could have raised against the other with respect to prior acts relating to efforts to solicit, negotiate or market in order to secure contracts with any Drug Benefit Program or any other person, entity or individual;

(C) The parties release and discharge any claims (except for Third Party Claims described below) which they have raised or could have raised against the other for operational matters including all matters within the ambit of the governmental investigations into the TennCare programs;

(D) Unless RxCare has actual knowledge of the claim at the time of the execution of this Amendment, Pro-Mark agrees to assume full responsibility for the claims of third parties unrelated to RxCare ("Third Party Claims") to the extent that any such claim(s) is for Pro-Mark's performance or failure to perform its obligations under the Service Agreement; provided, however, that Pro-Mark's obligation is conditioned upon (1) RxCare immediately notifying Pro-Mark in writing of any such Third Party Claims; and (2) RxCare taking any action or not taking any action which Pro-Mark reasonably requests for the purpose of protecting Pro-Mark's rights or defending or mitigating Pro-Mark's obligations with respect to such Third Party Claim(s), and (3) Pro-Mark having the right to control any and all aspects of the defense and settlement of such Third Party Claim(s), including, if it exercises such right, the selection of counsel, the determination of all matters of tactics and strategy, and the amount, nature and timing of any negotiated resolution;

(E) For purposes of the releases and discharges provided for in this Paragraph 12, the parties intend each release and discharge to include the claims of and the claims against the parties and their respective current and former (i) officers, directors, employees and agents, and (ii) parents, subsidiaries,

affiliates, successors, and assigns (and each of their respective officers, directors, employees, and agents) acting in their capacities as such.

IN WITNESS WHEREOF, the parties have caused this instrument to be executed by the duly authorized representative effective as of the date first written above.

PRO-MARK HOLDINGS, INC.	RXCARE OF TENNESSEE, INC.
By: /s/BARRY A. POSNER	By: /s/MICHAEL SWAIN
Date: 11/24/98	Date: 11/24/98
ADDRESS:	ADDRESS:
c/o MIM CORPORATION 100 Clearbrook Road Elmsford, NY 10523 Attn: General Counsel	RXCARE OF TENNESSEE, INC. 226 Capital Blvd Suite 510 Nashville, TN 37219

EMPLOYMENT AGREEMENT (this "Agreement") dated as of December 1, 1998, by and between MIM Corporation, a Delaware corporation, with its principal place of business at 100 Clearbrook Road, Elmsford, New York 10523 (hereinafter referred to as the "Company"), and Richard H. Friedman, residing at 2 Palmer Place, Armonk, NY 10504 (hereinafter referred to as the "Executive").

WHEREAS, the Company wishes to offer employment to the Executive, and the Executive wishes to accept such offer, on the terms and provisions set forth below; Accordingly, the parties hereto agree as follows:

1. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, commencing as of December 1, 1998 and ending November 30, 2003, 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. Duties. The Executive, in his capacity as Chief Executive Officer and Chairman of the Board, shall faithfully perform for the Company the duties of said office and position and such other duties of an executive, managerial, or administrative nature as shall be specified and designated from time to time by the Board. The Executive shall devote all of his business time and effort to the performance of his duties hereunder.

3. Compensation.

3.1 Salary. The Company shall pay the Executive during the Term an initial base salary at the rate of $425,000 per annum (the "Annual Salary"), in accordance with the customary payroll practices of the Company applicable to senior executives, in installments not less frequently than monthly.

3.2 Benefits - In General. The Executive shall be permitted during the Term to participate in any group life, hospitalization or disability insurance plans, health programs, pension and profit sharing plans, salary reviews, and similar benefits (other than bonuses and stock options or other equity-based compensation, which are provided for under Section 3.3 and 3.4 hereof, or severance, displacement or other similar benefits) which are of a type available from time to time to other senior executives of the Company generally, in each case to the extent that the Executive is eligible under the terms of such plans or programs.

3.3 Specific Benefits.

(a) During the Term, the Executive shall be entitled to receive a bonus each calendar year, payable in cash in accordance with, and subject to the terms and conditions of the Annual Bonus Compensation Section of the Company's 1998 Senior Executive Bonus Program (the "Bonus Program"), a copy of which is attached hereto as Exhibit A. Such Annual Bonus Compensation shall be determined in accordance with the terms and provisions of the Bonus Program and shall be payable within ten (10) days of the completion of the audited financial results of the Company.

(b) Upon execution and delivery of this Agreement, the Executive shall be granted and shall receive 200,000 "Performance Units" (as defined in the Bonus Program), subject to the terms and conditions of the Bonus Program.

(c) Upon execution and delivery of this Agreement, the Executive shall be granted and shall receive 300,000 "Performance Shares" (as defined in the Bonus Program), subject to the terms and conditions of the Bonus Program.

3.4 Grant of Option. Upon execution and delivery of this Agreement, the Executive shall be granted and shall receive options ("Options") to purchase 800,000 shares of the common stock, par value $0.0001 per share, of the Company ("Common Stock"), at a price per share equal to $4.50 per share, being the closing sales price per share of the Common Stock on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") on December 2, 1998, the date on which the Company's Compensation Committee granted the Executive these Options and the compensation contemplated hereby. The Options shall, to the extent permitted by Section 422 of

the Internal Revenue Code of 1986, as amended (the "Code"), be qualified as incentive stock options ("ISO's"). Options in excess of the number permitted to receive ISO treatment under Section 422 of the Code shall not be qualified as ISO's. Subject to Sections 3.8, 4 and 5 hereof and the applicable stock option award agreement (i) 266,667 of such Options shall vest and become exercisable on each of the first and second anniversaries of the date thereof, and (ii) the remaining 266,666 Options shall vest and become exercisable, on the third anniversary of the date hereof. The Options shall be subject to the terms of a definitive stock option agreement to be provided by the Company.

3.5 Vacation. The Executive shall be entitled to vacation of 20 business days per year from and after the date hereof, to be accrued and available in accordance with the policies applicable to senior executives of the Company generally.

3.6 Automobile. During the Term, the Company will provide the Executive a monthly allowance of $1,500 for the use of an automobile.

3.7 Expenses. The Company shall pay or reimburse the Executive ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the Term in the performance of the Executive's services under this Agreement, including, but not limited to, business related travel and/or entertainment expenses; provided, that the Executive submits proof of such expenses, with the properly completed forms and supporting receipts and other documentation as prescribed from time to time by the Company, in accordance with the policies applicable to senior executives of the Company generally.

3.8 Shareholder Approval. The compensation set forth in Sections 3.3, 3.4, 4, 5.2 and 5.3 hereof shall be subject to the approval of this Agreement by the Company's shareholders at an annual or special meeting of the stockholders of the Company or by written consent in lieu thereof ("Shareholder Approval") on or before December 31, 1999. Notwithstanding anything to the contrary contained in this Agreement or in the Bonus Program, if approval of this Agreement by the Company's shareholders is not obtained by December 31, 1999, the

Executive shall not be entitled to receive any of the benefits set forth in Section 3.3 and 3.4 hereof. Notwithstanding anything to the contrary contained in this Agreement, in the event that Shareholder Approval is not obtained by December 31, 1999, the Company and the Executive shall, for the 90-day period commencing January 1, 2000, negotiate in good faith in order to provide the Executive with an alternative compensation arrangement mutually agreeable to the Company and the Executive. In the event that the Executive and the Company are unable to agree on an alternative compensation arrangement within such 90-day period, the Executive shall have the right to terminate this Agreement on not less than six (6) months prior written notice, in which event the Executive shall be entitled to receive, for a period of two (2) years after the termination of his employment, the Annual Salary that the Executive was receiving at the time of the termination of employment (and reimbursement for expenses incurred prior to the date of termination as set forth in Section 3.7 hereof).

3.9 Incorporation By Reference. The terms and provisions of the Bonus Program, as amended from time to time, are hereby incorporated herein by reference as if fully set forth herein; provided, however, that in the event that Shareholder Approval is not obtained on or before December 31, 1999, Sections 3.3 and 3.4 hereof, and the incorporation by reference of the Bonus Program, shall be null and void and of no further force and effect.

4. Termination upon Death or Disability.

4.1 Termination upon Death. If the Executive dies during the Term, the obligations of the Company to or with respect to the Executive shall terminate in their entirety except as otherwise provide under this Section 4. Upon death, (i) the Executive's estate or beneficiaries shall be entitled to receive any Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under Sections 3.1 and 3.2 of this Agreement prior to the date of termination and reimbursement for expenses incurred prior to the date of termination as set forth in Section 3.7 hereof; (ii) all fully vested and exercisable Options granted under Section 3.4 hereof and held by the Executive may be exercised by his estate for a period of one (1) year from and after the date of the Executive's death; (iii) all Performance Units granted to the Executive under Section 3.3(b) hereof shall vest at the accrued value (if any) under the Bonus Program measured at the end of the fiscal year immediately following the Executive's death; (iv) that portion of the Performance Shares granted to the Executive under Section 3.3(c) hereof to which the Executive would have been entitled to receive in

accordance with the Bonus Program, as measured at the end of the fiscal year immediately following the Executive's death shall vest in favor of the Executive's estate; and (v) the Executive's estate and beneficiaries shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder. Notwithstanding anything to the contrary contained in this Section 4.1, it is expressly understood and agreed that nothing in the foregoing clause (v) shall restrict the ability of the Company to amend or terminate such benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements).

4.2 Termination upon Disability. If the Executive by virtue of ill health or other disability is unable to perform substantially and continuously the duties assigned to him for more than 180 consecutive or non-consecutive calendar days out of any consecutive twelve-month period, the Company shall have the right, to the extent permitted by law, to terminate the employment of the Executive upon notice in writing to the Executive; provided that the Company will have no right to terminate the Executive's employment if, in the opinion of a qualified physician reasonably acceptable to the Company, it is reasonably certain that the Executive will be able to resume the Executive's duties on a regular full-time basis within 30 days of the date the Executive receives notice of such termination. Upon termination of employment by virtue of disability, (i) the Executive shall receive Annual Salary and other benefits (including Bonuses awarded but not yet paid) earned and accrued under Section 3.2, of this Agreement prior to the effective date of the termination of employment and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7 hereof; (ii) all fully vested and exercisable Options granted under Section 3.4 hereof and held by the Executive may be exercised by the Executive or his estate or beneficiaries for a period of one (1) year from and after the date of the Executive's disability; (iii) all Performance Units granted to the Executive under Section 3.3 (b) hereof shall vest at the accrued value (if any) under the Bonus Program measured

at the end of the fiscal year immediately following the Executive's termination of employment; (iv) that portion of the Performance Shares granted to the Executive under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured at the end of the fiscal year immediately following the Executive's termination of employment shall vest in favor of the Executive; and (v) if the Executive's disabilities shall continue for a period of six (6) months after his termination under this Section 4.2, the Executive shall receive for a period for two (2) years after termination of employment (A) the Annual Salary that the Executive was receiving at the time of such termination of employment, less the gross proceeds paid to the Executive on account of Social Security or other similar benefits and Company provided long-term disability insurance, payable in accordance with Section 3.1 hereof; and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof as would have applied in the absence of such termination; it being expressly understood and agreed that nothing in this clause (v) shall restrict the ability of the Company to amend or terminate such benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated in Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

5. Certain Terminations of Employment

5.1 Termination for "Cause"; Termination of Employment by the Executive Without Good Reason. (a) For purposes of this Agreement, "Cause" shall mean (i) the Executive's conviction of a felony or a crime of moral turpitude; or (ii) the Executive's commission of unauthorized acts intended to result in the Executive's personal enrichment at the material expense of the Company; or (iii) the Executive's material violation of the Executive's duties or responsibilities to the Company which constitute willful misconduct or dereliction of duty, or the material breach of the covenants contained in Section 6

hereof; or (iv) the Executive's other material breach of this Agreement which breach shall have continued unremedied for ten (10) days after written notice by the Company to the Executive specifying such breach.

(b) The Company may terminate the Executive's employment hereunder for Cause. If the Company terminates the Executive for Cause, (i) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall be entitled to retain only those Performance Shares which shall have vested on or prior to the date of termination under this Section 5.1; (iii) all vested and unvested options shall lapse and terminate immediately and may no longer be exercised; (iv) all Performance Units shall terminate immediately; and (v) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

(c) The Executive may terminate his employment upon written notice to the Company which specifies an effective date of termination not less than 30 days from the date of such notice. If the Executive terminates his employment and the termination is not covered by Section 4, 5.2, or 5.3, (i) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) all fully vested and exercisable options granted under Section 3.4 hereof and held by the Executive may be exercised by the Executive for a period of 30 days from and after the date of the Executive's effective date of termination; (iii) all Performance Units and Performance Shares shall lapse and terminate immediately; and (iv) the Executive shall have no further rights to any compensation or other benefits hereunder on or after the termination of employment, or any other rights hereunder.

5.2 Termination Without Cause; Termination for Good Reason. (a) For purposes of this Agreement, "Good Reason" shall mean the existence of any one or more of the following conditions that shall continue for more than 45 days following written notice thereof by the Executive to the Company: (i)

the material reduction of the Executive's authority, duties and responsibilities, or the assignment to the Executive of duties materially inconsistent with the Executive's position or positions with the Company; or (ii) the Company's material and continuing breach of this Agreement.

(b) The Company may terminate the Executive's employment at any time for any reason whatsoever. If the Company terminates the Executive's employment and the termination is not covered by Section 4, 5.1 or 5.3 hereof, , (i) the Executive shall receive Annual Salary 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 employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive (A) for the longer of (x) two (2) years after termination of employment or (y) the period of time remaining under the Term, the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) for a period of two (2) years after termination of employment, such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof 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 benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) that portion of the Performance Units granted under Section 3.3(b) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured on the date of the Executive's termination of employment shall vest and

become immediately payable at any time and from time to time from and after the termination date at the then applicable target rate set forth in the Bonus Program; and (v) that portion of the Performance Shares granted under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program as at the end of the fiscal year immediately following the termination of the Executive's employment shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease, other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

(c) The Executive may terminate the Executive's employment with the Company for "Good Reason". If the Executive terminates his employment for Good Reason and such termination is not covered by Section 5.3 hereof, (i) the Executive shall receive Annual Salary 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 employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive for a period of two (2) years after termination of employment (A) the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof 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 benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all

outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) all Performance Units granted under Section 3.3(b) hereof and held by the Executive shall vest and become immediately payable at any time and from time to time from and after the termination date at the maximum target rate set forth in the Bonus Program; and (v) all Performance Shares granted under Section 3.3(c) hereof and held by the Executive shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease, other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

5.3 Certain Terminations after Change of Control. (a) 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") other than the Executive, becomes the "beneficial owner" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company (including options, warrants, rights and convertible and exchangeable securities) representing 30% 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 Rights Agreement, dated November 24, 1998, between the Company and American Stock Transfer & Trust Company, as Rights Agent.

(b) If within the one (1) year period commencing upon any Change of Control, the Executive is terminated by the Company or a successor entity and the termination is not covered by Section 4 or 5. 1, or, within such one (1) year period, the Executive elects to terminate his employment after the Company or a successor entity materially reduces the Executive's authority, duties and responsibilities, or assigns the Executive duties materially inconsistent with the Executive's position or positions with the Company or a successor entity immediately prior to such Change of Control, (I) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive (A) for the longer of (x) three (3) years after termination of employment; or (y) the period of time remaining under the Term, the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Sections 3.2 of 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 and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage under Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (ill) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) all Performance Units granted under Section 3.3(b) hereof and held by the Executive shall vest and become immediately payable at any time and from time to time from and after the termination date, at the maximum target rate set forth in the Bonus Program; (v) all Performance Shares granted under Section 3.3 (c) hereof and held by the Executive shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company or any successor entity, as the case may be; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

6. Covenants of the Executive.

6.1 Covenant Against Competition, Other Covenants. The Executive acknowledges that (i) the principal business of the Company (which, for purposes of this Section 6 shall include the Company and each of its subsidiaries and affiliates) 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 and/or the purchasing of pharmaceutical products on behalf of pharmacy networks and long term care facilities (including assisted living facilities and nursing homes) (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 refereed 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) the Company's Business is national in scope; (iv) the Executive's work for the Company has given and will continue to give him access to confidential affairs and proprietary information of the Company; (v) the covenants and agreements of the Executive contained in this Section 6 are essential to the business and goodwill of the Company; and (vi) the Company would not have entered into do Agreement but for the covenants and agreements set forth in this Section 6. Accordingly, the Executive covenants and agrees that:

(a) At any time during his employment with the Company and ending one (1) year following (i) termination of the Executive's employment with the Company (irrespective of the reason for such termination) or (ii) payment of any Annual Salary in accordance with Section 4 or 5 hereof (unless such termination is by the Company without Cause), whichever occurs last, the Executive shall not engage, directly or indirectly (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), anywhere in the United States in (A) the Business or (B) 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 the Executive is employed, the Executive 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, all confidential matters relating to the Company and/or the Company's Business, learned by the Executive heretofore or hereafter directly or indirectly from the Company (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansion of product, service or geographic markets of the company and it's affiliates, (ii) sales figures, contracts agreements, and undertakings with or with respect to the Company's customers or prospective customers, (iii) profit or loss figures, and (iv) then existing or then prospective customers, clients, suppliers and 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 the Executive or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement. Notwithstanding the foregoing, this Section 6.1(b) shall not apply to the extent that the Executive is acting to the extent necessary to comply with legal process; provided that in the event that the Executive is 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, he shall immediately notify the Company thereof.

(c) During the period commencing on the date hereof and ending two (2) years following the later to occur of dates upon which the Executive shall cease to be an (i) employee or (ii) an "affiliate", as defined in Rule 144 promulgated under the Securities Act of 1993, and the rules and regulations promulgated thereunder (as amended, the "1993 Act"), of the Company, the Executive shall not, without the Company's prior written consent, directly or indirectly, solicit or encourage to leave the employment or other service of the Company any employee or independent contractor thereof or hire (on behalf of the Executive or any other person, firm, corporation or entity) any employee or independent contractor who has left the employment or other service of the Company within one (1)

year of the termination of such employee's or independent contractor's employment or other service with the Company. During such a one (1) year period, the Executive will not, whether for his own account or for the account of any other person, firm, corporation or other entity, intentionally interfere with the Company's relationship with, or endeavor to entice away from the Company any person who during the Term is or was a customer or client of the Company.

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

6.2 Rights and Remedies upon Breach. (a) The Executive acknowledges and agrees that any breach by him of any of the provisions of Section 6.1 hereof (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches or threatens to commit a breach of any of the provisions of Section 6. 1 hereof, the Company 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 under law or in equity (including, without limitation, the recovery of damages):

(i) 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 the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants.

(ii) The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits

(collectively, "Benefits") derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the Company and, if applicable, its affected subsidiaries and/or affiliates.

(b) The Executive agrees that in any action seeking specific performance or other equitable relief, he will not assert or contend that any of the provisions of this Section 6 are unreasonable or otherwise unenforceable. The existence of any claim or cause of action by the Executive, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the Restrictive Covenants.

7. Other Provisions.

7.1 Severabilitv. The Executive acknowledges and agrees that (i) he has had an opportunity to seek advice of counsel in connection with this Agreement and (ii) the Restrictive Covenants are reasonable in geographical and temporal scope and in all other respects. If it is determined that any of the provisions of this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the provisions of this Agreement shall not thereby be affected and shall be given full effect, without regard to the invalid portions thereof.

7.2 Duration and Scope of Covenants. If any court or other decision-maker of competent jurisdiction determines that any of Executive's covenants contained in this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7.3 Enforceability; Jurisdictions. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement that is not resolved by Executive and the Company (or its subsidiaries or affiliates, where applicable), other than those arising under Section 6 thereof, to the extent necessary for the Company (or its subsidiaries or affiliates, where applicable) to

avail itself of the rights and remedies provided under Section 6.2 hereof, shall be submitted to arbitration in New York, New York in accordance with New York law and the procedures of the American Arbitration Association. The determination of the arbitrator(s) shall be conclusive and binding on the Company (or its subsidiaries or affiliates, where applicable) and Executive and judgment may be entered on the arbitrator(s)' award in any court having jurisdiction.

7.4 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails as follows:

(i) If to the Company, to:

MIM Corporation
100 Clearbrook Road
Elmsford, New York 10523
Attention: General Counsel

with a copy to:

Rogers & Wells
200 Park Avenue - Suite 5200
New York, New York 10166-0153
Attention: Richard A. Cirillo

(ii) If to the Executive, to:

Richard H. Friedman
2 Palmer Place
Armonk, NY 10504

Any such person may by notice given in accordance with this Section 7.4 to the other parties hereto designate another address or person for receipt by such person of notices hereunder.

7.5 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

7.6 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

7.7 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPALS OF CONFLICTS OF LAW.

7.8 Assignment. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive; any purported assignment by the Executive in violation hereof shall be null and void. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, consolidation or otherwise, the Company (without limiting the Executive's rights under Section 5.3) may assign this Agreement and its rights hereunder.

7.9 Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

7.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

7.11 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

7.12 Survival. Anything contained in this Agreement to the contrary not withstanding, the provisions of Sections 5, 6, 7.3 and 7.9, and the other provisions of this Section 7 (to

the extent necessary to effectuate the survival of Sections 5, 6, 7.3 and 7.9), shall survive termination of this Agreement and any termination of the Executive's employment hereunder.

7.13 Existing Agreements. Executive represents to the Company that he is not subject or a party to any employment or consulting agreement, non-competition covenant or other agreement, covenant or understanding which might prohibit him from executing this Agreement or limit his ability to fulfill his responsibilities hereunder.

7.14 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

7.15 Supercedes Prior Agreements. Upon execution and delivery of this Agreement, this Agreement shall supercede in its entirety any and all prior agreements with respect to the Executive's employment.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

MIM CORPORATION

By:
- - ------------------------------
Barry A. Posner
Vice President & General Counsel

- - ------------------------------
Richard H. Friedman

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") dated as of March 1, 1999, by and between MIM Corporation, a Delaware corporation, with its principal place of business at 100 Clearbrook Road, Elmsford, New York 10523 (hereinafter referred to as the "Company"), and Barry A. Posner, residing at 105 West 73rd Street, Apt. 6C, New York, New York 10023 (hereinafter referred to as the "Executive").

WHEREAS, the Company wishes to offer employment to the Executive, and the Executive wishes to accept such offer, on the terms and provisions set forth below; Accordingly, the parties hereto agree as follows:

1. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, commencing as of March 1, 1999 and ending February 28, 2004, as Vice President and General Counsel of the Company 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. Duties. The Executive, in his capacity as Vice President and General Counsel, shall faithfully perform for the Company the duties of said office and position and such other duties of an executive, managerial, or administrative nature as shall be specified and designated from time to time by the Board. The Executive shall devote all of his business time and effort to the performance of his duties hereunder.

3. Compensation.

3.1 Salary. The Company shall pay the Executive during the Term an initial base salary at the rate of $230,000 per annum (the "Annual Salary"), in accordance with the customary payroll practices of the Company applicable to senior executives, in installments not less frequently than monthly.

3.2 Benefits - In General. The Executive shall be permitted during the Term to participate in any group life, hospitalization or disability insurance plans, health programs, pension and profit sharing plans, salary reviews, and similar benefits (other than bonuses and stock options or other equity-based compensation, which are provided for under Section 3.3 and 3.4 hereof, or severance, displacement or other similar benefits) which are of a type available from time to time to other senior executives of the Company generally, in each case to the extent that the Executive is eligible under the terms of such plans or programs.

3.3 Specific Benefits. (a) During the Term, the Executive shall be entitled to receive a bonus each calendar year, payable in cash in accordance with, and subject to the terms and conditions of the Annual Bonus Compensation Section of the Company's 1998 Senior Executive Bonus Program (the "Bonus Program"), a copy of which is attached hereto as Exhibit A. Such Annual Bonus Compensation shall be determined in accordance with the terms and provisions of the Bonus Program and shall be payable within ten (10) days of the completion of the audited financial results of the Company.

(b) During the Term, the Executive shall be entitled to participate in the Company's 1998 Senior Executive Bonus Program (the "Bonus Program"), at the participation levels set forth in Exhibit B attached hereto, and at such additional participation levels as may be determined from time to time by the Chief Executive Officer of the Company or the Company's Board of Directors or any committee thereof.

3.4 Grant of Option. Upon execution and delivery of this Agreement, the Executive shall be granted and shall receive options ("Options") to purchase 100,000 shares of the common stock, par value $0.0001 per share, of the Company ("Common Stock"), at a price per share equal to $4.50 per share, being the closing sales price per share of the Common Stock on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") on December 2, 1998, the date on which the Company's Compensation Committee granted the Executive these Options and the compensation contemplated hereby. The Options shall, to the extent permitted by Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), be qualified as incentive stock options ("ISO's"). Options in excess of the number permitted to receive ISO treatment under Section 422 of

the Code shall not be qualified as ISO's. Subject to Sections 3.8, 4 and 5 hereof and the applicable stock option award agreement (i) 33,333 of such Options shall vest and become exercisable on each of the first and second anniversaries of the date thereof, and (ii) the remaining 33,334 Options shall vest and become exercisable, on the third anniversary of the date hereof. The Options shall be subject to the terms of a definitive stock option agreement to be provided by the Company.

3.5 Vacation. The Executive shall be entitled to vacation of 20 business days per year from and after the date hereof, to be accrued and available in accordance with the policies applicable to senior executives of the Company generally.

3.6 Automobile. During the Term, the Company will provide the Executive a monthly allowance of $1,000 for the use of an automobile.

3.7 Expenses. The Company shall pay or reimburse the Executive ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the Term in the performance of the Executive's services under this Agreement, including, but not limited to, business related travel and/or entertainment expenses; provided, that the Executive submits proof of such expenses, with the properly completed forms and supporting receipts and other documentation as prescribed from time to time by the Company, in accordance with the policies applicable to senior executives of the Company generally.

4. Termination upon Death or Disability.

4.1 Termination upon Death. If the Executive dies during the Term, the obligations of the Company to or with respect to the Executive shall terminate in their entirety except as otherwise provide under this Section 4. Upon death, (i) the Executive's estate or beneficiaries shall be entitled to receive any Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under Sections 3.1 and 3.2 of this Agreement prior to the date of termination and reimbursement for expenses incurred prior to the date of termination as set forth in Section 3.7 hereof; (ii) all fully vested and exercisable Options granted under Section 3.4 hereof and

held by the Executive may be exercised by his estate for a period of one (1) year from and after the date of the Executive's death; (iii) all Performance Units granted to the Executive under Section 3.3(b) hereof shall vest at the accrued value (if any) under the Bonus Program measured at the end of the fiscal year immediately following the Executive's death; (iv) that portion of the Performance Shares granted to the Executive under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured at the end of the fiscal year immediately following the Executive's death shall vest in favor of the Executive's estate; and (v) the Executive's estate and beneficiaries shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder. Notwithstanding anything to the contrary contained in this Section 4.1, it is expressly understood and agreed that nothing in the foregoing clause (v) shall restrict the ability of the Company to amend or terminate such benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements).

4.2 Termination upon Disability. If the Executive by virtue of ill health or other disability is unable to perform substantially and continuously the duties assigned to him for more than 180 consecutive or non-consecutive calendar days out of any consecutive twelve-month period, the Company shall have the right, to the extent permitted by law, to terminate the employment of the Executive upon notice in writing to the Executive; provided that the Company will have no right to terminate the Executive's employment if, in the opinion of a qualified physician reasonably acceptable to the Company, it is reasonably certain that the Executive will be able to resume the Executive's duties on a regular full-time basis within 30 days of the date the Executive receives notice of such termination. Upon termination of employment by virtue of disability, (i) the Executive shall receive Annual Salary and other benefits (including Bonuses awarded but not yet paid) earned and accrued under Section 3.2, of this Agreement prior to the effective date of the termination of employment and reimbursement for

expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7 hereof; (ii) all fully vested and exercisable Options granted under Section 3.4 hereof and held by the Executive may be exercised by the Executive or his estate or beneficiaries for a period of one (1) year from and after the date of the Executive's disability; (iii) all Performance Units granted to the Executive under Section 3.3 (b) hereof shall vest at the accrued value (if any) under the Bonus Program measured at the end of the fiscal year immediately following the Executive's termination of employment; (iv) that portion of the Performance Shares granted to the Executive under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured at the end of the fiscal year immediately following the Executive's termination of employment shall vest in favor of the Executive; and (v) if the Executive's disabilities shall continue for a period of six (6) months after his termination under this Section 4.2, the Executive shall receive for a period for two (2) years after termination of employment (A) the Annual Salary that the Executive was receiving at the time of such termination of employment, less the gross proceeds paid to the Executive on account of Social Security or other similar benefits and Company provided long-term disability insurance, payable in accordance with Section 3.1 hereof; and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof as would have applied in the absence of such termination; it being expressly understood and agreed that nothing in this clause (v) shall restrict the ability of the Company to amend or terminate such benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated in Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

5. Certain Terminations of Employment

5.1 Termination for "Cause"; Termination of Employment by the Executive Without Good Reason. (a) For purposes of this Agreement, "Cause" shall mean (i) the Executive's conviction of a felony or a crime of moral turpitude; or (ii) the Executive's commission of unauthorized acts intended to result in the Executive's personal enrichment at the material expense of the Company; or (iii) the Executive's material violation of the Executive's duties or responsibilities to the Company which constitute willful misconduct or dereliction of duty, or the material breach of the covenants contained in Section 6 hereof; or (iv) the Executive's other material breach of this Agreement which breach shall have continued unremedied for ten (10) days after written notice by the Company to the Executive specifying such breach.

(b) The Company may terminate the Executive's employment hereunder for Cause. If the Company terminates the Executive for Cause, (i) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall be entitled to retain only those Performance Shares which shall have vested on or prior to the date of termination under this Section 5.1; (iii) all vested and unvested options shall lapse and terminate immediately and may no longer be exercised; (iv) all Performance Units shall terminate immediately; and (v) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

(c) The Executive may terminate his employment upon written notice to the Company which specifies an effective date of termination not less than 30 days from the date of such notice. If the Executive terminates his employment and the termination is not covered by Section 4, 5.2, or 5.3, (i) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) all fully vested and exercisable options granted under Section 3.4 hereof and held by the Executive may be exercised by the Executive for a period of 30 days from and after the date of the Executive's effective date of termination; (iii) all Performance Units

and Performance Shares shall lapse and terminate immediately; and (iv) the Executive shall have no further rights to any compensation or other benefits hereunder on or after the termination of employment, or any other rights hereunder.

5.2 Termination Without Cause; Termination for Good Reason. (a) For purposes of this Agreement, "Good Reason" shall mean the existence of any one or more of the following conditions that shall continue for more than 45 days following written notice thereof by the Executive to the Company: (i) the material reduction of the Executive's authority, duties and responsibilities, or the assignment to the Executive of duties materially inconsistent with the Executive's position or positions with the Company; or (ii) the Company's material and continuing breach of this Agreement.

(b) The Company may terminate the Executive's employment at any time for any reason whatsoever. If the Company terminates the Executive's employment and the termination is not covered by Section 4, 5.1 or 5.3 hereof, , (i) the Executive shall receive Annual Salary 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 employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive (A) for the longer of (x) two (2) years after termination of employment or (y) the period of time remaining under the Term, the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) for a period of two (2) years after termination of employment, such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof 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 benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all outstanding unvested Options granted under Section 3.4 hereof and held by the

Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) that portion of the Performance Units granted under Section 3.3(b) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured on the date of the Executive's termination of employment shall vest and become immediately payable at any time and from time to time from and after the termination date at the then applicable target rate set forth in the Bonus Program; and (v) that portion of the Performance Shares granted under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program as at the end of the fiscal year immediately following the termination of the Executive's employment shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease, other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

(c) The Executive may terminate the Executive's employment with the Company for "Good Reason". If the Executive terminates his employment for Good Reason and such termination is not covered by Section 5.3 hereof, (i) the Executive shall receive Annual Salary 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 employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive for a period of two (2) years after termination of employment (A) the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof 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 benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) all Performance Units granted under Section 3.3(b) hereof and held by the Executive shall vest and become immediately payable at any time and from time to time from and after the termination date at the maximum target rate set forth in the Bonus Program; and (v) all Performance Shares granted under Section 3.3(c) hereof and held by the Executive shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease, other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

5.3 Certain Terminations after Change of Control. (a) 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 13d-3 under the Exchange Act) of securities of the Company (including options, warrants, rights and convertible and exchangeable securities) representing 30% 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 Rights Agreement, dated November 24, 1998, between the Company and American Stock Transfer & Trust Company, as Rights Agent.

(b) If within the one (1) year period commencing upon any Change of Control, the Executive is terminated by the Company or a successor entity and the termination is not covered by Section 4 or 5. 1, or, within such one (1) year period, the Executive elects to terminate his employment after the Company or a successor entity materially reduces the Executive's authority, duties and responsibilities, or assigns the Executive duties materially inconsistent with the Executive's position or positions with the Company or a successor entity immediately prior to such Change of Control, (I) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of

employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive (A) for the longer of (x) three (3) years after termination of employment; or (y) the period of time remaining under the Term, the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Sections 3.2 of 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 and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage under Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (ill) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) all Performance Units granted under Section 3.3(b) hereof and held by the Executive shall vest and become immediately payable at any time and from time to time from and after the termination date, at the maximum target rate set forth in the Bonus Program; (v) all Performance Shares granted under Section 3.3 (c) hereof and held by the Executive shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company or any successor entity, as the case may be; and (vi) the Executive shall have no further rights to any other

compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

6. Covenants of the Executive.

6.1 Covenant Against Competition, Other Covenants. The Executive acknowledges that (i) the principal business of the Company (which, for purposes of this Section 6 shall include the Company and each of its subsidiaries and affiliates) 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 and/or the purchasing of pharmaceutical products on behalf of pharmacy networks and long term care facilities (including assisted living facilities and nursing homes) (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 refereed 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) the Company's Business is national in scope; (iv) the Executive's work for the Company has given and will continue to give him access to confidential affairs and proprietary information of the Company; (v) the covenants and agreements of the Executive contained in this Section 6 are essential to the business and goodwill of the Company; and (vi) the Company would not have entered into do Agreement but for the covenants and agreements set forth in this Section 6. Accordingly, the Executive covenants and agrees that:

(a) At any time during his employment with the Company and ending one (1) year following (i) termination of the Executive's employment with the Company (irrespective of the reason for such termination) or (ii) payment of any Annual Salary in accordance with Section 4 or 5 hereof (unless such termination is by the Company without Cause), whichever occurs last, the Executive shall not engage, directly or indirectly (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), anywhere in the United States in (A) the Business or (B) 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 the Executive is employed, the Executive 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, all confidential matters relating to the Company and/or the Company's Business, learned by the Executive heretofore or hereafter directly or indirectly from the Company (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansion of product, service or geographic markets of the company and it's affiliates, (ii) sales figures, contracts agreements, and undertakings with or with respect to the Company's customers or prospective customers, (iii) profit or loss figures, and (iv) then existing or then prospective customers, clients, suppliers and 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 the Executive or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement. Notwithstanding the foregoing, this Section 6.1(b) shall not apply to the extent that the Executive is acting to the extent necessary to comply with legal process; provided that in the event that the Executive is 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, he shall immediately notify the Company thereof.

(c) During the period commencing on the date hereof and ending two (2) years following the later to occur of dates upon which the Executive shall cease to be an (i) employee or (ii) an "affiliate", as defined in Rule 144 promulgated under the Securities Act of 1993, and the rules and regulations promulgated thereunder (as amended, the "1993 Act"), of the Company, the Executive shall not, without the Company's prior written consent, directly or indirectly, solicit or encourage to leave the employment or other service of the Company any employee or independent contractor thereof

or hire (on behalf of the Executive or any other person, firm, corporation or entity) any employee or independent contractor who has left the employment or other service of the Company within one (1) year of the termination of such employee's or independent contractor's employment or other service with the Company. During such a one (1) year period, the Executive will not, whether for his own account or for the account of any other person, firm, corporation or other entity, intentionally interfere with the Company's relationship with, or endeavor to entice away from the Company any person who during the Term is or was a customer or client of the Company.

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

6.2 Rights and Remedies upon Breach . (a) The Executive acknowledges and agrees that any breach by him of any of the provisions of Section 6.1 hereof (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches or threatens to commit a breach of any of the provisions of Section 6. 1 hereof, the Company 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 under law or in equity (including, without limitation, the recovery of damages):

(i) 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 the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants.

(ii) The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits

(collectively, "Benefits") derived or received by him as the result of any transactions constituting a breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the Company and, if applicable, its affected subsidiaries and/or affiliates.

(b) The Executive agrees that in any action seeking specific performance or other equitable relief, he will not assert or contend that any of the provisions of this Section 6 are unreasonable or otherwise unenforceable. The existence of any claim or cause of action by the Executive, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the Restrictive Covenants.

7. Other Provisions.

7.1 Severabilitv. The Executive acknowledges and agrees that (i) he has had an opportunity to seek advice of counsel in connection with this Agreement and (ii) the Restrictive Covenants are reasonable in geographical and temporal scope and in all other respects. If it is determined that any of the provisions of this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the provisions of this Agreement shall not thereby be affected and shall be given full effect, without regard to the invalid portions thereof.

7.2 Duration and Scope of Covenants. If any court or other decision-maker of competent jurisdiction determines that any of Executive's covenants contained in this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7.3 Enforceability; Jurisdictions. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement that is not resolved by Executive and the Company (or its subsidiaries or affiliates, where applicable), other than those arising under Section 6 thereof, to the extent necessary for the Company (or its subsidiaries or affiliates, where applicable) to

avail itself of the rights and remedies provided under Section 6.2 hereof, shall be submitted to arbitration in New York, New York in accordance with New York law and the procedures of the American Arbitration Association. The determination of the arbitrator(s) shall be conclusive and binding on the Company (or its subsidiaries or affiliates, where applicable) and Executive and judgment may be entered on the arbitrator(s)' award in any court having jurisdiction.

7.4 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails as follows:

(i) If to the Company, to:

MIM Corporation
100 Clearbrook Road
Elmsford, New York 10523
Attention: Assistant General Counsel

with a copy to:

Rogers & Wells
200 Park Avenue - Suite 5200
New York, New York 10166-0153
Attention: Richard A. Cirillo

(ii) If to the Executive, to:

Barry A. Posner
105 West 73rd Street, Apt. 6C
New York, NY 10023

Any such person may by notice given in accordance with this Section 7.4 to the other parties hereto designate another address or person for receipt by such person of notices hereunder.

7.5 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

7.6 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

7.7 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPALS OF CONFLICTS OF LAW.

7.8 Assignment. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive; any purported assignment by the Executive in violation hereof shall be null and void. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, consolidation or otherwise, the Company (without limiting the Executive's rights under Section 5.3) may assign this Agreement and its rights hereunder.

7.9 Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

7.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

7.11 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

7.12 Survival. Anything contained in this Agreement to the contrary not withstanding, the provisions of Sections 5, 6, 7.3 and 7.9, and the other provisions of this Section 7

(to the extent necessary to effectuate the survival of Sections 5, 6, 7.3 and 7.9), shall survive termination of this Agreement and any termination of the Executive's employment hereunder.

7.13 Existing Agreements. Executive represents to the Company that he is not subject or a party to any employment or consulting agreement, non-competition covenant or other agreement, covenant or understanding which might prohibit him from executing this Agreement or limit his ability to fulfill his responsibilities hereunder.

7.14 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

7.15 Supercedes Prior Agreements. Upon execution and delivery of this Agreement, this Agreement shall supercede in its entirety any and all prior agreements with respect to the Executive's employment.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

MIM CORPORATION

By:/S/ RICHARD H. FRIEDMAN

Richard H. Friedman
Chief Executive Officer

/S/ BARRY A. POSNER

Barry A. Posner

Exhibit A

1998 Senior Executive Bonus Program

Exhibit B

Executive Bonus Grant

Annual Bonus Percentage Level:	24%-40%
Options to Purchase Common Stock, Par value $0.0001 per share (See Section 3.4)	100,000
Performance Units:	10,000 per year
Performance Shares:	20,000 per year

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (this "Agreement") dated as of March 1, 1999, by and between MIM Corporation, a Delaware corporation, with its principal place of business at 100 Clearbrook Road, Elmsford, New York 10523 (hereinafter referred to as the "Company"), and Edward J. Sitar, residing at 960 Glenwood Avenue, Plainfield, New Jersey 07060 (hereinafter referred to as the "Executive").

WHEREAS, the Company wishes to offer employment to the Executive, and the Executive wishes to accept such offer, on the terms and provisions set forth below; Accordingly, the parties hereto agree as follows:

1. Term. The Company hereby employs the Executive, and the Executive hereby accepts such employment, commencing as of March 1, 1999 and ending February 28, 2004, as Chief Financial Officer of the Company 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. Duties. The Executive, in his capacity as Chief Financial Officer, shall faithfully perform for the Company the duties of said office and position and such other duties of an executive, managerial, or administrative nature as shall be specified and designated from time to time by the Board. The Executive shall devote all of his business time and effort to the performance of his duties hereunder.

3. Compensation.

3.1 Salary. The Company shall pay the Executive during the Term an initial base salary at the rate of $180,000 per annum (the "Annual Salary"), in accordance with the customary payroll practices of the Company applicable to senior executives, in installments not less frequently than monthly.

3.2 Benefits - In General. The Executive shall be permitted during the Term to participate in any group life, hospitalization or disability insurance plans, health programs,

pension and profit sharing plans, salary reviews, and similar benefits (other than bonuses and stock options or other equity-based compensation, which are provided for under Section 3.3 and 3.4 hereof, or severance, displacement or other similar benefits) which are of a type available from time to time to other senior executives of the Company generally, in each case to the extent that the Executive is eligible under the terms of such plans or programs.

3.3 Specific Benefits. (a) During the Term, the Executive shall be entitled to receive a bonus each calendar year, payable in cash in accordance with, and subject to the terms and conditions of the Annual Bonus Compensation Section of the Company's 1998 Senior Executive Bonus Program (the "Bonus Program"), a copy of which is attached hereto as Exhibit A. Such Annual Bonus Compensation shall be determined in accordance with the terms and provisions of the Bonus Program and shall be payable within ten (10) days of the completion of the audited financial results of the Company.

(b) During the Term, the Executive shall be entitled to participate in the Company's 1998 Senior Executive Bonus Program (the "Bonus Program"), at the participation levels set forth in Exhibit B attached hereto, and at such additional participation levels as may be determined from time to time by the Chief Executive Officer of the Company or the Company's Board of Directors or any committee thereof.

3.4 Grant of Option. Upon execution and delivery of this Agreement, the Executive shall be granted and shall receive options ("Options") to purchase 50,000 shares of the common stock, par value $0.0001 per share, of the Company ("Common Stock"), at a price per share equal to $4.50 per share, being the closing sales price per share of the Common Stock on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") on December 2, 1998, the date on which the Company's Compensation Committee granted the Executive these Options and the compensation contemplated hereby. The Options shall, to the extent permitted by Section 422

of the Internal Revenue Code of 1986, as amended (the "Code"), be qualified as incentive stock options ("ISO's"). Options in excess of the number permitted to receive ISO treatment under Section 422 of the Code shall not be qualified as ISO's. Subject to Sections 3.8, 4 and 5 hereof and the applicable stock option award agreement (i) 16,666 of such Options shall vest and become exercisable on each of the first and second anniversaries of the date thereof, and (ii) the remaining 16,667 Options shall vest and become exercisable, on the third anniversary of the date hereof. The Options shall be subject to the terms of a definitive stock option agreement to be provided by the Company.

3.5 Vacation. The Executive shall be entitled to vacation of 20 business days per year from and after the date hereof, to be accrued and available in accordance with the policies applicable to senior executives of the Company generally.

3.6 Automobile. During the Term, the Company will provide the Executive a monthly allowance of $1,000 for the use of an automobile.

3.7 Expenses. The Company shall pay or reimburse the Executive ordinary and reasonable out-of-pocket expenses actually incurred (and, in the case of reimbursement, paid) by the Executive during the Term in the performance of the Executive's services under this Agreement, including, but not limited to, business related travel and/or entertainment expenses; provided, that the Executive submits proof of such expenses, with the properly completed forms and supporting receipts and other documentation as prescribed from time to time by the Company, in accordance with the policies applicable to senior executives of the Company generally.

4. Termination upon Death or Disability.

4.1 Termination upon Death. If the Executive dies during the Term, the obligations of the Company to or with respect to the Executive shall terminate in their entirety except as otherwise provide under this Section 4. Upon death, (i) the Executive's estate or beneficiaries shall be entitled to receive any Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under Sections 3.1 and 3.2 of this Agreement prior to the date of termination and reimbursement for expenses incurred prior to the date of termination as set forth in Section 3.7 hereof; (ii) all fully vested and exercisable Options granted under Section 3.4 hereof and held by the Executive may be exercised by his estate for a period of one (1) year from and after the date of the Executive's death; (iii) all Performance Units granted to the Executive under Section 3.3(b)

hereof shall vest at the accrued value (if any) under the Bonus Program measured at the end of the fiscal year immediately following the Executive's death; (iv) that portion of the Performance Shares granted to the Executive under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured at the end of the fiscal year immediately following the Executive's death shall vest in favor of the Executive's estate; and (v) the Executive's estate and beneficiaries shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder. Notwithstanding anything to the contrary contained in this Section 4.1, it is expressly understood and agreed that nothing in the foregoing clause (v) shall restrict the ability of the Company to amend or terminate such benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements).

4.2 Termination upon Disability. If the Executive by virtue of ill health or other disability is unable to perform substantially and continuously the duties assigned to him for more than 180 consecutive or non-consecutive calendar days out of any consecutive twelve-month period, the Company shall have the right, to the extent permitted by law, to terminate the employment of the Executive upon notice in writing to the Executive; provided that the Company will have no right to terminate the Executive's employment if, in the opinion of a qualified physician reasonably acceptable to the Company, it is reasonably certain that the Executive will be able to resume the Executive's duties on a regular full-time basis within 30 days of the date the Executive receives notice of such termination. Upon termination of employment by virtue of disability, (i) the Executive shall receive Annual Salary and other benefits (including Bonuses awarded but not yet paid) earned and accrued under Section 3.2, of this Agreement prior to the effective date of the termination of employment and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7 hereof; (ii) all fully vested and exercisable Options granted under Section 3.4 hereof and held by the

Executive may be exercised by the Executive or his estate or beneficiaries for a period of one (1) year from and after the date of the Executive's disability; (iii) all Performance Units granted to the Executive under Section 3.3 (b) hereof shall vest at the accrued value (if any) under the Bonus Program measured at the end of the fiscal year immediately following the Executive's termination of employment; (iv) that portion of the Performance Shares granted to the Executive under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured at the end of the fiscal year immediately following the Executive's termination of employment shall vest in favor of the Executive; and (v) if the Executive's disabilities shall continue for a period of six (6) months after his termination under this Section 4.2, the Executive shall receive for a period for two (2) years after termination of employment (A) the Annual Salary that the Executive was receiving at the time of such termination of employment, less the gross proceeds paid to the Executive on account of Social Security or other similar benefits and Company provided long-term disability insurance, payable in accordance with Section 3.1 hereof; and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof as would have applied in the absence of such termination; it being expressly understood and agreed that nothing in this clause (v) shall restrict the ability of the Company to amend or terminate such benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated in Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

5. Certain Terminations of Employment

5.1 Termination for "Cause"; Termination of Employment by the Executive Without Good Reason. (a) For purposes of this Agreement, "Cause" shall mean (i) the Executive's conviction of a felony or a crime of moral turpitude; or (ii) the Executive's commission of unauthorized acts

intended to result in the Executive's personal enrichment at the material expense of the Company; or (iii) the Executive's material violation of the Executive's duties or responsibilities to the Company which constitute willful misconduct or dereliction of duty, or the material breach of the covenants contained in Section 6 hereof; or (iv) the Executive's other material breach of this Agreement which breach shall have continued unremedied for ten (10) days after written notice by the Company to the Executive specifying such breach.

(b) The Company may terminate the Executive's employment hereunder for Cause. If the Company terminates the Executive for Cause, (i) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall be entitled to retain only those Performance Shares which shall have vested on or prior to the date of termination under this Section 5.1; (iii) all vested and unvested options shall lapse and terminate immediately and may no longer be exercised; (iv) all Performance Units shall terminate immediately; and (v) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

(c) The Executive may terminate his employment upon written notice to the Company which specifies an effective date of termination not less than 30 days from the date of such notice. If the Executive terminates his employment and the termination is not covered by Section 4, 5.2, or 5.3, (i) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) all fully vested and exercisable options granted under Section 3.4 hereof and held by the Executive may be exercised by the Executive for a period of 30 days from and after the date of the Executive's effective date of termination; (iii) all Performance Units and Performance Shares shall lapse and terminate immediately; and (iv) the Executive shall have no further rights to any compensation or other benefits hereunder on or after the termination of employment, or any other rights hereunder.

5.2 Termination Without Cause; Termination for Good Reason. (a) For purposes of this Agreement, "Good Reason" shall mean the existence of any one or more of the following conditions that shall continue for more than 45 days following written notice thereof by the Executive to the Company: (i) the material reduction of the Executive's authority, duties and responsibilities, or the assignment to the Executive of duties materially inconsistent with the Executive's position or positions with the Company; or (ii) the Company's material and continuing breach of this Agreement.

(b) The Company may terminate the Executive's employment at any time for any reason whatsoever. If the Company terminates the Executive's employment and the termination is not covered by Section 4, 5.1 or 5.3 hereof, , (i) the Executive shall receive Annual Salary 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 employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive (A) for the longer of (x) two (2) years after termination of employment or (y) the period of time remaining under the Term, the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) for a period of two (2) years after termination of employment, such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof 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 benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) that portion of the Performance Units granted under Section 3.3(b) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program, as measured on the date of the Executive's termination of employment shall vest and become immediately payable at any time and from time to time from and after the termination date at the then applicable target rate set forth in the Bonus Program; and (v) that portion of the Performance Shares granted under Section 3.3(c) hereof to which the Executive would have been entitled to receive in accordance with the Bonus Program as at the end of the fiscal year immediately following the termination of the Executive's employment shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease, other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

(c) The Executive may terminate the Executive's employment with the Company for "Good Reason". If the Executive terminates his employment for Good Reason and such termination is not covered by Section 5.3 hereof, (i) the Executive shall receive Annual Salary 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 employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive for a period of two (2) years after termination of employment (A) the Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Section 3.2 hereof 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 benefits plans and programs from time to time in its sole and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage contemplated by Section

3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (iii) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) all Performance Units granted under Section 3.3(b) hereof and held by the Executive shall vest and become immediately payable at any time and from time to time from and after the termination date at the maximum target rate set forth in the Bonus Program; and (v) all Performance Shares granted under Section 3.3(c) hereof and held by the Executive shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease, other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment, or any other rights hereunder.

5.3 Certain Terminations after Change of Control. (a) 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 13d-3 under the Exchange Act) of securities of the Company (including options, warrants, rights and convertible and exchangeable securities) representing 30% 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 Rights Agreement, dated November 24, 1998, between the Company and American Stock Transfer & Trust Company, as Rights Agent.

(b) If within the one (1) year period commencing upon any Change of Control, the Executive is terminated by the Company or a successor entity and the termination is not covered by Section 4 or 5. 1, or, within such one (1) year period, the Executive elects to terminate his employment after the Company or a successor entity materially reduces the Executive's authority, duties and responsibilities, or assigns the Executive duties materially inconsistent with the Executive's position or positions with the Company or a successor entity immediately prior to such Change of Control, (I) the Executive shall receive Annual Salary and other benefits (including bonuses awarded or declared but not yet paid) earned and accrued under this Agreement prior to the effective date of the termination of employment (and reimbursement for expenses incurred prior to the effective date of the termination of employment as set forth in Section 3.7); (ii) the Executive shall receive (A) for the longer of (x) three (3) years after termination of employment; or (y) the period of time remaining under the Term, the

Annual Salary that the Executive was receiving at the time of such termination of employment, payable in accordance with Section 3.1 hereof, and (B) such continuing coverage under the benefit plans and programs the Executive would have received under Sections 3.2 of 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 and absolute discretion; provided, however, that the Company shall in no event be required to provide any coverage under Section 3.2 hereof after such time as the Executive becomes entitled to coverage under the benefit plans and programs of another employer or recipient of the Executive's services (and provided, further, that such entitlement shall be determined without regard to any individual waivers or other arrangements); (ill) all outstanding unvested Options granted under Section 3.4 hereof and held by the Executive shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and the Executive 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; (iv) all Performance Units granted under Section 3.3(b) hereof and held by the Executive shall vest and become immediately payable at any time and from time to time from and after the termination date, at the maximum target rate set forth in the Bonus Program; (v) all Performance Shares granted under Section 3.3 (c) hereof and held by the Executive shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by the Executive and all other restrictions imposed thereon shall cease other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of the Executive's employment with the Company or any successor entity, as the case may be; and (vi) the Executive shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

6. Covenants of the Executive.

6.1 Covenant Against Competition, Other Covenants. The Executive acknowledges that (i) the principal business of the Company (which, for purposes of this Section 6 shall include the Company and each of its subsidiaries and affiliates) 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 and/or the purchasing of pharmaceutical products on behalf of pharmacy networks and long term care facilities (including assisted living facilities and nursing homes) (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 refereed 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) the Company's Business is national in scope; (iv) the Executive's work for the Company has given and will continue to give him access to confidential affairs and proprietary information of the Company; (v) the covenants and agreements of the Executive contained in this Section 6 are essential to the business and goodwill of the Company; and (vi) the Company would not have entered into do Agreement but for the covenants and agreements set forth in this Section 6. Accordingly, the Executive covenants and agrees that:

(a) At any time during his employment with the Company and ending one (1) year following (i) termination of the Executive's employment with the Company (irrespective of the reason for such termination) or (ii) payment of any Annual Salary in accordance with Section 4 or 5 hereof (unless such termination is by the Company without Cause), whichever occurs last, the Executive shall not engage, directly or indirectly (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), anywhere in the United States in (A) the Business or (B) 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 the Executive is employed, the Executive 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, all confidential matters relating to the Company and/or the Company's Business, learned by the Executive heretofore or hereafter directly or indirectly from the Company (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansion of product, service or geographic markets of the company and it's affiliates, (ii) sales figures, contracts agreements, and undertakings with or with respect to the Company's customers or prospective customers, (iii) profit or loss figures, and (iv) then existing or then prospective customers, clients, suppliers and 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 the Executive or is received from a third party not under an obligation to keep such information confidential and without breach of this Agreement. Notwithstanding the foregoing, this Section 6.1(b) shall not apply to the extent that the Executive is acting to the extent necessary to comply with legal process; provided that in the event that the Executive is 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, he shall immediately notify the Company thereof.

(c) During the period commencing on the date hereof and ending two (2) years following the later to occur of dates upon which the Executive shall cease to be an (i) employee or (ii) an "affiliate", as defined in Rule 144 promulgated under the Securities Act of 1993, and the rules and regulations promulgated thereunder (as amended, the "1993 Act"), of the Company, the Executive shall not, without the Company's prior written consent, directly or indirectly, solicit or encourage to leave the employment or other service of the Company any employee or independent contractor thereof or hire (on behalf of the Executive or any other person, firm, corporation or entity) any employee or independent contractor who has left the employment or other service of the Company within one (1)

year of the termination of such employee's or independent contractor's employment or other service with the Company. During such a one (1) year period, the Executive will not, whether for his own account or for the account of any other person, firm, corporation or other entity, intentionally interfere with the Company's relationship with, or endeavor to entice away from the Company any person who during the Term is or was a customer or client of the Company.

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

6.2 Rights and Remedies upon Breach . (a) The Executive acknowledges and agrees that any breach by him of any of the provisions of Section 6.1 hereof (the "Restrictive Covenants") would result in irreparable injury and damage for which money damages would not provide an adequate remedy. Therefore, if the Executive breaches or threatens to commit a breach of any of the provisions of Section 6. 1 hereof, the Company 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 under law or in equity (including, without limitation, the recovery of damages):

(i) 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 the Executive of restraining orders and injunctions (preliminary, mandatory, temporary and permanent) against violations, threatened or actual, and whether or not then continuing, of such covenants.

(ii) The right and remedy to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits (collectively, "Benefits") derived or received by him as the result of any transactions constituting a

breach of the Restrictive Covenants, and the Executive shall account for and pay over such Benefits to the Company and, if applicable, its affected subsidiaries and/or affiliates.

(b) The Executive agrees that in any action seeking specific performance or other equitable relief, he will not assert or contend that any of the provisions of this Section 6 are unreasonable or otherwise unenforceable. The existence of any claim or cause of action by the Executive, whether predicated on this Agreement or otherwise, shall not constitute a defense to the enforcement of the Restrictive Covenants.

7. Other Provisions.

7.1 Severabilitv. The Executive acknowledges and agrees that (i) he has had an opportunity to seek advice of counsel in connection with this Agreement and (ii) the Restrictive Covenants are reasonable in geographical and temporal scope and in all other respects. If it is determined that any of the provisions of this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the provisions of this Agreement shall not thereby be affected and shall be given full effect, without regard to the invalid portions thereof.

7.2 Duration and Scope of Covenants. If any court or other decision-maker of competent jurisdiction determines that any of Executive's covenants contained in this Agreement, including, without limitation, any of the Restrictive Covenants, or any part thereof, is unenforceable because of the duration or geographical scope of such provision, then, after such determination has become final and unappealable, the duration or scope of such provision, as the case may be, shall be reduced so that such provision becomes enforceable and, in its reduced form, such provision shall then be enforceable and shall be enforced.

7.3 Enforceability; Jurisdictions. Any controversy or claim arising out of or relating to this Agreement or the breach of this Agreement that is not resolved by Executive and the Company (or its subsidiaries or affiliates, where applicable), other than those arising under Section 6 thereof, to the extent necessary for the Company (or its subsidiaries or affiliates, where applicable) to avail itself of the rights and remedies provided under Section 6.2 hereof, shall be submitted to arbitration

in New York, New York in accordance with New York law and the procedures of the American Arbitration Association. The determination of the arbitrator(s) shall be conclusive and binding on the Company (or its subsidiaries or affiliates, where applicable) and Executive and judgment may be entered on the arbitrator(s)' award in any court having jurisdiction.

7.4 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be delivered personally, telegraphed, telexed, sent by facsimile transmission or sent by certified, registered or express mail, postage prepaid. Any such notice shall be deemed given when so delivered personally, telegraphed, telexed or sent by facsimile transmission or, if mailed, five days after the date of deposit in the United States mails as follows:

(i) If to the Company, to:

MIM Corporation
100 Clearbrook Road
Elmsford, New York 10523
Attention: Assistant General Counsel

with a copy to:

Rogers & Wells
200 Park Avenue - Suite 5200
New York, New York 10166-0153
Attention: Richard A. Cirillo

(ii) If to the Executive, to:

Edward J. Sitar
960 Glenwood Avenue
Plainfield, New Jersey 07060

Any such person may by notice given in accordance with this Section 7.4 to the other parties hereto designate another address or person for receipt by such person of notices hereunder.

7.5 Entire Agreement. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior agreements, written or oral, with respect thereto.

7.6 Waivers and Amendments. This Agreement may be amended, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written

instrument signed by the parties or, in the case of a waiver, by the party waiving compliance. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege nor any single or partial exercise of any such right, power or privilege, preclude any other or further exercise thereof or the exercise of any other such right, power or privilege.

7.7 Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REGARD TO PRINCIPALS OF CONFLICTS OF LAW.

7.8 Assignment. This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive; any purported assignment by the Executive in violation hereof shall be null and void. In the event of any sale, transfer or other disposition of all or substantially all of the Company's assets or business, whether by merger, consolidation or otherwise, the Company (without limiting the Executive's rights under Section 5.3) may assign this Agreement and its rights hereunder.

7.9 Withholding. The Company shall be entitled to withhold from any payments or deemed payments any amount of tax withholding required by law.

7.10 Binding Effect. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors, permitted assigns, heirs, executors and legal representatives.

7.11 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of two copies hereof each signed by one of the parties hereto.

7.12 Survival. Anything contained in this Agreement to the contrary not withstanding, the provisions of Sections 5, 6, 7.3 and 7.9, and the other provisions of this Section 7 (to the extent necessary to effectuate the survival of Sections 5, 6, 7.3 and 7.9), shall survive termination of this Agreement and any termination of the Executive's employment hereunder.

7.13 Existing Agreements. Executive represents to the Company that he is not subject or a party to any employment or consulting agreement, non-competition covenant or other agreement, covenant or understanding which might prohibit him from executing this Agreement or limit his ability to fulfill his responsibilities hereunder.

7.14 Headings. The headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement.

7.15 Supercedes Prior Agreements. Upon execution and delivery of this Agreement, this Agreement shall supercede in its entirety any and all prior agreements with respect to the Executive's employment.

IN WITNESS WHEREOF, the parties hereto have signed their names as of the day and year first above written.

MIM CORPORATION

By: /S/ RICHARD H. FRIEDMAN
Richard H. Friedman
Chief Executive Officer

/S/ EDWARD J. SITAR
Edward J. Sitar

Exhibit A

1998 Senior Executive Bonus Program

Exhibit B

Executive Bonus Grant

Annual Bonus Percentage Level:	25%-40%
Options to Purchase Common Stock, Par value $0.0001 per share (See Section 3.4)	50,000
Performance Units:	2,500 per year
Performance Shares:	5,000 per year

Amendment No. 2 to
Registration Rights Agreement - IV

This Amendment No. 2 (this "Amendment") to Registration Rights Agreement - IV is made and entered into as of June 16, 1998 by and among MIM Corporation, a Delaware corporation (the "Company"), E. David Corvese ("Corvese"), John H. Klein ("Klein"), Richard H. Friedman ("Friedman"), Leslie B. Daniels ("Daniels"), Nancy P. Corvese, The Corvese Irrevocable Trust - 1992, The Corvese Family Trust - 1994 and The Peterson Family Trust - 1994.

RECITALS

WHEREAS, certain of the parties hereto entered into a Registration Rights Agreement - IV on July 31, 1996, as amended by Amendment No. 1 thereto dated August 12, 1996 (the "Original Agreement");

WHEREAS, the Company and Corvese entered into a Separation Agreement on March 31, 1998 (the "Separation Agreement"), which purported to amend the Original Agreement in certain respects;

WHEREAS, the parties hereto desire to amend the Original Agreement through this Amendment to reflect the revisions contemplated by the Separation Agreement;

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

1. All capitalized terms used herein without definition shall have the meaning ascribed to such terms in the Original Agreement. All references to the "Agreement" in the Original Agreement shall hereafter be deemed to mean the Original Agreement as amended by this Amendment.

2. Section 2(a) of the Original Agreement is hereby amended to provide that (i) the provision limiting the Company's obligation to effect more than two Demand Registrations under the Agreement shall not include the demand by Corvese under Section 10(a) of the Separation Agreement to register 2,323,052 (or such lesser number as Corvese may elect) shares of the Company's Common Stock (the "Corvese Demand Registration") such that the Company may still be required to effect two Demand Registrations under the Agreement, (ii) the provision limiting the Company's obligation to register less than 2,000,000 shares of Registrable Securities pursuant to a Demand Registration under the Agreement is modified such that the Company shall not be required to register less than 1,000,000 shares of Registrable Securities pursuant to a Demand Registration under the Agreement; and (iii) the number of Registrable Securities required for Holders to request registration under Section 2(a) shall be decreased from 2,250,000 to 1,000,000.

3. With respect to the Corvese Demand Registration, the parties hereto (other than Corvese) confirm their respective waiver of any right to include his or its Registrable Securities in the Corvese Demand Registration pursuant to Section 2(a) of the Original Agreement.

4. With respect to Corvese Shares and Holdings Shares only, subclause (iii) of the proviso set forth in the definition of the term "Registrable Securities" is hereby amended as follows: at the end of subclause (iii) following the word "sale" and immediately preceding the word "or" add the following:

"and Corvese (together with any affiliates) beneficially owns an aggregate of less than 10% of the Company's then outstanding shares of Common Stock."

5. Section 2(b) of the Original Agreement is hereby amended to provide that it shall not be applicable to the Corvese Demand Registration. Nothing contained herein shall (i) be construed as a waiver of the Company's rights or the Holders' obligations under Section 2(b) of the Original Agreement for any

purposes other than the Corvese Demand Registration or (ii) otherwise limit the Company's ability to enforce the provisions of Section 2(b) against any Holder other than with respect to the Corvese Demand Registration.

6. Section 2(c) of the Original Agreement is hereby amended to provide that with respect to the Corvese Demand Registration and any future Demand Registration pursuant to the Agreement which includes Corvese Shares or Corvese Option Shares, the Company shall be required to use its best efforts to cause the registration statement covering such Registrable Securities to remain effective for the lesser of 24 months or until such Registrable Securities of Corvese have been sold.

7. Each of the following persons hereby (i) acknowledges the assignment to such person of the number of Holdings Shares listed opposite such person's name below and that such person has thereby become a Holder under the Original Agreement and (ii) agrees to be bound by the obligations imposed upon Holders under the Original Agreement:

E. David Corvese 672,106 shares

Nancy P. Corvese	672,106 shares
The Corvese Irrevocable Trust - 1992	704,760 shares
The Corvese Family Trust - 1994	195,782 shares
The Peterson Family Trust - 1994	78,299 shares
	2,323,053 shares

For purposes of the Agreement, "Holdings Shares" shall hereafter mean the above-listed shares held by the above-listed persons or their successors and permitted assigns.

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

9. This Amendment may be executed in one or more counterparts, each of which will be deemed to be an original copy of this Amendment and all of which, when taken together, will be deemed to constitute one and the same Amendment.

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

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IN WITNESS WHEREOF, the undersigned parties hereby execute this Amendment as of the 16th day of June 1998.

/s/ E. DAVID CORVESE

E. David Corvese

/S/ JOHN H. KLEIN

John H. Klein

/S/ RICHARD H. FRIEDMAN

Richard H. Friedman

/S/ LESLIE B. DANIELS

Leslie B. Daniels

/S/ NANCY P. CORVESE

Nancy P. Corvese

The Corvese Irrevocable Trust - 1992

By: /S/ ERNEST CORVESE

Ernest Corvese, Trustee

The Corvese Family Trust - 1994

By: /S/ BRIAN J. CORVESE

Brian J. Corvese, Trustee

The Peterson Family Trust - 1994

By: /S/ BRIAN J. CORVESE

Brian J. Corvese, Trustee

MIM Corporation

By: /S/ BARRY A. POSNER

MIM CORPORATION
1996 STOCK INCENTIVE PLAN

As Amended and Restated
Effective December 1, 1998

SECTION 1 - Purpose

This MIM CORPORATION 1996 STOCK INCENTIVE PLAN (the "Plan") is intended to provide a means whereby MIM Corporation, a Delaware corporation (the "Company"), and any Subsidiary or other Affiliate of the Company (as hereinafter defined) may, through the grant of Incentive Stock Options and Non-Qualified Stock Options (collectively "Options"), Performance Shares (as defined in Section 6(c)) and Performance Units (as defined in Section 6(d)) to Employees (as defined in Section 3), attract and retain such Employees and motivate them to exercise their best efforts on behalf of the Company and of any Subsidiary or other Affiliate.

As used in the Plan, the following terms shall have the following meanings:

"Affiliate" means any corporation, limited liability company, partnership or other entity, including Subsidiaries, which is controlled by or under common control with the Company.

"Agreement" means the written agreement between the Company and an Awardee; as contemplated by Section 6(d).

"Award" means an Option, Performance Shares or Performance Units.

"Awardee" means an Employee to whom an Award has been granted under the Plan.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Effective Date" means March 1, 1999.

"Incentive Stock Options" ("ISOs") means options to acquire Common Shares (as defined in Section 4) granted under the Plan which qualify as incentive stock options within the meaning of section 422 of the Code at the time they are granted and which are either designated as ISOs in the Agreements covering such options or which are designated as ISOs by the Committee (as defined in Section 2 hereof) at the time of grant.

"Non-Qualified Stock Options" ("NQSOs") means all options to acquire Common Shares granted under the Plan other than ISOs.

"Stock Award" means an Award which is an Option or Performance Shares.

"Subsidiary" means any corporation (whether or not in existence at the time the Plan is adopted) which, at the time an Option is granted, is a subsidiary of the Company under the definition of "subsidiary corporation" contained in section 424(f) of the Code or any similar provision hereafter enacted.

SECTION 2 - Administration

The Plan shall be administered by the Company's Compensation Committee (the "Committee"), which shall consist of not less than two (2) non-employee directors (within the meaning of Rule 16b-3(b)(3) under the Securities Exchange Act of 1934 (the "Exchange Act"), or any successor thereto) who are also outside directors (within the meaning of Treas. Reg. ss. 1.162-27(e)(3), or any successor thereto) of the Company who shall be appointed by, and shall serve at the pleasure of, the Company's Board of Directors (the "Board"). Each member of such Committee, while serving as such, shall be deemed to be acting in his or her capacity as a director of the Company.

The Committee shall have full and final authority in its absolute discretion, subject to the terms of the Plan, to select the Awardees to be granted Awards under the Plan, to grant Awards on behalf of the Company, and to set the date of grant and the other terms of such Awards. The Committee may correct any defect, supply any omission and reconcile any inconsistency in the Plan and in any Award granted hereunder in the manner and to the extent it shall deem desirable. The Committee also shall have the authority to establish such rules and regulations, not inconsistent with the provisions of the Plan, for the proper administration of the Plan, and to amend, modify or rescind any such rules and regulations, and to make such determinations and interpretations under, or in connection with, the Plan, Awards and Agreements (including, without limitation, determinations with respect to the establishment and satisfaction of performance objectives under Section 6), as it deems necessary or advisable. All such rules, regulations, determinations and interpretations shall be binding and conclusive upon the Company, its shareholders and all officers and employees and former officers and employees, and upon their respective legal representatives, beneficiaries, successors and assigns and upon all other persons claiming under or through any of them. Notwithstanding the preceding, the Committee shall not have the power or authority under this Plan to take any action with respect to an Award granted pursuant to this Plan which is intended to qualify as "performance-based compensation" within the meaning of section 162(m) of the Code if the taking of such action would cause such Award to cease to so qualify.

No member of the Board or the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Award granted hereunder.

SECTION 3 - Eligibility

The class of persons who shall be eligible to receive Awards under the Plan shall be the employees (including any directors and officers who also are employees) of the Company and/or of a Subsidiary or other Affiliate ("Employees") who the Committee believes have the capacity to

contribute to the success of the Company and/or a Subsidiary or other Affiliate, provided that ISOs shall be granted only to Employees of the Company or of a Subsidiary. More than one Award may be granted to an Employee under the Plan.

SECTION 4 - Stock

The number of shares of the Company's $.0001 par value per share Common Stock ("Common Shares") that may be subject to Stock Awards under the Plan from and after the Effective Date (i.e., excluding Options previously granted under the Plan and exercised as of the Effective Date, but including Options previously granted and not exercised as of the Effective Date, Common Shares available for Awards under the Plan immediately prior to the Effective Date, and an increase in the number of Common Shares so available as provided herein) shall be 2,375,000 shares, subject to adjustment as hereinafter provided. Such number shall be increased, to the extent authorized by the Board, by the number (not to exceed _____) of Common Shares repurchased by the Company from time to time in the open market or in private transactions after the Effective Date and by the number of Common Shares delivered to or withheld by the Company in payment of the exercise price of any Option granted under the Plan or in satisfaction of an Awardee's tax obligations in respect of an Award granted under the Plan. Notwithstanding the preceding, (i) no Awardee shall receive Stock Awards in any one fiscal year of the Company (regardless of when Common Shares are deliverable in respect of such Stock Awards) for more than 1,500,000 Common Shares, (ii) not more than _____ Common Shares may be subject to Awards in the form of ISOs and (iii) not more than 750,000 Common Shares may be subject to Awards in the form of Performance Shares. Shares issuable under the Plan may be authorized but unissued shares or reacquired shares, as the Company may determine from time to time.

Any Common Shares subject to a Stock Award which expires or otherwise terminates for any reason whatever (including, without limitation, the surrender thereof by the Awardee) without having been exercised shall continue to be available for the granting of Stock Awards under the Plan; provided, however, that (a) if a Stock Award is canceled, the Common Shares covered by the canceled Stock Award shall be counted against the maximum number of shares specified in Section 4 for which Stock Awards may be granted to a single Awardee, and (b) if the exercise price of a Stock Award is reduced after the date of grant, the transaction shall be treated as a cancellation of the original Stock Award and the grant of a new Stock Award for purposes of counting the maximum number of shares for which Stock Awards may be granted to a single Awardee.

SECTION 5 - Annual ISO Limit

(a) ISOs. The aggregate Fair Market Value (determined as of the date the ISO is granted) of the Common Shares with respect to which ISOs become exercisable for the first time by an Awardee during any calendar year (under this Plan and any other ISO plan of the Company or any

parent corporation (within the meaning of section 424(e) of the Code ("Parent")) or Subsidiary) shall not exceed $100,000. The term "Fair Market Value" shall mean the value of the Common Shares arrived at by a good faith determination of the Committee and shall be:

(1) the mean between the highest and lowest quoted selling price, if there is a market for the Common Shares on a registered securities exchange or in an over the counter market, on the date specified;

(2) the weighted average of the means between the highest and lowest sales on the nearest date before and the nearest date after the specified date, if there are no such sales on the specified date but there are such sales on dates within a reasonable period both before and after the specified date;

(3) the mean between the bid and asked prices, as reported by the National Quotation Bureau on the specified date, if actual sales are not available during a reasonable period beginning before and ending after the specified date; or

(4) such other method of determining Fair Market Value as shall be authorized by the Code, or the rules or regulations thereunder, and adopted by the Committee.

Where the Fair Market Value of Common Shares is determined under (2) above, the average of the means between the highest and lowest sales on the nearest date before and the nearest date after the specified date shall be weighted inversely by the respective numbers of trading days between the dates of reported sales and the specified date (i.e., the valuation date), in accordance with Treas. Reg. ss. 20.2031-2(b)(1), or any successor thereto.

(b) Options Over Annual Limit. If an Option intended as an ISO is granted to an Awardee and such Option may not be treated in whole or in part as an ISO pursuant to the limitation in (a) above, such Option shall be treated as an ISO to the extent it may be so treated under such limitation and as a NQSO as to the remainder. For purposes of determining whether an ISO would cause such limitation to be exceeded, ISOs shall be taken into account in the order granted.

(c) NQSOs. The annual limit set forth above for ISOs shall not apply to NQSOs.

SECTION 6 - Awards

(a) Granting of Awards. From time to time until the expiration or earlier suspension or discontinuance of the Plan, the Committee may, on behalf of the Company, grant to Awardees under the Plan such Awards as it determines are warranted, subject to the limitations of the Plan; provided, however, that grants of ISOs and NQSOs shall be separate and not in tandem. The granting of an

Award under the Plan shall not be deemed either to entitle the Awardee receiving the Award to, or to disqualify the Awardee from, any participation in any other grant of Awards under the Plan. In making any determination as to whether an Awardee shall be granted an Award and as to the number of shares to be covered by such Award, in the case of a Stock Award, or as to the amount payable pursuant to such Award in the case of Performance Units, the Committee shall take into account the duties of the Awardee, the Committee's views as to his or her present and potential contributions to the success of the Company or a Subsidiary or other Affiliate, and such other factors as the Committee shall deem relevant in accomplishing the purposes of the Plan. Moreover, the Committee may determine that the applicable Agreement shall provide that said Award may be exercised only if certain conditions, as determined by the Committee, are fulfilled.

(b) Terms and Conditions of Options. Options granted pursuant to the Plan shall expressly specify whether they are ISOs or NQSOs; however, if the Option is not designated in the Agreement as an ISO or NQSO, the Option shall constitute an ISO if it complies with the terms of section 422 of the Code, and otherwise, it shall constitute an NQSO. In addition, the Options granted pursuant to the Plan shall include expressly or by reference the following terms and conditions, as well as such other provisions not inconsistent with the provisions of this Plan as the Committee shall deem desirable, and for ISOs granted under this Plan, the provisions of section 422(b) of the Code:

(1) Number of Shares. A statement of the number of Common Shares to which the Option pertains (or, except in the case of an ISO, of a formula or other method by which such number shall be then or thereafter objectively determinable).

(2) Price. A statement of the Option exercise price (or, except in the case of an ISO, of a formula or method by which the exercise price shall be then or thereafter objectively determinable) which shall be determined and fixed by the Committee in its discretion at the time of grant, provided that, in the case of an ISO, the exercise price shall not be less than 100% of the Fair Market Value of the optioned Common Shares on the date the ISO is granted (or 110%, if the ISO is granted to a more than 10% shareholder per (6) below).

(3) Term.

(A) ISOs. Subject to earlier termination as provided in Subsection 6(e) below, the term of each ISO shall be not more than 10 years (5 years in the case of a more than 10% shareholder as provided in (6) below) from the date of grant.

(B) NQSOs. The term of each NQSO shall be not more than 15 years from the date of grant.

(4) Exercise.

(A) General. Options shall be exercisable in such installments and on such dates, commencing not less than 6 months and 1 day from the date of grant (but, in the case of ISOs, not less than 12 months from the date of grant), as the Committee

may specify, provided that:

(i) in the case of new Options granted to an Awardee in replacement for options (whether granted under the Plan or otherwise) held by the Awardee, the new Options may be made exercisable, if so determined by the Committee, in its discretion, at the earliest date the replaced options were exercisable; and

(ii) the Committee may accelerate the exercise date of any outstanding Options in its discretion, if it deems such acceleration to be desirable.

Any Common Shares, the right to the purchase of which has accrued under an Option, may be purchased at any time up to the expiration or termination of the Option. Exercisable Options may be exercised, in whole or in part, from time to time by giving written notice of exercise to the Company at its principal office, specifying the number of Common Shares to be purchased and accompanied by payment in full of the aggregate Option exercise price for such shares. Only full shares shall be issued under the Plan and, if any fractional share would otherwise be issuable upon the exercise of an Option granted hereunder, the number of Common Shares issuable upon such exercise shall be rounded to the nearest whole share and the unexercised portion of such Option adjusted accordingly provided that in no event shall the total number of Common Shares issuable upon the full exercise of an Option exceed the number so specified for such Option under Section 6(b)(1) hereof.

(B) Manner of Payment. The Option price shall be payable:

(i) in cash or its equivalent;

(ii) in the case of an ISO, if the Committee in its discretion causes the Agreement so to provide and, in the case of a NQSO, if the Committee in its discretion so determines at or prior to the time of exercise, in Common Shares previously acquired by the Awardee, provided that if such shares were acquired through the exercise of an ISO and are used to pay the Option exercise price of an ISO, such shares have been held by the Awardee for a period of not less than the holding period described in section 422(a)(1) of the Code on the date of exercise, or if such Common Shares were acquired through exercise of an NQSO or of an option under a similar plan or through exercise of an ISO and are used to pay the Option exercise price of an NQSO, such shares have been held by the Awardee for a period of more than 12 months on the date of exercise; or

(iii) in the discretion of the Committee, in any combination of (i) and (ii) above.

In the event such Option exercise price is paid, in whole or in part, with Common Shares, the portion of the Option exercise price so paid shall equal the Fair Market Value on the date of exercise of the Option of the Common Shares surrendered in payment of such Option exercise price.

(5) Rights as a Shareholder. An Awardee shall have no rights as a shareholder with respect to any shares covered by his or her Option until the issuance of a stock certificate to him or her for such shares.

(6) Ten Percent Shareholder. If an Awardee owns more than 10% of the total combined voting power of all shares of stock of the Company or of a Subsidiary or Parent at the time an ISO is granted to such Awardee, the Option exercise price for the ISO shall be not less than 110% of the Fair Market Value of the optioned Common Shares on the date the ISO is granted, and such ISO, by its terms, shall not be exercisable after the expiration of five years after the date the ISO is granted. The conditions set forth in this Subsection (6) shall not apply to NQSOs.

(c) Performance Shares. The Committee may from time to time cause the Company to grant pursuant to the Plan Awards of Common Shares to Employees, subject to such restrictions, conditions and other terms as the Committee may determine ("Performance Shares").

(1) Restrictions. At the time a grant of Performance Shares is made, the Committee shall establish a period of time (the "Restricted Period") applicable to such Performance Shares. Each grant of Performance Shares may be subject to a different Restricted Period. The Committee may, at the time a grant is made, prescribe restrictions in addition to the expiration of the Restricted Period, including the performance of corporate and/or individual performance objectives, which shall be applicable to all or any portion of the Performance Shares. Performance objectives may be based on achieving a certain level of total revenue, earnings, earnings per share or return on equity of the Company and its Subsidiaries and Affiliates, or on the extent of changes in such criteria. None of the Performance Shares may be sold, transferred, assigned, pledged or otherwise encumbered or transferred during the Restricted Period or prior to the satisfaction of any other restrictions prescribed by the Committee with respect to such Performance Shares.

(2) Certificates. The Company shall issue, in the name of each Awardee to whom Performance Shares have been granted, certificates representing the total number of Performance Shares granted to the Awardee, as soon as reasonably practicable after the grant. The Company, at the direction of the Committee, shall hold such certificates, properly endorsed for transfer, for the recipient's benefit until such time as the Performance Shares are forfeited to the Company or the restrictions lapse. Each such certificate shall bear the following legend, in addition to such other legends as counsel to the Corporation may require:

THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO TRANSFER AND OTHER RESTRICTIONS UNDER THE MIM CORPORATION 1996 STOCK INCENTIVE PLAN, AS AMENDED AND RESTATED EFFECTIVE MARCH 1, 1999, AND UNDER A PERFORMANCE SHARES AGREEMENT WITH THE CORPORATION. NO INTEREST IN THE SHARES REPRESENTED HEREBY MAY BE TRANSFERRED EXCEPT IN COMPLIANCE WITH THE PROVISIONS OF SUCH PLAN AND AGREEMENT.

(3) Rights of Awardee. Holders of Performance Shares shall have the right to vote such Performance Shares and the right to receive any distributions of regular cash dividends with respect to such shares, provided that all distributions made with respect to Performance Shares as a result of any split, distribution or combination of Performance Shares or other similar transaction shall be subject to the restrictions of this Subsection 6(c).

(4) Forfeiture. Subject to the provisions of Section 8, Performance Shares granted pursuant to the Plan shall be forfeited to the Company if the Awardee terminates Employment with the Company or its Subsidiaries or Affiliates prior to the expiration or termination of the Restricted Period and/or the satisfaction of any other conditions applicable to such Performance Shares. Upon such forfeiture, the Performance Shares that are forfeited shall be available for subsequent Awards under the Plan.

(5) Delivery of Performance Shares. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee, the restrictions applicable to the Performance Shares shall lapse and a certificate for the number of Common Shares with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions, to the Awardee.

(d) Performance Units. The Committee may from time to time grant Awards to Employees under the Plan representing the right to receive in cash an amount determined by reference to certain performance measurements, subject to such restrictions, conditions and other terms as the Committee may determine ("Performance Units").

(1) Awards. The Agreement covering Performance Units shall specify Performance Objectives (as defined in Subsection 6(d)(2), a Performance Period (as defined in Subsection 6(d)(3)) and a value for each Performance Unit or a formula for determining the value of each Performance Unit at the time of payment (the "Ending Value"). Performance Units granted to an Awardee shall be credited to an account (a "Performance Unit Account") established and maintained for such Awardee.

(2) Performance Objectives. With respect to each Award of Performance Units, the Committee shall specify performance objectives, including corporate and/or individual performance objectives, which must be satisfied in order for the Awardee to be entitled to payment with respect to such Performance Units ("Performance Objectives"). Performance Objectives may be based on achieving a certain level of total revenue, earnings, earnings per share or return on equity of the Company and its Subsidiaries and Affiliates, or on the extent

of changes in such criteria. Different Performance Objectives may be established for different Awards of Performance Units, and an Awardee may be granted more than one Award of Performance Units at the same time.

(3) Performance Period. The Committee shall determine a period of time (the "Performance Period") during which the Performance Objectives must be satisfied in order for the Awardee to be entitled to payment of Performance Units granted to such Awardee. Different Performance Periods may be established for different Awards of Performance Units. Performance Periods may run consecutively or concurrently.

(4) Payment for Performance Units. As soon as practicable following the end of a Performance Period, the Committee shall determine whether the Performance Objectives for the Performance Period have been achieved. As soon as reasonably practicable after such determination, or at such later date or in such installments as the Committee shall determine at the time of grant, the Company shall pay to the Awardee an amount equal to the Ending Value of each Performance Unit as to which the Performance Objectives have been satisfied ; provided, however, that in no event shall an Awardee receive an amount in excess of $1,000,000 in respect of Performance Units for any given year.

(e) Termination of Employment. If an Awardee's employment as an Employee or with the Company and Subsidiaries and, except in the case of ISOs, other Affiliates ("Employment") is terminated for any reason, any Award granted to such Awardee and outstanding at the date of termination shall be exercisable, vested or payable on and after such date only to the extent and at the times specified in the applicable Agreement, provided that, in the case of an ISO, such Agreement shall comply with the requirements of section 422 of the Code.

(f) Agreements. Awards granted under the Plan shall be evidenced by written documents ("Agreements") in such form as the Committee shall, from time to time, approve, which Agreements shall contain such provisions, not inconsistent with the provisions of the Plan and, in the case of an ISO, section 422(b) of the Code, as the Committee shall deem advisable, and which Agreements, in the case of any Option, shall specify whether an Option is an ISO or NQSO; provided, however, if an Option is not designated in the Agreement as an ISO or NQSO, the Option shall constitute an ISO if it complies with the terms of section 422 of the Code, and otherwise, it shall constitute an NQSO. Each Awardee shall enter into, and be bound by, the terms of the Agreement.

SECTION 7 - Capital Adjustments

The number of shares which may be issued under the Plan as stated in Section 4 hereof, and the number of shares issuable upon exercise of outstanding Stock Awards under the Plan (as well as the Option exercise price per share under outstanding Options) shall, subject to the provisions of section 424(a) of the Code, be adjusted, as may be deemed appropriate by the Committee, to reflect any stock dividend, stock split, share combination, or similar change in the capitalization of the Company.

In the event of a corporate transaction as that term is described in section 424(a) of the Code and the Treasury Regulations issued thereunder (a "Corporate Transaction") (as, for example, a merger, consolidation, acquisition of property or stock, separation, reorganization, or liquidation), each outstanding Award shall be assumed by the surviving or successor corporation; provided, however, that, in the event of a proposed Corporate Transaction, the Committee may terminate all or a portion of the outstanding Awards if it determines that such termination is in the best interests of the Company. If the Committee decides to terminate outstanding Awards, the Committee shall give each Awardee holding an Option to be terminated not less than ten days' notice prior to any such termination by reason of such a Corporate Transaction, and any such Option which is to be so terminated may be exercised (if and only to the extent that it is then exercisable) up to and including the date immediately preceding such termination. Further, as provided in Section 6(b)(4)(A)(ii) hereof, the Committee, in its discretion, may accelerate, in whole or in part, the date on which any or all Options become exercisable.

The Committee also may, in its discretion, change the terms of any outstanding Option to reflect any such Corporate Transaction, provided that, in the case of ISOs, such change is excluded from the definition of a "modification" under section 424(h) of the Code.

SECTION 8 - Change in Control

Subject to the term and other provisions of the applicable Agreement, all of an Awardee's Awards shall become fully exercisable (in the case of Options), vested (in the case of Performance Shares) and payable (in the case of Performance Units, at the maximum Ending Value provided in the applicable Agreement (subject to the limitation contained in Subsection 6(d)(4))) in the event that (a) a Change in Control of the Company occurs after June 30, 1996 and (b) such Awardee's Employment is terminated under circumstances specified in the applicable Agreement within one year following such Change in Control. A "Change in Control" shall be deemed to have taken place only upon the occurrence of one or more of the following: (i) a "person" or "group" within the meaning of sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act") other than the Executive, becomes the "beneficial owner" (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company (including options, warrants, rights and convertible and exchangeable securities) representing 30% 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 Rights Agreement, dated November 24, 1998, between the Company and American Stock Transfer & Trust Company, as Rights Agent). The Company shall give appropriate advance notice to all Awardees of Options under the Plan of a pending Change in Control so as to permit such Awardees the opportunity to exercise such Options prior to the Change in Control.

SECTION 9 - Amendment or Discontinuance of the Plan

At any time and from time to time, the Board may suspend or terminate the Plan or amend it, and the Committee may amend any outstanding Award, in any respect whatsoever, except that the following amendments shall require the approval by the affirmative votes of holders of at least a majority of the shares present, or represented, and entitled to vote at a duly held meeting of stockholders of the Company:

(a) with respect to ISOs, any amendment which would:

(1) change the class of employees eligible to participate in the Plan;

(2) except as permitted under Section 7 hereof, increase the maximum number of Common Shares with respect to which ISOs may be granted under the Plan; or

(3) extend the duration of the Plan under Section 10 hereof with respect to any ISOs granted hereunder; and

(b) any amendment which would require shareholder approval pursuant to Treas. Reg. ss. 1.162-27(e)(4), or any successor thereto.

The foregoing notwithstanding, no such suspension, discontinuance or amendment shall materially impair the rights of any holder of an outstanding Award without the consent of such holder.

SECTION 10 - Termination of Plan

Unless earlier terminated as provided in the Plan, the Plan and all authority granted hereunder shall terminate absolutely at 12:00 midnight on May 22, 2006, which date is the day immediately prior to 10 years after the date the Plan was adopted by the Board, and no Awards hereunder shall be granted thereafter. Nothing contained in this Section 10, however, shall terminate or affect the

continued existence of rights created under Awards issued hereunder and outstanding on May 22, 2006 which by their terms extend beyond such date.

SECTION 11 - Shareholder Approval

This Plan became effective on May 23, 1996.

SECTION 12 - Miscellaneous

(a) Governing Law. The Plan, and the Agreements entered into, and the Awards granted thereunder, shall be governed by the applicable Code provisions. Otherwise, the operation of, and the rights of Awardees under, the Plan, the Agreements, and the Awards shall be governed by applicable federal law and otherwise by the laws of the State of Delaware.

(b) Rights. Neither the adoption of the Plan nor any action of the Board or the Committee shall be deemed to give any individual any right to be granted an Award, or any other right hereunder, unless and until the Committee shall have granted such individual an Award, and then his or her rights shall be only such as are provided by the Plan and the Award Agreement.

Any Stock Award under the Plan shall not entitle the holder thereof to any rights as a shareholder of the Company prior to the issuance of the shares pursuant thereto. Further, no provision of the Plan or any Agreement with an Awardee shall limit the Company's right, in its discretion, to retire such person at any time pursuant to its retirement rules or otherwise to terminate his or her Employment at any time for any reason whatsoever.

(c) No Obligation to Exercise Option. The granting of an Option shall impose no obligation upon the Awardee to exercise such Option.

(d) Non-Transferability. No Award shall be assignable or transferable by the Awardee otherwise than by will or by the laws of descent and distribution, and during the lifetime of such person, any Options shall be exercisable only by him or her or by his or her guardian or legal representative. If an Awardee is married at the time of exercise of an Option or vesting of Performance Shares and if the Awardee so requests at the time of exercise or vesting, the certificate or certificates issued shall be registered in the name of the Awardee and the Awardee's spouse, jointly, with right of survivorship.

(e) Withholding and Use of Shares to Satisfy Tax Obligations. The obligation of the Company to deliver Common Shares or pay cash to an Awardee pursuant to any Award under the Plan shall be subject to applicable federal, state and local tax withholding requirements.

In connection with an Award in the form of Common Shares subject to the withholding requirements of applicable federal tax laws, the Committee, in its discretion (and subject to such

withholding rules ("Withholding Rules") as shall be adopted by the Committee), may permit the Awardee to satisfy the minimum required federal, state and local withholding tax, in whole or in part, by electing to have the Company withhold (or by returning to the Company) Common Shares, which shares shall be valued, for this purpose, at their Fair Market Value on the date of exercise of the Option or vesting of Performance Shares (or if later, the date on which the Awardee recognizes ordinary income with respect to such exercise or vesting) (the "Determination Date"). An election to use Common Shares to satisfy tax withholding requirements must be made in compliance with and subject to the Withholding Rules. The Company may not withhold shares in excess of the number necessary to satisfy the minimum required federal, state and local income tax withholding requirements. In the event Common Shares acquired under the exercise of an ISO are used to satisfy such withholding requirement, such Common Shares must have been held by the Awardee for a period of not less than the holding period described in section 422(a)(1) of the Code on the Determination Date, or if such Common Shares were acquired through exercise of an NQSO or of an option under a similar plan, such option must have been granted to the Awardee at least six months prior to the Determination Date.

(f) Listing and Registration of Shares. Each Stock Award shall be subject to the requirement that, if at any time the Committee shall determine, in its discretion, that the listing, registration or qualification of the shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Award or the purchase or vesting of shares thereunder, or that action by the Company or by the Awardee should be taken in order to obtain an exemption from any such requirement, no such Stock Award may be exercised, in whole or in part, unless and until such listing, registration, qualification, consent, approval, or action shall have been effected, obtained, or taken under conditions acceptable to the Committee. Without limiting the generality of the foregoing, each Awardee or his or her legal representative or beneficiary may also be required to give satisfactory assurance that shares acquired pursuant to a Stock Award are being purchased for investment and not with a view to distribution, and certificates representing such shares may be legended accordingly.

***

IN WITNESS WHEREOF, MIM Corporation has caused these presents to be duly executed, under seal, this 1st day of December, 1998.

MIM Corporation

By: /s/ Barry A. Posner

Name: Barry A. Posner
Title: Vice President and
General Counsel

LEASE

THIS LEASE ("Lease") is executed and delivered the 27 day of May, 1998 at Cleveland, Ohio, by and between MELVIN I. LAZERICK ("Landlord"), and CONTINENTAL PHARMACY, INC., an Ohio corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord is the fee simple owner of the real property having an address of 1400 E. Schaaf Road, Brooklyn Heights, Ohio more particularly described on Exhibit A attached hereto, which property is improved with a one-story building containing approximately 19,500 square feet (said real property as so improved being herein called the "Premises");

WHEREAS, Tenant presently occupies the Premises as a subtenant under a sublease with Unisys Corporation (the "Sublease"), which Sublease expires October 31, 1998;

WHEREAS, Tenant desires to remain in occupancy of the Premises after the term of its Sublease ends; and

WHEREAS, Landlord desires to lease the Premises to Tenant and Tenant desires to lease the Premises from Landlord, subject to the terms and provision hereinafter set forth.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, and in and for the covenants, agreements, representations and warranties hereinafter set forth, Landlord and Tenant hereby agree as follows:

ARTICLE ONE
TERM

Landlord hereby leases to Tenant and Tenant hereby leases from Landlord the Premises for a term of eight (8) months (the "Term") commencing November 1, 1998 (the "Commencement Date") and ending June 30, 1999, unless sooner terminated as herein provided.

ARTICLE TWO
USE OF PREMISES

Tenant covenants and agrees that the Premises shall be occupied as a pharmacy distribution and administration facility with related offices and for no other purpose.

ARTICLE THREE
RENT

Tenant covenants and agrees to pay to Landlord, promptly when due, without notice or demand, and without setoff or deduction, Rent for the Premises in the amount of $13,000.00 per month. Rent shall be payable at the address of Landlord set forth in Article 20, or at such other place as Landlord shall from time to time designate by written notice to Tenant.

ARTICLE FOUR
ADDITIONAL RENTAL

Section 4.01 OTHER AMOUNTS AS ADDITIONAL RENTAL. In addition to the Rent provided for in Article Three, Tenant shall also pay without notice or demand and without abatement, reduction or setoff, as and toward "Additional Rental" hereunder, any other costs, expenses and all other sums of money required to be paid by Tenant under the terms of this Lease and, unless otherwise specified herein with respect to the time of payment, within ten (10) days after receipt of an invoice from Landlord therefor, whether or not the same be designated as Additional Rental. In the event of any non-payment by Tenant of all or any part thereof, when due, Landlord shall have all of the rights and remedies provided for in this Lease, or by law, for the non-payment of rent or for the breach of a condition.

Section 4.02 INTEREST. Any and all amounts which become due and payable to Landlord under this Lease, whether deemed to be Additional Rent or otherwise hereunder, shall bear interest at the rate of four percent (4%) per annum in excess of the Prime Rate of KeyBank or its successors, from the date or dates such amount shall become due and payable until the date or dates of payment by Tenant.

ART1CLE FIVE
TAXES

Landlord will pay all real estate taxes and assessments which are assessed against the Premises.

ARTICLE SIX
INSURANCE

Section 6.01 MAINTENANCE OF INSURANCE. Landlord shall maintain fire and extended coverage insurance on all improvements located on the Premises. Tenant shall maintain fire and extended coverage on all of Tenant's personal property.

Section 6.02 LIABILITY INSURANCE. At all times during the term of this Lease, at its own cost and expense, Tenant shall provide and keep in force on an

occurrence basis commercial general liability insurance policies, in broad form, protecting Tenant, Landlord, and any mortgagees as additional insured, against any and all liability in the amount of not less than a combined single limit of Two Million Dollars ($2,000,000.00). All such policies shall cover the entire Premises and all buildings and improvements thereon.

Section 6.03 MUTUAL WAIVER OF SUBROGATION. Notwithstanding anything set forth in this Lease to the contrary, Landlord and Tenant do hereby waive any and all right of recovery, claim, action or cause of action against the other, their respective agents, officers and employees for any loss or damage that may occur to the Premises or any addition or improvements thereto, by reason of fire, the elements or any other cause which could be insured against under the terms of a standard fire and extended coverage insurance policy or policies, with vandalism, malicious mischief and all-risk coverage and business interruption insurance or for which Landlord or Tenant may be reimbursed as a result of insurance coverage affecting any loss suffered by either party hereto, regardless of cause or origin, including the negligence of Landlord or Tenant or their respective agents, officers and employees. In addition, all insurance policies carried by either party covering the Premises including, but not limited to, contents, fire, and casualty insurance, shall expressly waive any right on the part of the insurer against the other party for damage to or destruction of the Premises resulting from the acts, omissions or negligence of the other party.

Section 6.04 FORM OF POLICIES. All of the policies of insurance to be maintained under this Lease shall name Landlord and any mortgagee designated by Landlord as additional insureds and shall provide that the same may not be canceled by the insurer for non-payment of premiums or otherwise until at least twenty (20) days after service of written notice of the proposed cancellation upon the other party and the mortgagee named in such policy.

Section 6.05 FAILURE TO MAINTAIN INSURANCE. In the event that Tenant fails to obtain, or having obtained, thereafter fails to maintain insurance as is required in this Lease and such failure shall continue for a period of ten (10) days after notice by Landlord with respect to such failure, Landlord may, but shall not be obligated to, effect and maintain any such insurance coverage and pay the premiums therefor and all premiums so paid by Landlord, together with interest thereon at the rate provided in Section 4.0 of this Lease from the date of such payment by Landlord, shall be deemed Additional Rental hereunder, and payable by Tenant on demand by Landlord.

ARTICLE SEVEN
APPLICABLE LAWS AND REGULATIONS

Section 7.01 COMPLIANCE WITH LAWS. Tenant shall, at its own cost and expense, promptly observe and comply with all present and future laws, ordinances, requirements, orders, directives, rules and regulations of the federal, state, county and municipal governments and of all governmental authorities ("Legal Requirements") affecting the Premises.

Section 7.02 TENANT'S INDEMNITY REGARDING HAZARDOUS USE. Tenant agrees to indemnify, defend and hold harmless Landlord for all costs and expenses due to events relating to Tenant's (or any subtenant's) use, shipment, storage, disposal or discharge of hazardous or toxic materials or wastes, hazardous or toxic substances, solid wastes, waste water, or process water in, on or about the Premises that may result in any requirements, liability or claims to remedy and/or clean-up such wastes, toxins or substances, whether based upon a statute, regulation, order of a governmental agency, or a private claim. These requirements include, but are not limited to, those claims or liabilities arising out of the Clean Air Act, the Clean Water Act, the Resource Conservation and Recovery Act, the Comprehensive Environmental Response, Compensation and Liability Act, the Toxic Substances Control Act, the Safe Drinking Water Act, and the state

counterparts of such statutes. This indemnification applies to, but is not limited to, claims or liability regarding air pollution, water pollution, land pollution, groundwater pollution, solid and hazardous waste management and toxic or hazardous substance control and includes responsibility for remedial action and clean up. This indemnification will survive the termination of this Lease.

ARTICLE EIGHT
REPAIRS AND MAINTENANCE

Section 8.01 TENANT'S OBLIGATIONS. Tenant has examined and inspected the Premises, is satisfied with the physical condition of same and accepts same in its present "as is" physical condition. Tenant further represents that it has performed all of the repair and maintenance obligations to be performed by it under the Sublease. Tenant covenants and agrees to keep and maintain all portions of Premises and the buildings and other improvements comprising the Premises, in reasonably good order, condition and repair; to promptly make all repairs becoming necessary during the term of the Lease, to provide cleaning, janitor and window washing services for the Premises; to clean, maintain and snowplow the parking areas, walkways, drives and service areas, and generally, to make all repairs necessary to preserve the Premises in good order, condition and repair; to complete alterations commenced by Tenant and to comply with all orders and requirements of any governmental authority applicable to such buildings and other improvements and to any occupations thereof, all of which repairs, replacements and restorations shall be in quality and class at least equal to the original work; provided, however, that Landlord shall be responsible for any repairs which would constitute a capital expenditure under generally accepted accounting principles and practices.

Section 8.02 FAILURE TO REPAIR. In the event that Tenant fails to perform any of its obligations pursuant to Section 8.01 Landlord may, but shall not be required to, at the sole cost and expense of Tenant, make such repairs or replacements or perform such acts required to be performed by Tenant pursuant to Section 8.01, and the cost and expense thereof shall be deemed to be Additional Rent hereunder and shall be due and payable by Tenant on demand by Landlord, or, at Landlord's election, shall be due and payable in full with the next monthly installment of Annual Rent due hereunder.

ARTICLE NINE
PUBLIC UTILITIES AND SERVICES

Tenant shall pay or cause to be paid all charges for gas, water, electricity, light, heat, power, steam, air-conditioning, telephone or other communication service or other utility or service used, rendered or supplied to, upon or in connection with the Premises throughout the term of this Lease, and to indemnify, defend and save harmless Landlord from and against any liability, costs, expenses, claims or damages on such account.

ARTICLE TEN
ALTERATIONS

Tenant agrees that it will not (a) demolish or undertake any structural alterations to any of the buildings or other improvements erected upon or otherwise comprising the Premises, without the prior written consent of Landlord and any mortgagee (if required) or (b) make any other alterations which would change the character of the buildings or other improvements comprising the Premises which would weaken, impair or the otherwise in any way affect the structural aspects or integrity of or lessen the value of the Premises and/or the buildings and other improvements comprising the Premises, or (c) make any alteration, addition, enlargement or improvement to the Premises and/or buildings or the other improvements comprising the Premises where the estimated cost therefor is in excess of Ten Thousand Dollars ($10,000.00) (subject to any other requirement of Landlord's mortgagee of which Tenant is notified in writing), without the prior written consent of Landlord. With respect to any such alterations permitted to be made by Tenant, Tenant shall (a) pay all costs, expenses and charges therefor, (b) make the same in accordance with all applicable laws and building codes in a good and workmanlike manner, (c) cause the same to be performed by qualified contractors who shall not create any labor or other disturbance at the Premises while performing same, (d) fully and completely indemnify and hold harmless Landlord from and against any mechanic's liens or other liens or claims in connection with the making thereof and (e) by reason of such alterations, not thereby reduce the economic value of the Premises. In addition, Tenant shall comply with the provisions of Ohio Revised Code Section 1311.04 with respect to filing, service and posting of a Notice of Commencement with respect to any such alterations and Tenant shall indemnify, defend and hold Landlord harmless from any liability that may be imposed upon Landlord as a result of Tenant's failure to comply with said statute.

ARTICLE ELEVEN
LIENS

Tenant shall not suffer or permit any liens to be filed against the Premises or any part thereof by reason of any work, labor, services or materials done for or supplied to, or claimed to have been done for or supplied to, Tenant or anyone holding the Premises or any part thereof through or under Tenant. If any such lien shall at any time be filed against the Premises, Tenant shall immediately cause the same to be discharged of record by either payment, deposit or bond.

ARTICLE TWELVE
EXCULPATION AND INDEMNITY

Section 12.01 CONTROL OF PREMISES. Tenant shall be in exclusive control and possession of the Premises as provided in this Lease, and Landlord shall not in any event be liable for any injury or damage to any property or to any person happening on, in or about the Premises, or for any injury or damage to the Premises, or to any property, whether belonging to Tenant or any other person or entity, except for any injury or damage caused by Landlord's negligence or willful misconduct, subject to Section 6.05 of this Lease.

Section 12.02. TENANT'S INDEMNIFICATION. Tenant shall indemnify, defend and save harmless Landlord from and against all liability, judgments, claims, demands, suits, actions, losses, penalties, fines, damages, costs and expenses, including attorneys' fees, of any kind or nature whatsoever, due to or arising out of or from any breach, violation or non-performance of any covenant, condition, provision or agreement in this Lease set forth and contained on the part of Tenant to be fulfilled, kept, observed and performed, and claims of every kind or nature, arising out

of the use and occupation of the Premises by Tenant, including, without limitation, any damage to the property occasioned by or arising from the use and occupation thereof by Tenant or by any sublessee, subtenant or assignee of Tenant, any injury to any person or persons, including death resulting at any time therefrom, occurring in or about the Premises or the sidewalks in front of the same or adjacent thereto.

ARTICLE THIRTEEN
INTENTIONALLY DELETED

ARTICLE FOURTEEN
DAMAGE AND DESTRUCTION

If the Premises shall be damaged or destroyed to such an extent that the Premises are rendered untenantable, then either party shall have the right to terminate this Lease by delivering written notice to the other. If this Lease shall not be terminated, then rent shall abate during the period the Premises are untenantable and Landlord shall promptly repair the damage. If the Premises shall be rendered only partially untenantable, then this Lease shall not terminate and rent shall abate to the extent the Premises cannot reasonably be used by Tenant. Landlord shall promptly repair any such damage to the Premises. Tenant shall not be entitled to any compensation or damages from Landlord for loss of the use of the whole or any part of the Premises or Tenants's personal property or any inconvenience or annoyance occasioned by such damage, repair, reconstruction or restoration.

ART1CLE FIFTEEN
CONDEMNATION

(a) In the event the Building shall be taken or condemned either permanently or temporarily for any public or quasi-public use or purpose by any competent authority in appropriation proceedings or by any right of eminent domain, the entire compensation award therefor, including, but not limited to, all damages as compensation for diminution in value of the leasehold, reversion, and fee, shall belong to the Landlord without any deduction therefrom for any present or future estate of Tenant. Although all damages in the event of any condemnation are to belong to the Landlord, whether such damages are awarded as compensation for diminution in value of the leasehold, reversion or to the fee of the Premises, Tenant shall have the right to claim and recover from the condemning authority, but not from Landlord, such compensation as may be separately awarded or recoverable by Tenant in Tenant's own right on account of any and all damage to Tenant's business by reason of the condemnation and for or on account of any cost or loss which Tenant might incur in removing Tenant's merchandise, furniture, fixtures, leasehold improvements and equipment.

(b) In the event that all or part of the Premises are appropriated or taken under the power of eminent domain by any public authority, by any quasi-public authority or by conveyance in lieu thereof (all of which is sometimes hereinafter referred to as "taking," the date of which shall be the date upon which possession of the portion taken is acquired by the taking authority) and as a result of such taking there is material interference with Tenant's continued use of the Premises for its business operations carried on at the time of such taking, or as a result of such taking, Tenant is

denied access to the Premises, then this Lease shall terminate and the rent and any other sums payable by Tenant to Landlord shall be prorated as of the date of such taking and other sums payable by Tenant pursuant to this Lease shall be paid to such date of taking. In the event that such taking is not a material interference with Tenant's business as set forth above, then this Lease shall not terminate, but the rent payable to Tenant to Landlord shall be equitably reduced to reflect the extent and value of the Premises so taken.

ARTICLE SIXTEEN
ASSIGNMENT AND SUBLETTING

Tenant shall not sublet the Premises or any part thereof nor assign this Lease, without in each case the prior written consent of Landlord, which consent shall not be unreasonably withheld or delayed.

ARTICLE SEVENTEEN
INTENTIONALLY DELETED

ARTICLE EIGHTEEN
DEFAULT

Section 18.01 EVENTS OF DEFAULT. The following events shall be "Events of Default" under this Lease Agreement:

(a) Tenant shall fail to pay any installment of rent hereby reserved as and when the same shall become due and shall not cure such failure to pay within five (5) days after written notice thereof is given by Landlord to Tenant;

(b) Tenant shall fail to comply with any term, provision, or covenant of this Lease, other than the payment of rent, and shall not cure such failure within fifteen (15) days after written notice thereof is given by Landlord to Tenant (provided that if such failure cannot reasonably be cured within fifteen (15) days, then, upon written consent of Landlord, Tenant shall have an additional reasonable period of time within which to cure such failure, provided, said written consent shall be given if Tenant has diligently commenced and continued in its attempt to cure same upon receipt of written notice of said failure);

(c) Tenant shall be adjudged insolvent, make a transfer in fraud of creditors or make an assignment for the benefit of creditors;

(d) Tenant shall file a petition under any section or chapter of the federal bankruptcy laws, as amended, or under any similar law or statute of the United States or any state thereof, or Tenant shall be adjudged bankrupt or insolvent in proceedings filed against Tenant thereunder; or

(e) A receiver or trustee shall be appointed for all or substantially all of the assets of Tenant, which receiver is not discharged within one hundred eighty (180) days thereafter.

Section 18.02 REMEDIES OF LANDLORD. Upon the occurrence of any Event of Default, Landlord shall have the option to pursue any one or more of the following remedies:

(a) Terminate this Lease Agreement, in which event Landlord shall have the right of re-entry and Tenant shall immediately surrender the Premises to Landlord.

(b) Enter upon and take Possession of the Premises and expel or remove Tenant and other persons who may be occupying the Premises or any part thereof, by force if necessary, without termination hereof, without being liable to prosecution or for any claim for damage, and relet the Premises, and receive the rent therefor; and Tenant agrees to pay Landlord on demand any deficiency that may arise by reason of such reletting.

(c) Enter upon the Premises, without being liable for any claim for damages, and do whatever Tenant is obligated to do under the terms of this Lease Agreement and Tenant agrees to reimburse Landlord on demand for any expenses which Landlord may incur in thus effecting compliance with Tenant's obligations hereunder.

Pursuit of any of the foregoing remedies shall not preclude pursuit of any of the other remedies therein provided, or any other remedies provided by law or in equity, nor shall pursuit of any remedy herein provided constitute a forfeiture or waiver of any rent due to Landlord hereunder or of any damage accruing to Landlord by reason of the violation of any of the terms, provisions and covenants herein contained. Forbearance by Landlord to enforce one or more of the remedies herein provided upon the occurrence of an Event of Default shall not be deemed or construed to constitute a waiver of such default.

Section 18.03 DAMAGES. Landlord's damages, if there shall be an event of default under this Lease, shall include in addition to any other damages set forth in this Lease or permitted at law or equity the following:

(a) All of Landlord's reasonable expenses incurred with respect to such event of default including, without limitation, attorneys' fees, commissions, rental concessions to new tenants, and the cost of any repairs of the Premises.

(b) All Annual Rent, Additional Rent, if any, and other sums then due, when the event of default occurs and all damages to which Landlord may be entitled for Tenant's failure to comply with the provisions of this Lease, plus an amount equal to the difference between all Annual Rent, Additional Rent and other sums reserved under this Lease for the remainder of the term and the then fair rental value of the Premises for the then remaining balance of the term, discounted to present value.

(c) All costs incurred by Landlord to place the Premises in the condition required by all applicable provisions of this Lease.

ARTICLE NINETEEN
WARRANTY OF TITLE AND QUIET ENJOYMENT

Landlord represents and warrants that it is the owner in fee simple of the Premises. Landlord represents and warrants that Tenant, on paying the rent and performing its obligations hereunder, shall peaceably and quietly hold and enjoy the Premises for the Term of this Lease without any hindrance, molestation or ejection by Landlord, its successors or assigns, or those claiming through them.

ARTICLE TWENTY
NOTICES

All notices hereunder shall be in writing and sent by United States certified or registered mail, postage prepaid, or by a nationally recognized overnight delivery service providing proof of receipt, addressed if to Landlord at 26150 Village Lane, Beachwood, Ohio 44122 and if to Tenant, to the Premises, provided that each party by like notice may designate any future or different addresses to which subsequent notices shall be sent. Notices shall be deemed given upon receipt.

ARTICLE TWENTY-ONE
SUBORDINATION AND ATTORNMENT

This Lease is and shall at all times, unless Landlord shall otherwise elect, be subject and subordinate to all covenants, restrictions, easements and encumbrances now or hereafter affecting the fee title of the Premises and to all ground and underlying leases and mortgages or financings or retinancings in any amounts, and to any and all advances thereunder, which may not or hereafter be placed against or affect any or all of the land or any of all of the buildings and improvements now or at any time hereafter constituting a part of or adjoining the Premises, and to all renewals, modifications, consolidations, participations, replacements and extensions thereof. The aforesaid provisions shall be self-operative and no further instrument of subordination shall be necessary unless required by any such ground or underlying lessor or mortgagee. Should Landlord or any ground or underlying lessor or mortgagee desire confirmation of such subordination, Tenant, within ten (10) days following Landlord's written request therefor, agrees to execute and deliver, without charge, any and all documents (in form reasonably acceptable to such ground or underlying lessor or mortgagee) subordinating this Lease and Tenant's rights hereunder, which agreement shall provide that Tenant's rights under this Lease shall not be disturbed so long as Tenant is not in default hereunder.

ARTICLE TWENTY-TWO
FORCE MAJEURE

The time for performance by Landlord or Tenant of any term, provision or covenant of this Lease Agreement, other than the payment of money, shall be deemed extended by time lost due to delays resulting from acts of God, strikes, civil riots, floods, restrictions by governmental authority and any other cause not within the control of Landlord or Tenant, as the case may be.

ARTICLE TWENTY-THREE
MEMORANDUM OF LEASE

This Lease shall not be recorded, but a short form memorandum of lease shall be recorded, setting forth the terms hereof and the option set forth in Article Twenty-Four hereof and such other terms and conditions as Landlord or Tenant shall reasonably request, and the cost of the recording shall be paid by Tenant.

ARTICLE TWENTY-FOUR
SURRENDER AND HOLDOVER

Tenant shall deliver up and surrender to Landlord possession of the Premises upon the expiration of the Lease, or its termination in any way, in as good condition and repair as the same shall be at the commencement of said term (damage by fire and other perils covered standard fire and extended coverage insurance and ordinary wear and tear only excepted), and shall deliver the keys at the office of Landlord or Landlord's agent. Should Tenant or any party claiming under Tenant remain in possession of the Premises, or any part thereof, after expiration of this Lease, Tenant shall be deemed to be occupying the Premises as a Tenant from month to month at a monthly rental of $15,833.33, together with all additional rent and charges as set forth in this Lease.

ARTICLE TWENTY-FIVE
MISCELLANEOUS

Section 25.01 CONSTRUCTION. The captions used in this Lease are for convenience only and shall not be deemed to amplify, modify or limit the provisions hereof. Words of any gender used in this Lease Agreement shall be construed to include any other gender, and words in the singular shall include the plural and vise versa, unless the context otherwise requires.

Section 25.02 SUCCESSORS AND ASSIGNS. ENTIRE AGREEMENT. Except as limited herein, this Lease Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective heirs, legal representatives, successors and assigns. This Lease contains the entire agreement of the parties hereto with respect to the subject matter hereof and can be altered, amended or modified only by written instrument executed by all such parties.

Section 25.03 ESTOPPEL CERTIFICATES. Landlord and Tenant each agree that at any time and from time to time at reasonable intervals, and within twenty (20) days after written request by the other, that each party will execute and deliver to the other, a written estoppel certificate stating: (i) that this Lease is in full force and effect and has not been assigned, modified, supplemented and amended in any way, or if there has been any assignment, modifications,

supplement or amendment, identifying the same; (ii) the date of commencement and expiration of the Term; (iii) that all conditions under this Lease to be performed by Landlord and/or Tenant as of the date of said writing, so far as can be ascertained at that time, are satisfied, or listing what conditions remain unperformed; (iv) that, so far as can be ascertained at that time, there are no offsets or defenses against the enforcement of this Lease by Landlord and/or Tenant, or specifying such default, defense or offset; and (v) the date to which rent has been paid.

Section 25.04 PARTIAL INVALIDITY. If any provision of this Lease shall be held to be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

SECTION 25.05 LEASE NOT CONSTRUED AGAINST EITHER PARTY. All provisions of this lease have been negotiated by both parties at arm's length and neither party shall be deemed the scrivener of this Lease. This Lease shall not be construed for or against either party by reason of the authorship or alleged authorship of any provision hereof.

SECTION 25.06 NO PARTNERSHIP. It is further understood and agreed that the Landlord shall in no event be construed or held to be a partner, joint venturer or associate of the Tenant in the conduct of the Tenant's business, nor shall Landlord be liable for any debts incurred by the Tenant in the Tenant's business; but it is understood and agreed that the relationship is and at all times shall remain that of landlord and tenant.

Section 25.07 NO WAIVER. Waiver by either party hereto of any breach by the other party hereto of any covenant or condition herein contained, or failure by Landlord or Tenant to exercise any right or remedy in respect of any such breach, shall not constitute a waiver or relinquishment for the future of any such covenant or condition or of any subsequent breach of any such covenant or condition, or bar any right or remedy of Landlord or Tenant in respect of any such subsequent breach.

IN WITNESS WHEREOF, the parties hereto have executed this Lease Agreement as of above written.

Witnesses:	LANDLORD:
/s/[ILLEGIBLE] /s/Sheila J. Pecek	/s/MELVIN I. LAZERICK --- MELVIN I. LAZERICK
/s/Kathi Palazzi /s/Sal Salanzo	TENANT: CONTINENTAL PHARMACY,INC. By: /s/Carl H. Jesina --- Title: President

FIRST AMENDMENT TO LEASE

This First Amendment to Lease ("Amendment") dated as of January 29, 1999 is executed by and between MELVIN I. LAZERICK ("Landlord"), and CONTINENTAL PHARMACY, INC., an Ohio corporation ("Tenant").

WITNESSETH:

WHEREAS, Landlord and Tenant entered into a lease dated May 12, 1998 (the "Lease"), pursuant to which Tenant leased certain premises located at 1400 East Schaaf Road, Brooklyn Heights, Ohio, as more particularly described therein (the "Premises"); and

WHEREAS, Landlord and Tenant have agreed to amend the Lease in order to extend the Lease Term through June 30, 2000, and to otherwise modify the Lease in the respects hereinafter set forth.

NOW, THEREFORE, in consideration of the premises, the mutual covenants contained herein and other good or valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree that effective upon execution hereof, the Lease shall be amended as follows:

1. ARTICLE 1 of the Lease shall be deleted in its entirety and the following shall be substituted therefor:

"ARTICLE ONE -- TERM

Section 1.01 -- Initial Term. Landlord hereby leases to Tenant and Tenant hereby Leases from Landlord the Premises for an initial term of one (1) year and eight (8) months (the "Initial Term") commencing November 1, 1998 (the "Commencement Date") and ending June 30, 2000, unless sooner terminated as provided herein.

Section 1.02 -- Renewal Term. Provided Tenant is not then in default under any of the terms, covenants or conditions of this Lease, Tenant shall have the option to renew this Lease for one (1) period of four (4) years (the "Renewal Term") on the same terms and conditions contained herein for the Initial Term, except that the rent shall be as provided in Article Three. Tenant shall exercise said option by written notice to Landlord not less than one hundred eighty (180) days prior to expiration of the Initial Term."

2. Article Three of the Lease shall be deleted in its entirety and the following shall be substituted therefor:

"ARTICLE THREE -- RENT. Tenant covenants and agrees to pay Landlord, promptly when due, without notice or demand, and without set-off or deduction, Rent for the Premises as follows:

(a) From the Commencement Date through June 30, 1999, the sum of One Hundred Four Thousand ($104,000) Dollars ($8.00 per sq. ft.), payable in equal monthly installments of Thirteen Thousand ($13,000) Dollars each;

(b) From July 1, 1999 though June 30, 2000, the sum of One Hundred Forty-Six Thousand two Hundred Fifty ($146,250) Dollars per annum ($7.50 per sq. ft.), payable in twelve (12) equal monthly installments of Twelve Thousand One Hundred Eighty-Seven 50/100 ($312,187.50) Dollars each;

(c) For the first two (2) years of the Renewal Term (July 1, 2000 through June 30, 2002), the sum of One Hundred Fifty-Six Thousand ($156,000) Dollars per annum ($8.00 per sq. ft.), payable in twenty-four (24) equal monthly installments of Thirteen Thousand Eight Hundred Twelve 50/100 ($13,000) Dollars each; and

(d) For the last two (2) years of the Renewal Term (July 1, 2002 though June 20, 1004), the sum of One Hundred Sixty-Five Thousand Seven Hundred Fifty ($165,750) Dollars per annum ($8.50 per sq. ft.), payable in twenty-four (24) equal monthly installments of Thirteen Thousand Eight Hundred Twelve 50/100 ($13,812.50) Dollars each."

Rent shall be payable at the address of the Landlord set forth in Article Twenty of the Lease, or at such other place as Landlord may from time to time designate by written notice to Tenant."

3. The following provision shall be added to the Lease as Section 4.03:

"Section 4.03 -- Increase in Real Estate Taxes. Tenant shall reimburse and pay to Landlord as Additional Rental, any increases in real estate taxes attributable to Premises over those paid for the calendar year 1998 ("Base Year"), which taxes are payable by Landlord pursuant to Article Five of the Lease. Real estate taxes are defined to mean all taxes and assessments, general, special or otherwise, if any, levied, assessed or imposed under governmental authority upon or with respect to the Premises and/or the land upon which it is located, which become payable by Landlord annually."

4. The following provision shall be added to the Lease as Section 25.08:

"Section 25.08" -- Right to Lease Additional Building. Provided Tenant is not then in default under any of the terms or conditions of this Lease, Tenant shall have the right to lease the building adjacent to the Premises being a single story five thousand (5,000) sq. ft. structure located at 1402 East Schaaf Road (the "Expansion Premises") upon vacation by the current tenant of the Expansion Premises, on the same terms and conditions contained in this Lease (including the same per square foot rental rate). Tenant shall exercise said option by giving Landlord written notice thereof on the earlier of one hundred eighty (180) days prior to the expiration of the Initial Term, or within thirty (30) days following receipt of written notice from Landlord of the vacation of the Expansion Premises by the current tenant NRP Group, Inc. Landlord represents that the lease of NRP Group, Inc. currently expires on June 30, 1999. Tenant's failure to exercise said option within the said time period shall be deemed a waiver of said option. In the event Tenant desires to lease the Expansion Space, Tenant shall execute an amendment to this Lease confirming the lease of the Expansion Space, which shall provide the same terms and conditions as this Lease including the same rental per square foot for the Expansion Space."

5. In further consideration of this Agreement, Tenant's parent company MIM Corporation will execute a Lease Guaranty substantially in the form attached hereto as Exhibit "A".

6. Except as expressly amended hereby, the Lease remains unmodified and in full force and effect.

IN WITNESS WHEREOF, Landlord and Tenant have executed this Amendment as of the date first above written but have actually executed this Amendment on the dates set forth in the acknowledgments hereof.

WITNESSES:
/s/[ILLEGIBLE]
- - ----------
/s/SHEILA J. PECEK
- - ----------

/s/[ILLEGIBLE]
- - ----------

LANDLORD
/s/MELVIN I. LAZERICK

Melvin I. Lazerick

TENANT
CONTINENTAL PHARMACY, INC.

By: /S/SCOTT R. YABLON

Title: President

STATE OF OHIO)
) SS:
COUNTY OF CUYAHOGA)

BEFORE ME, a Notary Public in and for said County and State, this day personally appeared the above named MELVIN I. LAZERICK. who acknowledged that he did sign the foregoing instrument and that such signing was his free act and deed.

WITNESS my signature and notarial
seal at Cleveland, Ohio this
29th day of January, 1999.

/s/Sheila J. Pecek

Notary Public

STATE OF NEW YORK)
) SS:
COUNTY OF WESTCHESTER)

SHEILA J. PECEK
Notary Public, State of Ohio
Recorded in Cuyahoga County
My Commission Expires: 3/12/2001

BEFORE ME, a Notary Public in and for said County and State, this day personally appeared the above named CONTINENTAL PHARMACY, INC., an Ohio corporation, by Scott R. Yablon, its President, who acknowledged that with due authorization and as such President he did sign the foregoing instrument on behalf of said corporation, and that such signing was his free act and deed individually and as such President, and the free act and deed of said corporation.

WITNESS my signature and notarial seal at Elmsford, New York, this 2nd day of February 1999.

/s/Soibhan Hill

Notary Public

[STAMP]

August 24, 1998

Continental Managed Pharmacy Services, Inc.
Continental Pharmacy, Inc.
Preferred RX, Inc.
Automated Scripts, Inc.
Valley Physicians Services, Inc.
1400 E. Schaaf Road
Brooklyn Heights, OH 44131

Gentlemen:

Reference is hereby made to that certain letter agreement dated January 24, 1995, as amended and supplemented by that certain Additional Credit Agreement dated January 23, 1996 and that certain letter agreement dated January 28, 1997 (collectively, the "Agreement"), by and between the Bank and the Borrower. Terms used but not otherwise defined in this letter agreement shall have the meanings given to such terms in the Agreement and the Loan Documents.

On January 27, 1998, Borrower entered into an Agreement and Plan of Merger with CMP Acquisition Corp. ("CMP"), a wholly-owned subsidiary of MIM Corporation, a Delaware corporation ("MIM"), upon the consummation of which Borrower shall survive as a wholly-owned subsidiary of MIM and the separate corporate existence of CMP will terminate (the "Merger"). The Bank has consented to the Merger by delivery to Borrower of that Letter of Consent dated the date hereof.

Borrower has requested that (i) the interest rate on that certain Second Amended and Restated Master Revolving Note for $6,500,000 dated as of April 9, 1997 from Borrower to Bank be amended and restated to provide that the per annum rate of interest prior to a Default shall be reduced from a per annum rate of the Bank's "prime rate" plus .75%, to an amount equal to the Bank's "prime rate" as it is from time to time in effect; (ii) the guaranty from Michael R. Erlenbach, dated January 24, 1995, as reaffirmed on January 24, 1996 and January 28, 1997 (collectively, the "Guaranty"), which Guaranty guarantees the payment of all Indebtedness to the Bank when due, up to an aggregate amount of $1,000,000, be terminated and replaced with an unlimited Guaranty from MIM to Bank; (iii) Bank accept, in lieu of annual audited financial statements of Borrower, annual audited consolidated financial statements of MIM, together with unaudited, certified financial statements of Borrower; (iv) instead of thirty (30) days, Bank accept the quarterly financial statements of Borrower forty-five (45) days after the close of the applicable quarter; and (v) Bank acknowledge the existence of certain indebtedness and liens and waive any and all prior, current and future rights it may have as a result of the existence thereof.

Subject to the conditions set forth below, Bank is willing to grant such amendments upon the following terms and conditions:

1. That the Borrower covenants and agrees that so long as any Liabilities remain outstanding, Borrower shall not:

   (a) Create, incur, assume or in any manner become liable in respect of, or suffer to exist, any indebtedness, other than (i) the Indebtedness, (ii) indebtedness in respect of taxes, assessments and governmental charges which at the time are not yet due and payable or the amount or validity of which is currently being contested in good faith by appropriate proceedings and for which adequate reserves in conformity with generally accepted accounting principles ("GAAP") have been taken; and (iii) indebtedness incurred with respect to purchases of goods, equipment, services and inventory arising in the ordinary course of business.

   (b) Purchase or otherwise acquire, whether in one or a series of transactions, all or a substantial portion of the business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, of any person or all or a substantial portion of the capital stock of, or other ownership interest in any other person, nor merge or consolidate or amalgamate with any other person or take any other action having a similar effect, nor enter into any joint venture or similar arrangement with any other person except CMP.

   (c) Sell, lease, license, transfer, assign or otherwise dispose of all or a material portion of its business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than inventory sold in the ordinary course of business upon customary credit terms.

   (d) Make any substantial change in the nature of its business from that engaged in on the date of this letter agreement or engage in any other businesses other than those in which it is engaged on the date of this letter agreement.

   (e) Make, pay, declare or authorize any dividend, payment or distribution in respect of any class of its capital stock or make any dividend, payment or distribution in connection with the redemption, purchase, retirement or other acquisition, directly or indirectly, of any shares of its capital stock.

   (f) Purchase or otherwise acquire any capital stock of or other ownership interest in, or debt securities of or other evidences of indebtedness

of, any other person; nor make

any loan or advance of any of its funds or property or make any other extension of credit to, or make any investment or acquire any interest whatsoever, in, any other person; nor incur any contingent liability; nor permit any subsidiary or related company subject to Borrower's control (collectively, "Affiliate"), to do any of the foregoing, other than (i) extensions of trade credit made in the ordinary course of business on customary credit terms, and (ii) commercial paper of any United States issuer having the highest rating then given by Moody's Investors Service, Inc., or Standard & Poor's Corporation, direct obligations of and obligations fully guaranteed by the United States of America or any agency or instrumentality thereof or certificates of deposit of any commercial bank which is a member of the Federal Reserve System and which has capital surplus and undivided profit (as shown on its most recently published statement of financial condition) aggregating not less than $100,000,000.

(g) Make, or suffer to be made by any Affiliate, any dispositions of money, including revenues and rights thereto, other than as contemplated in this letter agreement, the Agreement and the Loan Documents, to any other person other than in the ordinary course of business pursuant to an arm's length transaction.

(h) Enter into, become a party to, or become liable in respect of, any contract or undertaking with any related entity or Affiliate except in the ordinary course of business and on terms not less favorable to the Borrower or such related entity or Affiliate, other than those which could be obtained if such contract or undertaking were an arm's length transaction with a person other than the related company.

(i) Create, incur, assume or in any manner become liable in respect of, or suffer to exist, any contingent liabilities other than any guarantees in favor of the Bank as requested by the Bank.

(j) Make any optional payment, prepayment or redemption of any debt subordinate to the Indebtedness ("Subordinated Debt"), nor amend or modify, or consent or agree to any amendment or modification, which would shorten any maturity or increase the amount of any payment of principal or increase the rate (or require earlier payment) of interest on any such Subordinated Debt, nor amend the subordination provisions of any agreement under which any such Subordinated Debt is issued or created or otherwise related thereto, nor enter into any agreement or arrangement providing for the defeasance of any such Subordinated Debt.

(k) Enter into any agreement with any person other than the Bank which prohibits or limits the ability of the Borrower, or any Affiliate, to create, incur, assume or suffer to exist any lien upon any of its assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether now or hereafter acquired.

(l) Enter into any agreement containing any provision which would be violated or breached by this letter agreement or any of the transactions contemplated hereby or by performance by the Borrower of its obligations in connection therewith.

(m) Change its fiscal year or make any significant changes (i) in accounting treatment and reporting practices except as permitted by GAAP or (ii) in tax reporting treatment except as permitted by law.

2. That the following actions are taken:

(a) Borrower shall execute and deliver a Third Amended and Restated Master Revolving Note in form and substance acceptable to the Bank.

(b) MIM shall execute a guaranty in favor of the Bank in form and substance acceptable to the Bank.

(c) Borrower shall pay to Bank the sum of $15,000 and shall pay all costs and expenses incurred by the Bank in connection with this letter agreement and any costs related thereto.

3. Bank hereby acknowledges that the indebtedness and liens represented by the UCC filings set forth on Exhibit A attached hereto presently exist and/or have existed during the term of the Agreement from and after the time indicated on Exhibit A and that such indebtedness and liens may have resulted in certain breaches by Borrower of its representations, warranties, covenants and agreements under the Agreement and Loan Documents and thereby may have given the Bank certain rights by reason of events of default under the Agreement and Loan Documents. Bank hereby waives any and all breaches by Borrower of its representations, warranties, covenants and agreements under the Agreement and Loan Documents relating to or arising from the indebtedness and liens set forth on Exhibit A which occurred prior to the date hereof ("Prior Breaches") and hereby waives any and all rights (including, without limitation, rights in connection with events of default) it may have under this letter agreement, the Agreement and Loan Documents as a result of such Prior Breaches. Bank further waives any all breaches by Borrower of its representations, warranties, covenants and agreements under this letter agreement, the Agreement and Loan Documents (as amended hereby)

relating to or arising from the indebtedness and liens set forth on Exhibit A which may occur on or after the date hereof ("Future Breaches") and hereby waives any and all rights (including, without limitation, rights in connection with events of default) it may have in the future under this letter agreement, the Agreement and Loan Documents as a result of such Future Breaches, provided that said indebtedness and liens are not modified in any way from and after the date hereof.

Except as modified hereby, all of the terms and conditions of the Agreement and Loan Documents shall remain unaffected and in full force and effect.

To confirm your acceptance of the foregoing, your affirmation of all of Borrower's Liabilities to the Bank under the Agreement and the Loan Documents, and your acknowledgment that as of the date hereto, Borrower does not have any claim, defense or set-off rights against the Bank of any nature whatsoever, whether arising in tort, contract or otherwise, please indicate with the authorized signature of Borrower as provided below.

Very truly yours,

COMERICA BANK

By: /s/ Timothy V. Coleman

Its: Assistant Vice President

Acknowledged and agreed to
this 24th day of August, 1998:

CONTINENTAL MANAGED PHARMACY
SERVICES, INC.

By: /s/ Carl L. Jesina

Its: Vice President

CONTINENTAL PHARMACY, INC.

By: /s/ Carl L. Jesina

Its: President

PREFERRED RX, INC.

By: /s/ Carl L. Jesina

Its: Vice President

AUTOMATED SCRIPTS, INC.

By: /s/ Carl L. Jesina

Its: Vice President

VALLEY PHYSICIANS SERVICES, INC.

By: /s/ Carl L. Jesina

Its: Vice President

EXHIBIT A

Rank	Name	Type	Other Party	Loc	Filing Pate
1.	CONTINENTAL MANAGED PHARMAC	ORIGINAL	HEWLETT-PACKAR	OH	06-29-1994
2.	CONTINENTAL MANAGED PHARMAC	ORIGINAL	COMERICA BANK	OH	01-25-1995
3.	CONTINENTAL MANAGED PHARMAC	ORIGINAL	HEWLETT-PACKAR	OH	07-28-1994
4.	CONTINENTAL PHARMACY INC-De	AMENDMENT	BANKERS LEASIN	OH	03-04-1994
5.	CONTINENTAL PHARMACY INC-De	TERMINATIO	BANKERS LEASIN	OH	01-30-1995
6.	CONTINENTAL PHARMACY INC-De	ORIGINAL	FINANCING SYST	OH	02-16-1990
7.	CONTINENTAL PHARMACY INC-De	ORIGINAL	FIRST BANK RIC	OH	01-17-1997
8.	CONTINENTAL PHARMACY INC-De	ORIGINAL	FOX MEYER DRUG	OH	05-17-1993
9.	CONTINENTAL PHARMACY INC-De	CONTINUATI	MCKESSON CORPO	OH	03-06-1998
10.	CONTINENTAL PHARMACY INC-De	ASSIGNMENT	MCKESSON CORPO	OH	10-03-1997
11.	CONTINENTAL PHARMACY INC-De	ORIGINAL	NATIONAL CITY	OH	05-22-1992
12.	CONTINENTAL PHARMACY INC-De	TERMINATIO	NATIONAL CITY	OH	02-14-1995
13.	CONTINENTAL PHARMACY INC-De	ORIGINAL	PITNEY BOWES C	OH	06-20-1996
14.	CONTINENTAL PHARMACY INC-De	ORIGINAL	SOCIETY EQUIPM	OH	07-09-1991
15.	CONTINENTAL PHARMACY INC-De	ORIGINAL	TOSHIBA AMERIC	OH	12-15-1992
16.	CONTINENTAL PHARMACY, INC.-	ORIGINAL	BANKERS LEASIN	OH	01-03-1994
17.	CONTINENTAL PHARMACY, INC.-	ORIGINAL	BANKERS LEASIN	OH	01-03-1994
18.	CONTINENTAL PHARMACY, INC.-	ORIGINAL	COMERICA BANK	OH	01-25-1995

January 28, 1997

Continental Managed Pharmacy Services, Inc.
Continental Pharmacy, Inc.
Preferred RX, Inc.
Automated Scripts, Inc.
Valley Physicians Services, Inc.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

Gentlemen:

Reference is hereby made to that certain letter agreement dated January 24, 1995, as amended and supplemented by that certain Additional Credit Agreement dated January 23, 1996 (collectively, the "Agreement"), by and between the Bank and the Borrower. Terms used but not otherwise defined in this letter shall have the meanings given to such terms in the Agreement and the Loan Documents.

Borrower has requested that Bank extend the Maturity Date of the Master Revolving Note from February 1, 1997 to May 1, 1997.

Subject to the conditions set forth below, the Bank is willing to grant such extension with the understanding that it has no further obligation to grant any additional extensions of the Maturity Date, except on terms agreed to by Bank in its sole discretion. As conditions to the extension, (i) Borrower shall execute and deliver an Amended and Restated Master Revolving Note in form and substance acceptable to the Bank, (ii) Michael R. Erlenbach shall execute a Reaffirmation of Guaranty in form and substance acceptable to Bank and (iii) Borrower shall pay to Bank all of the costs and expenses incurred by Bank in connection with the extension.

Except as modified hereby, all of the terms and conditions of the Agreement and the Loan Documents shall remain unaffected and in full force and effect.

To confirm your acceptance of the foregoing extension, your affirmation of all of Borrower's Liabilities to the Bank under the Agreement and the Loan Documents, and your acknowledgement that as of the date hereof, Borrower does not have any claim, defense or set-off rights against the Bank of any nature whatsoever, whether arising in tort, contract or otherwise, please indicate with the authorized signature of Borrower as provided below.

Very truly yours,

COMERICA BANK

By /s/ Timothy Coleman

Its: Vice President

Acknowledged and agreed to this 28th
day of January, 1997:

CONTINENTAL MANAGED PHARMACY SERVICES, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

CONTINENTAL PHARMACY, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

PREFERRED RX, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

AUTOMATED SCRIPTS, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

VALLEY PHYSICIANS SERVICES, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

January 24, 1995

Continental Managed Pharmacy Services, Inc.
Continental Pharmacy, Inc.
Preferred RX, Inc.
Automated Scripts, Inc.
Valley Physicians Services, Inc.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

Gentlemen:

This letter agreement (the "Agreement") constitutes an agreement by and between COMERICA BANK, a Michigan banking corporation ("Bank"), and CONTINENTAL MANAGED PHARMACY SERVICES, INC. an Ohio corporation (the "Company"), pertaining to certain loans and other credit which Bank has made or may from time to time hereafter make available to the Company and its wholly-owned subsidiaries, CONTINENTAL PHARMACY, INC., an Ohio corporation ("CPI"), PREFERRED RX, INC., an Ohio corporation ("Preferred"), AUTOMATED SCRIPTS, INC., an Ohio corporation ("ASI"), and VALLEY PHYSICIANS SERVICES, INC., an Ohio corporation ("VPSI"). (CPI, Preferred, ASI and VPSI are sometimes collectively hereinafter referred to as the "Subsidiaries") (the Company and the Subsidiaries are sometimes collectively hereinafter referred to as "Borrower").

In consideration of all present and future loans and credit made available by Bank to Borrower, and all present and future liabilities, obligations and indebtedness of Borrower to Bank, howsoever created, evidenced, existing or arising, whether direct or indirect, absolute or contingent, joint or several, now or hereafter existing or arising, or due or to become due (herein collectively called the "Liabilities"), Borrower covenants and agrees as follows:

1. Each loan or other extension of credit made by Bank to or otherwise in favor of Borrower shall be evidenced by and subject to a promissory note or other agreement or evidence of indebtedness acceptable to Bank and executed and delivered by Borrower and unto Bank (any and all notes, instruments, documents and agreements at any time evidencing, governing, securing or otherwise relating to any of the Liabilities, including this Agreement, are herein collectively called the "Loan Documents").

2. Borrower hereby represents and warrants, and such representations and warranties shall be deemed to be continuing representations and warranties during the entire life of this Agreement and thereafter so long as any Liabilities remain outstanding:

(a) Each of the Company and the Subsidiaries is a corporation duly organized and existing in good standing under the laws of the State of Ohio; is duly qualified and authorized to do business as a foreign corporation in each jurisdiction where the character of its assets or the nature of its activities makes such qualification necessary; has the legal power and authority to own its properties and assets and to carry out its business as now being conducted in each such jurisdiction wherein such qualification is necessary. The execution, delivery and performance of this Agreement and any and all other Loan Documents by each of the Company and the Subsidiaries are within its corporate powers, have been duly authorized by all requisite corporate action, are not in contravention of the terms of each of the Company's and the Subsidiaries' Articles of Incorporation or Code of Regulations and are not, to the Company's and the Subsidiaries' knowledge, in violation of law and do not require the consent or approval of any governmental body, agency or authority; and this Agreement and any other Loan Documents contemplated hereby, when issued and delivered, will be valid and binding and legally enforceable against each of the Company and the Subsidiaries in accordance with their terms.

(b) The execution, delivery and performance of this Agreement and any other Loan Documents required under this Agreement, and the issuance of this Agreement and such other Loan Documents by each of the Company and the Subsidiaries, and the borrowings contemplated hereby, are not in contravention or violation of the terms of any indenture, agreement or undertaking to which each is a party or by which it or any of its property or assets is bound, and will not result in the creation or imposition of any lien or encumbrance of any nature whatsoever upon any of the property or assets of the Company or the Subsidiaries, except to or in favor of Bank.

(c) No litigation or other proceeding before any court or administrative agency is pending, or to the knowledge of the officers of the Company or the Subsidiaries, is threatened against Company or the Subsidiaries, the outcome of which could materially impair the Company's or the Subsidiaries' financial condition or their ability to carry on their business or their ability to pay and perform their liabilities and obligations hereunder or otherwise in respect of the Liabilities.

(d) There are no security interests in, or liens, mortgages, or other encumbrances on any of the Company's or the Subsidiaries' property or assets, except those listed on Schedule 1 to this Agreement or to or in favor of Bank.

(e) Each of the Company and the Subsidiaries has all licenses, permits and governmental approvals necessary to operate a pharmacy and all such licenses, permits and approvals are in full force and effect

(f) There exists no condition or event which constitutes, or with the giving of notice or the passage of time, or both, would constitute, an Event of Default (as hereinafter defined) under any of the Liabilities.

3. So long as any Liabilities remain outstanding, Borrower covenants and agrees that it shall:

(a) (i) Furnish annually to Bank, in form satisfactory to Bank, and within ninety (90) days after and as of the close of each fiscal year of each of the Company and the Subsidiaries, a balance sheet as of the close of each such fiscal year, statements of income and retained earnings and changes in financial position for each such year, and such other comments and financial details as are usually included in similar reports; (ii) furnish in form similar to statements previously submitted to Bank, within thirty (30) days after and as of the close of each month of each fiscal year of each of the Company or the Subsidiaries, financial statements containing the balance sheets and statements of income and retained earnings and changes in financial position

for the portion of the fiscal year up to the end of such period; and (iii) promptly furnish Bank, in form and detail satisfactory to Bank, such other information as Bank may reasonably request from time to time. The annual statements to be furnished to Bank pursuant to (i) above should be prepared on an audited basis by independent certified public accountants selected by Company and acceptable to Bank, and the monthly financial statements to be furnished to Bank pursuant to (ii) above should be certified by an authorized officer of the Company and the Subsidiaries. All of such financial statements should be prepared in accordance with generally accepted accounting principles consistent with prior periods ("GAAP").

(b) Preserve and keep in full force and effect each of the Company's and the Subsidiaries' corporate existence in good standing; continue to conduct and operate its business substantially as presently conducted and operated and maintain and protect all franchises and trade names and preserve all the remainder of its property and assets used or useful in the conduct of its business and keep the same in good repair and condition.

(c) Promptly inform Bank of the occurrence of any Event of Default, or any condition or event which, with the giving of notice or the passage of time, or both, would constitute an Event of Default, or of any condition or event which could have a materially adverse effect upon the Company's or the Subsidiaries' business, properties, financial condition or ability to comply with their obligations hereunder or otherwise in respect of any of the Liabilities.

(d) Not affirmatively pledge or mortgage any of its property or assets, whether now owned or hereafter acquired, or create, suffer or permit to exist, any lien or security interest or encumbrance thereon, except to or in favor of Bank, Foxmeyer Drug Company ("Foxmeyer") or, except for leases currently in place, for leased equipment in an amount not to exceed $50,000 in the aggregate.

(e) Maintain in full force and effect all licenses, permits and governmental approvals necessary to operate its business.

(f) Maintain at all times a Net Worth of not less than $4,200,000. "Net Worth" shall mean the excess of (A) the net book value of the assets of the Company after all appropriate deductions in accordance with GAAP (including, without limitation, reserves for doubtful receivables, obsolescence, depreciation and amortization), over (B) all liabilities of Company.

(g) Maintain, at all times a Debt to Net Worth Ratio of not more than 2.5 to 1.0. "Debt to Net Worth Ratio" shall mean the ratio of (i) total liabilities of the Company, as determined in accordance with GAAP, to (ii) Net Worth.

(h) Maintain at all times a current ratio of not less than 1.0 to 1.0. "Current Ratio" shall mean the ratio of (i) current assets of the Company, as determined in accordance with GAAP, to (ii) current liabilities of the Company, excluding any current portion of the Liabilities owing by the Borrower to Bank pursuant to the Master Revolving Note, as determined in accordance with GAAP.

(i) Maintain as of December 31 of each year, commencing December 31, 1995, a Fixed Charge Coverage for the twelve (12) months then ended of at least two times. "Fixed Charge Coverage" shall be determined in accordance with GAAP and shall mean (i) operating income plus depreciation plus amortization plus interest divided by (ii) interest and the current maturities of all long term debt.

(j) Pay the fees incurred by Bank in auditing the Company in connection with the Liabilities. The fees to be paid by the Company shall not exceed $3,000 per audit and the Company shall have no obligation to pay for more than 3 audits in any calendar year period. Notwithstanding the foregoing, the Bank shall not be limited in the number of additional audits it may undertake at its own expense in any calendar year period.

(k) Provide Bank, within thirty (30) days after the end of each quarter during the term of this Agreement, a statement, signed by the president or chief financial officer of the Company, certifying that each of the Company and the Subsidiaries is in compliance with the covenants set forth in this Agreement.

(1) Provide Bank promptly such other data and information (financial and otherwise) as Bank, from time to time, may reasonably require.)

4. An "Event of Default" shall be deemed to have occurred or exist under this Agreement upon the occurrence and/or existence of any of the following conditions or events:

(a) Borrower shall fail to pay the principal of or interest on or shall otherwise fail to pay any other amount owing by Borrower to Bank under any of the Liabilities, and such default in payment shall continue unremedied or uncured for a period of five (5) days after such payment was due;

(b) Any representation, warranty, certification or statement made or deemed to have been made by Borrower herein or in any certificate, financial statement or other document or agreement delivered by Borrower to Bank, or by other on behalf of Borrower, shall prove to be untrue in any material respect;

(c) Borrower shall fail to observe or perform, in any material respect, any condition, covenant or agreement of Borrower set forth herein (other than as provided in subparagraph (a) above), and, in the case of those covenants and agreements set forth in paragraphs 3(a), (b), (e), (f) (g) or (h) hereof, such default shall continue unremedied or uncured for a period of thirty (30) days after the earlier of the date of written notice thereof by Bank to Borrower or the date Bank is notified, or should have been notified by Borrower pursuant to Borrower's obligations under paragraph 3(c) of this Agreement, of such default;

(d) Borrower shall fail to observe or perform, in any material respect, any condition, covenant or agreement of Borrower set forth in any other Loan Document (other than as provided in subparagraphs (a) above), and such default shall remain unremedied or uncured beyond any period of grace or cure, if any, provided with respect thereto; or

(e) Upon the occurrence or existence of any "Default" or "Event of Default", as the case may be, which continues uncured beyond the expiration of any applicable grace period set fort in any other Loan Document including, without limitation, the Guaranty.

5. Upon the occurrence of any Event of Default, Bank may give notice to Borrower declaring all outstanding Liabilities to be due and payable, whereupon all such Liabilities then outstanding shall immediately become due and payable, without further notice or demand, and any commitment or obligation, if any, on the part of Bank to make loans or otherwise extend credit to Borrower shall immediately terminate, all indebtedness then outstanding under the Liabilities shall automatically become immediately due and payable, and any such commitment or obligation on the part of Bank, if any, shall immediately terminate, in each case without notice or demand, which are hereby expressly waived by Borrower. Further, upon the occurrence of any Event of Default, Bank may collect, deal with and dispose of all or any part of any security in any manner permitted or authorized by the Ohio Uniform Commercial Code or other applicable law (including public or private sale) and after deducting expenses (including reasonable attorneys' fees and expenses), Bank may apply the proceeds and any deposits or credits in part or fall payment of any of the Liabilities, whether due or not, in any manner or order which Bank elects. Borrower shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand.

6. Notwithstanding any other provision of this Agreement or any of the other Loan Documents, and without affecting in any manner the rights of Bank under the other Sections of this Agreement, it is understood and agreed that Bank shall have no obligation to advance funds to Borrower at any time under the Loan Documents unless and until each of the following conditions have been and continue to be satisfied, all in form and substance satisfactory to Bank and its counsel:

(a) Absence of Legal Actions. No legal action, proceeding, investigation, regulation or legislation shall have been instituted, threatened or proposed before any court, governmental agency or legislative body which would have a material adverse effect on the business, property or condition of the Borrower or which seeks to enjoin, restrain, or prohibit, or to obtain damages in respect of this Agreement or any of the other Loan Documents or the consummation of the transactions contemplated hereby or thereby.

(b) Representations and Warranties. The representations and warranties of Borrower in this Agreement and any of the other Loan Documents are true and correct in all material respects and no Event of Default or condition which, with notice, lapse of time or both would constitute an Event of Default then exists.

(c) Delivery of Documents. Bank shall have received the following documents, each to be in form and substance satisfactory to Bank and its counsel:

(i) The Master Revolving Note duly executed by Borrower;

(ii) The Advance Formula Agreement duly executed by Borrower;

(iii) The Variable Rate Installment Note duly executed by Borrower;

(iv) The Guaranty duly executed by Michael R. Erlenbach (the "Guarantor"), and the Guarantor shall not have terminated the Guaranty;

(v) The Security Agreement (Equipment) and the Security Agreement (Accounts and Chattel Paper) in form and substance acceptable to Bank, duly executed by Borrower;

(vi) Intercreditor Agreement of Foxmeyer in form and substance acceptable to Bank;

(vii) The written opinion of counsel to Borrower and the Guarantor as to the transactions contemplated by this Agreement in form and substance satisfactory to Bank and its counsel;

(viii) Copies of all filing receipts or acknowledgements or other oral or written evidence issued by any governmental authority to evidence any filing or recordation

necessary to perfect the liens of Bank in the Collateral and evidence in a form acceptable to Bank that such liens constitute valid and first priority perfected liens;

(ix) Certified copies of the Company's and the Subsidiaries' casualty and liability insurance policies evidencing the existence of the insurance coverage required pursuant to the Loan Documents, together with all appropriate endorsements thereto naming Bank as a loss payee and additional insured in form and substance satisfactory to Bank;

(x) A Certificate of the Secretary or an Assistant Secretary of each of the Company and the Subsidiaries, dated as of the date Bank makes its initial advance of loans pursuant to this Agreement, certifying (a) that attached thereto is a true and complete copy of the Articles of Incorporation and Code of Regulations of each of the Company and the Subsidiaries, as in effect on the date of such certification, (b) that attached thereto is a true and complete copy of resolutions, in form satisfactory to Bank, adopted by the Board of Directors of each of the Company and the Subsidiaries, authorizing the execution, delivery and performance of this Agreement and each of the other Loan Documents to which it is a party and the consummation of the transactions contemplated hereby and thereby and that said resolutions are all resolutions adopted with respect to said subject matter and remain in fall force and effect without modification, and (c) as to the incumbency and genuineness of the signature of each officer of each of the Company and the Subsidiaries executing this Agreement and the other Loan Documents to which each of the Company and the Subsidiaries is a party;

(xi) Good standing certificate for each of the Company and the Subsidiaries issued by the Secretary of State of Ohio;

(xii) A certificate signed by the President and Chief Executive Officer of each of the Company and the Subsidiaries and dated as of the date Bank makes its initial advance of loans pursuant to this Agreement, stating that (a) the representations and warranties set forth in Section 2 of this Agreement are true and correct on and as of such date, (b) each of the Company and the Subsidiaries is on such date in compliance with all the terms and provisions set forth in this Agreement, and (c) on such date no event or condition has occurred or is continuing which with the giving of notice, the lapse of time, or both, would constitute an Event of Default;

(xiii) Delivery by the Company of a check payable to Bank in an amount equal to the sum of the fees incurred by Bank for legal and audit services in connection with this transaction and a Closing Fee in the amount of $32,000, the receipt of $10,000 in prepayment of these sums is hereby acknowledged;

(xiv) Written instructions from each of the Company and the Subsidiaries directing the disbursement of proceeds of the loans made pursuant to this Agreement; and

(xv) Such other agreements, instruments and documents including, without limitation, assignments, security agreements, mortgages, deeds of trust, pledges, guaranties and consents, which Bank may require to be executed in connection with this Agreement

7. Provided Borrower has delivered to Bank a duly executed telephone notice authorization in the Bank's standard form, Borrower may request an advance pursuant to the Master Revolving Note by telephone request, in accordance with such telephone notice authorization. Each such request for an advance shall be made to Bank by 2:00 p.m. on the proposed date of advance. Once delivered to Bank, such request for an advance shall not be revocable by Borrower. The Bank may require the Borrower to execute a written request for advances, in the Bank's standard form, as a condition to advances if, on the basis of reasonable considerations, the Bank determines that written documentation regarding the

request of the Borrower for advances is appropriate. Subject otherwise to the terms hereof and the Loan Documents, Bank shall make available to Borrower the amount of the advance so requested not later than 4:00 p.m. (Detroit time) on the date of such advances by credit to an account of Borrower maintained with Bank or to such other account or third party as Borrower may reasonably request.

8. No forbearance on the part of Bank in enforcing any of its rights or remedies under this Agreement or any other Loan Document, nor any renewal, extension or rearrangement of any payment or covenant to be made or performed by Borrower hereunder or any such other Loan Document, shall constitute a waiver of any of the terms of this Agreement or such Loan Document or of any such right or remedy.

9. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Ohio. Notwithstanding the foregoing, the parties acknowledge that the Liabilities created in and secured by the Loan Documents were approved and made and the proceeds of the loans have been disbursed in the State of Michigan

10. All covenants, agreements, representations and warranties made in connection with this Agreement and any other Loan Documents shall survive the borrowing hereunder or thereunder until such time as all of the Liabilities are paid in full and shall be deemed to have been relied upon by Bank. All statements contained in any certificate or other document delivered to Bank at any time by or on behalf of the Company or the Subsidiaries pursuant hereto shall constitute representations and warranties by the Company and the Subsidiaries.

11. Borrower agrees that it will pay all costs and expenses in connection with the preparation of this Agreement and any other Loan Documents contemplated hereby, including, without limitation, reasonable attorneys' fees and disbursements of counsel for the Bank.

12. BORROWER AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVE ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING TIE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE LIABILITIES.

13. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns; provided, however, that Borrower shall not assign, or transfer any of its rights or obligations hereunder or otherwise in respect of any of the Liabilities without the prior written consent of Bank.

If the foregoing is acceptable to Company, please indicate with the authorized signature of Company as provided below.

Very truly yours,

COMERICA BANK

By: /s/ JAMES P. HANSON

Its: Vice President

ACCEPTED AND AGREED:

CONTINENTAL MANAGED PHARMACY
SERVICES, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Executive Vice President

CONTINENTAL PHARMACY, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Executive Vice President

Dated: 1/24/95

PREFERRED RX, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: President

Dated: 1/24/95

AUTOMATED SCRIPTS, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: President

Dated: 1/24/95

VALLEY PHYSICIANS SERVICES, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Vice President

Dated: 1/24/95

ADDITIONAL CREDIT AGREEMENT

THIS ADDITIONAL CREDIT AGREEMENT (the "Agreement") is made and entered into as of the 23rd day of January, 1996, by and among COMERICA BANK, a Michigan banking corporation ("Bank") and CONTINENTAL MANAGED PHARMACY SERVICES, INC., an Ohio corporation (the "Company"), and its wholly-owned subsidiaries, CONTINENTAL PHARMACY, INC., an Ohio corporation, PREFERRED RX, INC., an Ohio corporation, AUTOMATED SCRIPTS, INC., an Ohio corporation, and VALLEY PHYSICIAN SERVICES, INC., an Ohio corporation (the Company and each of its aforementioned wholly-owned subsidiaries shall be referred to collectively hereinafter as the "Borrower").

RECITALS

A. The Borrower and the Bank are the parties to that certain Letter Agreement dated January 24, 1995 (the "Letter Agreement") pursuant to which, inter alia, the Bank extended to the Borrower: (i) a revolving credit facility in the maximum principal amount of $6,500,000; and (ii) a term credit facility in the maximum principal amount of $750,000, subject to the terms and conditions thereof.

B. The Borrower has requested the Bank to make available to it an additional term credit facility in the maximum principal amount of $500,000; and the Bank is willing to do so subject to the terms, covenants and conditions set forth herein.

C. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings assigned to them in the Letter Agreement.

AGREEMENTS:

IN CONSIDERATION of the foregoing Recitals and of the mutual agreements hereinafter set forth and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. $500,000 Term Credit Facility. The Bank shall extend to the Borrower a term credit facility in the maximum principal amount of $500,000 (the "$500,000 Term Facility"). Borrower's obligation to repay the $500,000 Term Facility shall be evidenced by and subject to a promissory note (the "Note") in form and substance acceptable to the Bank. The $500,000 Term Facility shall be governed by and subject to the Note and all of the terms and conditions contained in the Letter Agreement.

2. Effective Date; Conditions Precedent. The Bank and the Borrower's respective obligations with respect to the $500,000 Term Facility shall be effective as of the date of the execution of this Agreement (the "Effective Date"); provided, however, that such effectiveness shall be subject to the Borrower satisfying each of the following conditions precedent as of the Effective Date:

(a) There shall be no Event of Default under the Letter Agreement or any of the Loan Documents;

(b) The Borrower shall have executed and delivered the Note to the Bank;

(c) The Borrower shall have paid the Bank $4,000, in cash, as the Bank's closing fee for costs incurred by it in connection with making the $500,000 Term Facility available to the Borrower;

(d) Simultaneously with the Borrower's execution of this Agreement, Michael R. Erlenbach shall execute a Reaffirmation of Guaranty in form and substance acceptable to Bank; and

(e) The Borrower shall have delivered to the Bank such other instruments and taken such other actions as the Bank or its counsel may reasonably request.

3. The Borrower's Reaffirmation of Representations and Warranties. The Borrower reaffirms that the representations and warranties made by it in the Letter Agreement are true and correct in all material respects as of the Effective Date and no Event of Default or condition now exists which, with notice, lapse of time or both would constitute an Event of Default. The Borrower reaffirms that its representations and warranties are deemed to be continuing during the life of the Letter Agreement and thereafter so long as any Liabilities including, without limitation, the $500,000 Term Facility, remain outstanding.

4. Other Loan Documents. Any reference in any of the Loan Documents executed and delivered pursuant to or in connection with the Letter Agreement shall, from and after the Effective Date be deemed to refer to the Letter Agreement and this Agreement.

5. Confirmation of Debt. (a) The Borrower hereby affirms all of its Liabilities to the Bank under the Letter Agreement and the Loan Documents, affirms the validity and enforceability of all liens and security interests provided for or contemplated by the Letter Agreement and the Loan Documents, and affirms that the Liabilities remain as outstanding obligations of the Borrower to the Bank. The Borrower further acknowledges and agrees that as of the Effective Date, it has no claim, defense or set-off right against the Bank, nor any claim, defense or set-off to the enforcement by the Bank of the full amount of the Borrower's Liabilities under the Letter Agreement and the Loan Documents.

(b) Notwithstanding anything contained herein to the contrary, to the extent that any claim, cause of action, defense or set-off against the Bank or

its enforcement of the Letter Agreement, any of the Loan Documents or this Agreement, of any nature whatsoever, known or unknown, fixed or contingent, does nonetheless exist or may exist on the Effective Date, in further consideration of the Bank's entering into this Agreement, the Borrower irrevocably and unconditionally waives and releases fully each and every such claim, cause of action, defense and set-off.

6. Conflicting Terms: No Other Modifications. To the extent that any of the terms and conditions of; this Agreement are inconsistent with the terms and conditions of the Letter Agreement or any of the Loan Documents, the terms and conditions of this Agreement shall prevail. Otherwise, unless expressly modified or superseded herein, all of the terms and conditions of the Letter Agreement and the Loan Documents shall remain unaffected and in full force and effect.

7. Binding Effect; Governing Law. This Agreement shall bind and inure to the benefit of the parties hereto and their respective heirs, personal representatives, successors and assigns and shall be governed by and construed in accordance with the laws of the State of Ohio.

8. Counterparts. This Agreement may be executed in any number of counterparts, each of which, when so executed and delivered, shall be an original, and all of which counterparts together shall constitute one and the same fully executed instrument.

IN WITNESS WHEREOF, the parties have hereunto set their hands as of the date set forth above.

BANK:

COMERICA BANK

By: /s/[ILLEGIBLE]

Its: Vice President

BORROWER:

CONTINENTAL MANAGED PHARMACY
SERVICE, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

CONTINENTAL PHARMACY, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

Dated: 1/24/96

PREFERRED RX, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

Dated: 1/24/96

AUTOMATED SCRIPTS, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

Dated: 1/24/96

VALLEY PHYSICIANS SERVICES, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

Dated: 1/24/96

GUARANTY

The undersigned, for value received, unconditionally and absolutely guarantee(s) to Comerica Bank ("Bank"), a Michigan banking corporation of 500 Woodward Avenue, Detroit, Michigan 48226 and to the Bank's successors and assigns, payment when due, whether by stated maturity, demand, acceleration or otherwise, of all existing and future indebtedness to the Bank of CONTINENTAL MANAGED PHARMACY SERVICES, INC., CONTINENTAL PHARMACY, INC., PREFERRED RX, INC., AUTOMATED SCRIPTS, INC. and VALLEY PHYSICIANS SERVICES, INC., each an Ohio corporation, whose address is 1400 E. Schaaf Road, Brooklyn Heights, Ohio 44131 and also of any successor in interest, including without limit any debtor-in-possession or trustee in bankruptcy which succeeds to the interests of this party or person (jointly and severally the "Borrower"), however this indebtedness has been or may be incurred or evidenced, whether absolute or contingent, direct or indirect, voluntary or involuntary, liquidated or unliquidated, joint or several and whether or not known to the undersigned at the time of this Guaranty or at the time any fUture indebtedness is incurred (the "Indebtedness").

The Indebtedness guaranteed includes without limit: (a) any and all direct indebtedness of the Borrower to the Bank, including indebtedness evidenced by any and all promissory notes; (b) any and all obligations or liabilities of the Borrower to the Bank arising under any guaranty where the Borrower has guaranteed the payment of indebtedness owing to the Bank from a third party; (c) any and all obligations or liabilities of the Borrower to the Bank arising from applications or agreements for the issuance of letters of credit; (d) any and all obligations or liabilities of the Borrower to the Bank arising out of any other agreement by the Borrower; (e) any and all indebtedness, obligations or liabilities for which the Borrower would otherwise be liable to the Bank were it not for the invalidity, irregularity or unenforceability of them by reason of any bankruptcy, insolvency or other law or order of any kind, or for any other reason, including without limit liability for interest and attorney fees on, or in connection with, any of the Indebtedness from and after the filing by or against the Borrower of a bankruptcy petition; (f) any and all amendments, modifications, renewals and/or extensions of any of the above, including without limit amendments, modifications, renewals and/or extensions which are evidenced by new or additional instruments, documents or agreements; and (g) all costs of collecting Indebtedness, including without limit reasonable attorney fees.

The undersigned waive(s) notice of acceptance of this Guaranty and presentment, demand, protest, notice of protest, dishonor, notice of dishonor, notice of default, notice of intent to accelerate or demand payment of any Indebtedness and diligence in collecting any Indebtedness, and agree(s) that the Bank may modify the terms of any Indebtedness, compromise, extend, increase, accelerate, renew or forbear to enforce payment of any or all Indebtedness, or permit the Borrower to incur additional Indebtedness, all without notice to the undersigned and without affecting in any manner the unconditional obligation of the undersigned under this Guaranty. The undersigned further waive(s) any and all other notices to which the undersigned might otherwise be entitled. The undersigned acknowledge(s) and agree(s) that the liabilities created by this Guaranty are direct and are not conditioned upon pursuit by the Bank of any remedy the Bank may have against the Borrower or any other person or any security. No invalidity, irregularity or unenforceability of any part or all of the Indebtedness or any documents evidencing the same, by reason of any bankruptcy, insolvency or other law or order of any kind or for any other reason, and no defense or setoff available at any time to the Borrower, shall impair, affect or be a defense or setoff to the obligations of the undersigned under this Guaranty.

The undersigned deliver(s) this Guaranty based solely on the undersigned's independent investigation of the financial condition of the Borrower and is not relying on any information furnished by the Bank. The undersigned assume(s) full responsibility for obtaining any further information concerning the Borrower's financial condition, the status of the Indebtedness or any other matter which the undersigned may deem necessary or appropriate from time to time. The undersigned waive(s) any duty on the part of the Bank, and agree(s) that it is not relying upon nor expecting the Bank to disclose to the undersigned any fact now or later known by the Bank, whether relating to the operations or condition of the Borrower, the existence, liabilities or financial condition of any co-guarantor of the Indebtedness, the occurrence of any default with respect to the Indebtedness or otherwise, notwithstanding any effect these facts may have upon the undersigned's risk under this Guaranty or the undersigned's rights against the Borrower. The undersigned knowingly accept(s) the full range of risk encompassed in this Guaranty, which risk includes without limit the possibility that the Borrower may incur Indebtedness to the Bank after the financial condition of the Borrower, or its ability to pay its debts as they mature, has deteriorated.

The undersigned represent(s) and warrant(s) that: (a) the Bank has made no representation to the undersigned as to the creditworthiness of the Borrower; and (b) the undersigned has established adequate means of obtaining from the Borrower on a continuing basis financial and other information pertaining to the Borrower's financial condition. The undersigned agree(s) to keep adequately informed of any facts, events or circumstances which might in any way affect the risks of the undersigned under this Guaranty.

The undersigned grant(s) to the Bank a security interest in and the right of setoff as to any and all property of the undersigned now or later in the possession of the Bank. The undersigned subordinate(s) any claim of any nature that the undersigned now or later has (have) against the Borrower to and in favor of all Indebtedness and, except for short-term intercompany debt arising in the ordinary course of business paid before the occurrence of any default or event of default under any agreement between Borrower and Bank, agree(s) not to accept payment or satisfaction of any claim that the undersigned now or later may have against the Borrower without the prior written consent of the Bank.

Except as stated above, should any payment, distribution, security or proceeds be received by the undersigned upon or with respect to any claim That the undersigned now or may later have against the Borrower, the undersigned shall immediately deliver the same to the Bank in the form received (except for endorsement or assignment by the undersigned where required by the Bank) for application on the Indebtedness, whether matured or unmatured, and until delivered the same shall be held in trust by the undersigned as the property of the Bank. The undersigned further assign(s) to the Bank as collateral for the obligations of the undersigned under this Guaranty all claims of any nature that the undersigned now or later has (have) against the Borrower with full right on the part of the Bank, in its own name or in the name of the undersigned, to collect and enforce these claims.

The undersigned agree(s) that no security now or later held by the Bank for the payment of any Indebtedness, whether from the Borrower, any guarantor or otherwise, and whether in the nature of a security interest, pledge, lien, assignment, setoff, suretyship, guaranty, indemnity, insurance or otherwise, shall affect in any manner the unconditional obligation of the undersigned under this Guaranty, and the Bank, in its sole discretion, without notice to the undersigned, may release, exchange, enforce and otherwise deal with any security without affecting in any manner the unconditional obligation of the undersigned under this Guaranty. The undersigned acknowledge(s) and agree(s) that the Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Indebtedness, and the undersigned is not relying upon any asset(s) in which the Bank has or may have a lien or security interest for payment of the Indebtedness.

The undersigned acknowledge(s) that the effectiveness of this Guaranty is not conditioned on any or all of the indebtedness being guaranteed by anyone else.

The undersigned may terminate the obligation under this Guaranty as to future Indebtedness (except as provided below) by (and only by) delivering written notice of termination to an officer of the Bank and receiving from an officer of the Bank written acknowledgment of delivery; provided, the termination shall not be effective until the opening of business on the day following written acknowledgment of delivery. Any termination shall not affect in any way the unconditional obligations of the undersigned as to any Indebtedness existing at the effective date of termination or any Indebtedness created after that pursuant to any commitment or agreement of the Bank or any Borrower loan with the Bank existing at the effective date of termination (whether advances or readvances by the Bank are optional or obligatory), or any modifications, extensions or renewals of any of this Indebtedness, whether in whole or in part, and as to all of this Indebtedness and modifications, extensions or renewals of it, this Guaranty shall continue effective until the same shall have been fully paid. The undersigned shall indemnify the Bank against all claims, damages, costs and expenses, including without limit reasonable attorney fees, incurred by the Bank in connection with any suit, claim or action against the Bank arising out of any modification or termination of a Borrower loan or any refusal by the Bank to extend additional credit in connection with the termination of this Guaranty.

Notwithstanding any prior revocation, termination, surrender or discharge of this Guaranty in whole or in part, the effectiveness of this Guaranty shall automatically continue or be reinstated, as the case may be, in the event that any payment received or credit given by the Bank in respect of the Indebtedness is returned, disgorged or rescinded as a preference, impermissible setoff fraudulent conveyance, diversion of trust funds, or otherwise under any applicable state or federal law, including, without limitation, laws pertaining to bankruptcy or insolvency, in which case this Guaranty, and all liens, pledges and security interests securing this Guaranty, shall be enforceable against the undersigned as if the returned, disgorged or rescinded payment or credit had not been received or given by the Bank, and whether or not the Bank relied upon this payment or credit or changed its position as a consequence of it. In the event of continuation or reinstatement of this Guaranty, the undersigned agree(s) upon demand by the Bank to execute and deliver to the Bank those documents which the Bank determines are appropriate to further evidence (in the public records or otherwise)

this continuation or reinstatement, although the failure of the undersigned to do so shall not affect in any way the reinstatement of continuation. If the undersigned do(es) not execute and deliver to the Bank upon demand such documents, the Bank and each Bank officer is irrevocably appointed (which appointment is coupled with an interest) the true and lawful attorney of the undersigned (with full power of substitution) to execute and deliver such documents in the name and on behalf of the undersigned.

The undersigned waive(s) any right to require the Bank to: (a) proceed against any person, including without limit the Borrower; (b) proceed against or exhaust any security held from the Borrower or any other person; (c) give notice of the terms, time and place of any public or private sale of personal property security held from the Borrower or any other person, or otherwise comply with the provisions of Section 9-504 of the Ohio or other applicable Uniform Commercial Code; (d) pursue any other remedy in the Bank's power; or (e) make any presentments or demands for performance, or give any notices of nonperformance, protests, notices of protest, or notices of dishonor in connection with any obligations or evidences of Indebtedness held by the Bank as security, in connection with any other obligations or evidences of indebtedness which constitute in whole or in part Indebtedness, or in connection with the creation of new or additional Indebtedness.

The undersigned authorize(s) the Bank, either before or after termination of this Guaranty, without notice to or demand on the undersigned and without affecting the undersigned's liability under this Guaranty, from time to time to: (a) apply any security held from the Borrower or any other person and direct the order or manner of sale of it, including without limit, a non-judicial sale permitted by the terms of the controlling security agreement, mortgage or deed of trust, as the Bank in its discretion may determine; (b) release or substitute any one or more of the endorsers or any other guarantors of the Indebtedness; and (c) apply payments received by the Bank from the Borrower to any indebtedness of the Borrower to the Bank, in such order as the Bank shall determine in its sole discretion, whether or not this indebtedness is covered by this Guaranty, and the undersigned waive(s) any provision of law regarding application of payments which specifies otherwise. The Bank may without notice assign this Guaranty in whole or in part. Upon the Bank's request, the undersigned agree(s) to provide to the Bank copies of the undersigned's financial statements.

The undersigned waive(s) any defense based upon or arising by reason of (a) any disability or other defense of the Borrower or any other person; (b) the cessation or limitation from any cause whatsoever, other than final and irrevocable payment in full, of the Indebtedness; (c) any lack of authority of any officer, director, partner, agent or any other person acting or purporting to act on behalf of the Borrower which is a corporation, partnership or other type of entity, or any defect in the formation of the Borrower; (d) the application by the Borrower of the proceeds of any Indebtedness for purposes other than the purposes represented by the Borrower to the Bank or intended or understood by the Bank or the undersigned; (e) any act or omission by the Bank which directly or indirectly results in or aids the discharge of the Borrower or any Indebtedness by operation of law or otherwise; or (f) any modification of the Indebtedness, in any form whatsoever including without limit any modification made after effective termination, and including without limit the renewal, extension, acceleration or other change in time for payment of the Indebtedness, or other change in the terms of any Indebtedness, including without limit increase or decrease of the interest

rate. The undersigned waive(s) any defense the undersigned may have based upon any election of remedies by the Bank which destroys the undersigned's subrogation rights or the undersigned's right to proceed against the Borrower for reimbursement, including without limit any loss of rights the undersigned may suffer by reason of any rights, powers or remedies of the Borrower in connection with any anti-deficiency, appraisement or valuation laws or any other laws limiting, qualifying or discharging any Indebtedness.

The undersigned acknowledge(s) that the Bank has the right to sell, assign, transfer, negotiate or grant participations in all or any part of the Indebtedness and any related obligations, including, without limit, this Guaranty. In connection with that right, the Bank may disclose any documents and information which the Bank now or later acquires relating to the undersigned and this Guaranty, whether furnished by the Borrower, the undersigned or otherwise. The undersigned further agree(s) that the Bank may disclose these documents and information to the Borrower.

This obligation shall include, IN ADDITION TO any amount of principal guaranteed, any and all interest on all Indebtedness and any and all costs and expenses of any kind, including without limit reasonable attorney fees, incurred by the Bank at any time(s) for any reason in enforcing any of the duties and obligations of the undersigned under this Guaranty or otherwise incurred by the Bank in any way connected with this Guaranty, the Indebtedness or any other guaranty of the Indebtedness (including without limit reasonable attorney fees and other expenses incurred in any suit involving the conduct of the Bank, the Borrower or the undersigned). All of these costs and expenses shall be payable immediately by the undersigned when incurred by the Bank, without demand, and until paid shall bear interest a the highest per annum rate applicable to any of the Indebtedness, but not in excess of the maximum rate permitted by law. Any reference in this Guaranty to attorney fees shall be deemed a reference to fees, charges, costs and expenses of both in-house and outside counsel and paralegals, whether or not a suit or action is instituted, and to court costs if a suit or action is instituted, and whether attorney fees or court costs are incurred at the trial court level, on appeal, in a bankruptcy, administrative or probate proceeding or otherwise.

The undersigned unconditionally and irrevocably waive(s) each and every defense and setoff of any nature which, under principles of guaranty or otherwise, would operate to impair or diminish in any way the obligation of the undersigned under this Guaranty. The undersigned acknowledge(s) that the effectiveness of this Guaranty is subject to no conditions of any kind.

This Guaranty shall remain effective with respect to successive transactions which shall either continue the Indebtedness, increase or decrease it, or from time to time create any new Indebtedness after all or any prior Indebtedness has been satisfied, until this Guaranty is terminated in the manner and to the extent provided above.

The undersigned warrant(s) and agree(s) that each of the waivers set forth above are made with the undersigned's full knowledge of their significance and consequences, and that under the circumstances, the waivers are reasonable and not contrary to public policy or law. If any of these

waivers are determined to be contrary to any applicable law or public policy, these waivers shall be effective only to the extent permitted by law.

This Guaranty constitutes the entire agreement of the undersigned and the Bank with respect to the subject matter of this Guaranty. No waiver, consent, modification or change of the terms of this Guaranty shall bind any of the undersigned or the Bank unless in writing and signed by the waiving party or an authorized officer of the waiving party, and then this waiver, consent, modification or change shall be effective only in the specific instance and for the specific purpose given. This Guaranty shall inure to the benefit of the Bank and its successors and assigns. This Guaranty shall be binding on the undersigned and the undersigned's, successors and assigns including, without limit, any debtor in possession or trustee in bankruptcy for any of the undersigned. The undersigned has (have) knowingly and voluntarily entered into this Guaranty in good faith for the purpose of inducing the Bank to extend credit or make other financial accommodations to the Borrower, and the undersigned acknowledge(s) that the terms of this Guaranty are reasonable. If any provision of this Guaranty is unenforceable in whole or in part for any reason, the remaining provisions shall continue to be effective. THIS GUARANTY WAS EXECUTED IN CUYAHOGA COUNTY, OHIO AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO. NOTWITHSTANDING THE FOREGOING, THE PARTIES ACKNOWLEDGE THAT THE INDEBTEDNESS DESCRIBED ABOVE WAS APPROVED AND MADE AND THE PROCEEDS OF THE INDEBTEDNESS WERE DISBURSED IN THE STATE OF MICHIGAN.

The undersigned waive any claims that Cuyahoga County, Ohio is an inconvenient forum or an improper forum based on lack of venue.

THE UNDERSIGNED AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS GUARANTY OR THE INDEBTEDNESS.

The undersigned hereby submits to personal jurisdiction in the State of Ohio; waives any and all personal rights under the laws of any state or country to object to jurisdiction within the State of Ohio for the purposes of litigation to enforce this Guaranty; and consents to be sued in all courts of general jurisdiction in Cuyahoga County in the State of Ohio. Nothing contained in this Guaranty, however, shall prevent Bank from bringing any action or exercising any rights under this Guaranty within any other state or country having jurisdiction over the subject matter hereof Bank's initiating such proceeding or taking such action in any other state or country shall in no event constitute a waiver of the agreement contained in this Guaranty that the laws of the State of Ohio shall govern the rights and obligations of the undersigned and Bank under this Guaranty or a waiver of the submission made in this Guaranty by the undersigned to personal jurisdiction within the State of Ohio.

The undersigned agrees that service of process may be made, and personal jurisdiction over the undersigned obtained, by sewing a copy of the Summons and Complaint upon the undersigned at its address set forth in this Guaranty (or at the last address of the undersigned which is known to Bank) in accordance with the applicable laws of the States of Ohio and Michigan.

The undersigned hereby authorizes any attorney-at-law to appear in any court of record in the United States, at any time after the above obligation becomes due, either at its stated maturity or by declaration, and waives the issuing and service of process, and confesses a judgment against the undersigned in favor of Bank for the amount then appearing due, together with interest and costs of suit, and thereupon to release all errors and waive all right of appeal and stay of execution. No judgment against the undersigned shall be a bar to subsequent judgment(s) against the undersigned. The foregoing warrant of attorney shall survive any judgment, it being understood that should any judgment be vacated for any reason, the foregoing warrant of attorney may nevertheless be used to obtain additional judgments.

The undersigned has signed this Guaranty on August 24, 1998.

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

Date: August 24, 1998

GUARANTOR:

MIM Corporation

By: Robert J. Bush

Its: Assistant Secretary

THIRD AMENDED AND RESTATED
MASTER REVOLVING NOTE
Variable Rate-Maturity Date

OBLIGOR #	NOTE #	NOTE DATE 1/24/95 Amended and Restated Note Date 1/28/97 Second Amended and Restated Note Date 4/9/97 Third Amended and Restated Note Date 8/24/98	TAX IDENTIFICATION NO.
AMOUNT		MATURITY DATE May 1, 1999	
$6,500,000	Cleveland, OH		

On the Maturity Date, as stated above, for value received, the undersigned promise(s) to pay to the order of Comerica Bank ("Bank"), at any office of the Bank in the State of Michigan, Six Million Five Hundred Thousand Dollars (U.S.) ($6,500,000) (or that portion of it advanced by the Bank and not repaid as later provided) with interest until maturity, whether by acceleration or otherwise, at a per annum rate equal to the Bank's prime rate from time to time in effect, plus .75% until the later of the date hereof or September 1, 1998 at which time the rate shall be reduced to the Bank's prime rate from time to time in effect, and after an Event of Default (as hereafter defined) at a rate equal to the rate of interest otherwise prevailing under this Note plus 3% per annum (but in no event in excess of the maximum rate permitted by law). The Bank's "prime rate" is that annual rate of interest so designated by the Bank and which is changed by the Bank from time to time. Interest rate changes will be effective for interest computation purposes as and when the Bank's prime rate changes. Interest shall be calculated for the actual number of days the principal is outstanding on the basis of a 360-day year. Accrued interest on this Note shall be payable on the 1st day of each month commencing March 1, 1995, until the Maturity Date when all amounts outstanding under this Note shall be due and payable in full. If any payment of principal or interest under this Note shall be payable on a day other than a day on which the Bank is open for business, this payment shall be extended to the next succeeding business day and interest shall be payable at the rate specified in this Note during this extension. A late payment charge equal to 5% of each late payment may be charged on any payment not received by the Bank within 10 calendar days after the payment due date, but acceptance of payment of this charge shall not waive any Default under this Note.

The principal amount payable under this Note shall be the sum of all advances made by the Bank to or at the request of the undersigned, less principal payments actually received in cash by the Bank. The books and records of the Bank shall be the best evidence of the principal amount and the unpaid interest amount owing at any time under this Note and shall be conclusive absent manifest error. No interest shall accrue under this Note until the date of the first advance made by the Bank; after that interest on all advances shall accrue and be computed on the principal balance outstanding from time to time under this Note until the same is paid in full.

In consideration of the revolving credit facility being established pursuant hereto, the undersigned shall pay to the Bank a fee (the "Revolving Credit Fee") calculated at the rate of one-quarter percent (1/4%) per annum (based on a year having 360 days and calculated for the actual number of days elapsed during the computation period) on the difference between (i) Six Million Five Hundred Thousand Dollars ($6,500,000) and (ii) the average daily unpaid balance of the Indebtedness (as defined below) each calendar month (or portion thereof) during the term of this Note. The Revolving Credit Fee shall be due on the first day of each month commencing March 1, 1995 (for the immediately preceding month).

The undersigned may terminate this Note prior to the maturity date set forth above upon not less than 60 days prior written notice to the Bank, provided that the undersigned shall pay and perform all obligations to be performed at, on or prior to such date of termination and provided further the undersigned shall pay to the Bank no later than such date a termination fee equal to the greater of (i) Sixteen Thousand Two Hundred Fifty Dollars ($16,250.00) or (ii) one quarter of one percent (.25%) of the maximum principal amount which may be borrowed under this Note, as the same may be amended, if terminated prior to the Maturity Date of this Note.

This Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced (collectively "Indebtedness") are secured by and the Bank is granted a security interest in all items deposited in any account of any of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all property of any of the undersigned from time to time in the possession of the Bank and by any other collateral, rights and properties described in each and every guaranty, mortgage, security agreement, pledge, assignment and other security or collateral agreement which has been, or will at any time(s) later be, executed by any of the undersigned or by any guarantor (as defined below) to or for (or all) the benefit of the Bank (collectively "Collateral").

If the undersigned (or any of them) or any guarantor under a guaranty of all or part of the Indebtedness ("guarantor") (a) fail(s) to pay any of the Indebtedness within 5 days when due, by maturity, acceleration or otherwise, or fail(s) to pay any Indebtedness owing on a demand basis upon demand; or (b) fail(s) to comply with any of the terms or provisions of any agreement between

the undersigned (or any of them) or any such guarantor and the Bank; or (c) become(s) insolvent or the subject of a voluntary or involuntary proceeding in bankruptcy, or a reorganization, arrangement or creditor composition proceeding (if a business entity) cease(s) doing business as a going concern, (if a natural person) die(s) or become(s) incompetent, (if a partnership) dissolve(s) or any general partner of it dies, becomes incompetent or becomes the subject of a bankruptcy proceeding or (if a corporation) is the subject of a dissolution, merger or consolidation; or (d) if any warranty or representation made by any of the undersigned or any guarantor in connection with this Note or any of the Indebtedness shall be discovered to be untrue or incomplete; or (e) if there is any termination,

notice of termination, or breach of any guaranty, pledge, collateral assignment or subordination agreement relating to all or any part of the Indebtedness; or (f) if there is any failure by any of the undersigned or any guarantor to pay when due any of its indebtedness (other than to the Bank) or in the observance or performance of any term, covenant or condition in any document evidencing, securing or relating to such indebtedness, and such failure gives rise to an immediate right of acceleration of such indebtedness; or (g) if there is filed or issued a levy or writ of attachment or garnishment or other like judicial process upon the undersigned (or any of them) or any guarantor or any of the Collateral, including without limit, any accounts of the undersigned (or any of them) or any guarantor with the Bank, then the Bank, upon the occurrence of any of these events (each a "Default"), and subject to the terms of the Letter Agreement among the parties of even date herewith, may declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence of it to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the default rate provided in the document evidencing the relevant Indebtedness and exercise any one or more of the rights and remedies granted to the Bank by any agreement with the undersigned (or any of them) or given to it under applicable law. All payments under this Note shall be in immediately available United States funds, without setoff or counterclaim.

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accomodation party or otherwise), the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigneds' respective successors and permitted assigns.

The undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-606 of the Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations, or any interest, in any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness.

The undersigned agree(s) to reimburse the holder or owner of this Note for any and all costs and expenses (including without limit, court costs, legal expenses and reasonable attorney fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or

otherwise) incurred in collecting or attempting to collect this Note or incurred in any other matter or proceeding relating to this Note.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, indorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. THIS NOTE WAS EXECUTED IN CUYAHOGA COUNTY AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO. NOTWITHSTANDING THE FOREGOING, THE PARTIES ACKNOWLEDGE THAT THE INDEBTEDNESS EVIDENCED HEREBY WAS APPROVED AND MADE AND THE PROCEEDS OF THE LOAN EVIDENCED HEREBY WERE DISBURSED IN THE STATE OF MICHIGAN.

THE UNDERSIGNED AND THE BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

The undersigned hereby submits to personal jurisdiction in the State of Ohio; waives any and all personal rights under the laws of any state or country to object to personal jurisdiction within the State of Ohio for the purposes of litigation to enforce this Note or any other related loan document; and consents to be sued in all courts of general jurisdiction in Cuyahoga County in the State of Ohio. The undersigned waives any claim that Cuyahoga County, Ohio is an inconvenient forum or an improper forum based on lack of venue. Nothing contained in this Note, however, shall prevent Bank from bringing any action or exercising any rights under this Note within any other state or country having jurisdiction over the subject matter hereof The Bank's initiating such proceeding or taking such action in any other state or country shall in no event constitute a waiver of the agreement contained in this Note that the laws of the State of Ohio shall govern the rights and obligations of the undersigned and the Bank under this Note or a waiver of the submission made in this Note by the undersigned to personal jurisdiction within the State of Ohio. The undersigned agrees that service of process may be made, and personal jurisdiction over the undersigned obtained, by serving a copy of the Summons and Complaint upon the undersigned at its address set forth in this Note (or at the last address of the undersigned which is known to the Bank) in accordance with the applicable laws of the State of Ohio.

The undersigned hereby authorizes any attorney-at-law to appear in any court of record in the United States, at any time after the above obligation becomes due, either at its stated maturity or by acceleration, and does hereby waive the issuing and service of process, and confess a judgment against the undersigned in favor of the Bank for the amount then appearing due, together with interest and costs of suit and thereupon to release all errors and waive all right of appear and stay of execution. No judgment against the undersigned shall be a bar to subsequent judgment(s) against the undersigned. The foregoing warrant of attorney shall survive any judgment, it being understood that should any judgment be vacated for any reason, the foregoing warrant of attorney may nevertheless be used to obtain additional judgments.

The undersigned has executed and delivered this Note on the day and year first above written.

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

CONTINENTAL MANAGED
PHARMACY SERVICES, INC.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

CONTINENTAL MANAGED
PHARMACY SERVICES, INC.

By: /s/ Carl L. Jesina

Its: Vice President

CONTINENTAL PHARMACY, INC.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

CONTINENTAL PHARMACY, INC.

By: /s/ Carl L. Jesina

Its: President

PREFERRED RX, INC.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

PREFERRED RX, INC.

By: /s/ Carl L. Jesina

Its: Vice President

AUTOMATED SCRIPTS, INC.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

AUTOMATED SCRIPTS, INC.

By: /s/ Carl L. Jesina

Its: Vice President

VALLEY PHYSICIANS
SERVICES, INC.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

VALLEY PHYSICIANS
SERVICES, INC.

By: /s/ Carl L. Jesina

Its: Vice President

VARIABLE RATE-INSTALLMENT NOTE

OBLIGOR	NOTE #	NOTE DATE	TAX IDENTIFICATION NO.

AMOUNT		MATURITY DATE
$750,000	Cleveland, OH	February 1, 2000

FOR VALUE RECEIVED, the undersigned promise(s) to pay to the order of COMERICA BANK ("Bank"), at any office of the Bank in the State of Michigan, Seven Hundred Fifty Thousand Dollars (U.S.) ($750,000) in installments of $8,928 each, plus interest on the unpaid balance from the date of this Note at a per annum rate equal to the Bank's prime rate from time to time in effect plus 1.25% per annum until maturity, whether by acceleration or otherwise, or until Default, as later defined, and after that at a default rate equal to the rate of interest otherwise prevailing under this Note plus 3% per annum (but in no event in excess of the maximum rate permitted by law). Interest shall be calculated for the actual number of days the principal is outstanding on the basis of a 360-day year. The Bank's "prime rate" is that annual rate of interest so designated by the Bank and which is changed by the Bank from time to time. Interest rate changes will be effective for interest computation purposes as and when the Bank's prime rate changes. Installments of principal and accrued interest due under this Note shall be payable on the 1st day of each month, commencing March 1, 1995, and the entire remaining unpaid balance of principal and accrued interest shall be payable on February 1, 2000 (the "Maturity Date").

If this Note or any installment under this Note shall become payable on a day other than a day on which the Bank is open for business, this payment may be extended to the next succeeding business day and interest shall be payable at the rate specified in this Note during this extension. Any payments of principal in excess of the installment payments required under this Note need not be accepted by the Bank (except as required under applicable law), but if accepted shall apply to the installments last falling due. A late installment charge equal to 5% of each late installment may be charged on any installment payment not received by the Bank within 10 calendar days after the installment due date, but acceptance of payment of this charge shall not waive any default under this Note.

This Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced (collectively "Indebtedness") are secured by and the Bank is granted a security interest in all items deposited in any account of any of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all property of any of the undersigned from time to time in the

possession of the Bank and by any other collateral, rights and properties described in each and every guaranty, mortgage, security agreement, pledge, assignment and other agreement which has been, or will at any time(s) later be, executed by any (or all) of the undersigned or any guarantor (as defined below) to or for the benefit of the Bank (collectively "Collateral").

If the undersigned (or any of them) or any guarantor under a guaranty of all or part of the Indebtedness ("guarantor") (a) fail(s) to pay this Note or any of the Indebtedness within 5 days when due, by maturity, acceleration or otherwise, or fail(s) to pay any Indebtedness owing on a demand basis upon demand; or (b) fail(s) to comply with any of the terms or provisions of any agreement between the undersigned (or any of them) or any guarantor and the Bank; or (c) become(s) insolvent or the subject of a voluntary or involuntary proceeding in bankruptcy, or a reorganization, arrangement or creditor composition proceeding, (if a business entity) cease(s) doing business as a going concern, (if a natural person) die(s) or become(s) incompetent, (if a partnership) dissolve(s) or any general partner of it dies, becomes incompetent or becomes the subject of a bankruptcy proceeding or (if a corporation) is the subject of a dissolution, merger or consolidation; or (d) if any warranty or representation made by any of the undersigned or any guarantor in connection with this Note or any of the Indebtedness shall be discovered to be untrue or incomplete; or (e) if there is any termination, notice of termination, or breach of any guaranty, pledge, collateral assignment or subordination agreement relating to all or any part of the Indebtedness; or (f) if there is any failure by any of the undersigned or any guarantor to pay when due any of its indebtedness (other than to the Bank) or in the observance or performance of any term, covenant or condition in any document evidencing, securing or relating to such indebtedness, and such failure gives rise to an immediate right of acceleration of such indebtedness; or (g) if there is filed or issued a levy or writ of attachment or garnishment or other like judicial process upon the undersigned (or any of them) or any guarantor or any of the Collateral, including without limit, any accounts of the undersigned (or any of them) or any guarantor with the Bank, then the Bank, upon the occurrence of any of these events (each a "Default"), and subject to the terms of the Letter Agreement among the parties of even date herewith, may at its option declare any or all of the Indebtedness to be immediately due and payable (notwithstanding any provisions contained in the evidence thereof to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the default rate provided in the document evidencing the relevant Indebtedness and exercise any one or more of the rights and remedies granted to the Bank by any agreement with the undersigned (or any of them) or given to it under applicable law. All payments under this Note shall

be in immediately available United States funds, without setoff or counterclaim.

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise),

the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigneds' respective successors and permitted assigns.

The undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-606 of the Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations, or any interest, in any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable under applicable law, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness.

The undersigned agree(s) to reimburse the holder or owner of this Note for any and all costs and expenses (including without limit, court costs, legal expenses and reasonable attorney fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in collecting or attempting to collect this Note or incurred in any other matter or proceeding relating to this Note.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, indorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. THIS NOTE WAS EXECUTED IN CUYAHOGA COUNTY, OHIO AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO. NOTWITHSTANDING THE FOREGOING, THE PARTIES ACKNOWLEDGE THAT THE INDEBTEDNESS EVIDENCED HEREBY WAS APPROVED AND MADE AND THE PROCEEDS OF THE LOAN EVIDENCED HEREBY WERE DISBURSED IN THE STATE OF MICHIGAN.

THE UNDERSIGNED AND THE BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. THE UNDERSIGNED AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO

CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

The undersigned hereby submits to personal jurisdiction in the state of Ohio; waives any and all personal rights under the laws of any state or country to object to jurisdiction within the State of Ohio for the purposes of litigation to enforce this Note, or any other related loan document; and consents to be sued in all courts of general jurisdiction in Cuyahoga County in the State of Ohio. The undersigned waives any claim that Cuyahoga County, Ohio, is an inconvenient forum or an improper forum based on lack of venue. Nothing contained in this Note, however, shall prevent Bank from bringing any action or exercising any rights under this Note within any other state or country having jurisdiction over the subject matter hereof. Bank's initiating such proceeding or taking such action in any other state or country shall in no event constitute a waiver of the agreement contained in this Note that the laws of the State of Ohio shall govern the rights and obligations of the undersigned and Bank under this Note or a waiver of the submission made in this Note by the undersigned to personal jurisdiction within the State of Ohio. The undersigned agrees that service of process may be made, and personal jurisdiction over the undersigned obtained, by serving a copy of the Summons and Complaint upon the undersigned at its address set forth in this Note (or at the last address of the undersigned which is known to Bank) in accordance with the applicable laws of the State of Ohio.

The undersigned hereby authorizes any attorney-at-law to appear in any court of record in the United States, at any time after the above obligation becomes due, either at its stated maturity or by acceleration, and waive the issuing and service of process, and confess a judgment against the undersigned in favor of Bank for the amount then appearing due, together with interest and costs of suit, and thereupon to release all errors and waive all right of appear and stay of execution. No judgment against the undersigned shall be a bar to subsequent judgment(s) against the undersigned. The foregoing warrant of attorney shall survive any judgment, it being understood that should any judgment be vacated for any reason, the foregoing warrant of attorney may nevertheless be used to obtain additional judgments.

The undersigned has executed and delivered this Note on the day and year first above written.

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU fly HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

CONTINENTAL MANAGED
PHARMACY SERVICES, INC.
1400 E. Schaaf Road
Brooklyn Heights, Ohio 44131

CONTINENTAL MANAGED
PHARMACY SERVICES, INC.

By: MICHAEL R. ERLENBACH

Its: Secretary

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By: MICHAEL R. ERLENBACH

Its: Secretary

VARIABLE RATE-INSTALLMENT NOTE

OBLIGOR #	NOTE #	NOTE DATE	TAX IDENTIFICATION NO.
1819404597		1/26/96	34-1733505

AMOUNT		MATURITY DATE
$500,000	Cleveland, OH	February 28, 1999

FOR VALUE RECEIVED, the undersigned promises(s) to pay to the order of COMERICA BANK ("Bank"), at any office of the Bank in the State of Michigan, Five Hundred Thousand Dollars (U.S.) ($500,000) in installments of $13,888.89 each, plus interest on the unpaid balance from the date of this Note at a per annum rate equal to the Bank's prime rate from time to time in effect plus 1.25% per annum until maturity, whether by acceleration or otherwise, or until Default, as later defined, and after that at a default rate equal to the rate of interest otherwise prevailing: under this Note plus 3% per annum (but in no event in excess of the maximum rate permitted by law). Interest shall be calculated for the actual number of days the principal is outstanding on the basis of a 360-day year. The Bank's "prime rate" is that annual rate of interest so designated by the Bank and which is changed by the Bank from time to time. Interest rate changes will be effective for interest computation purposes as and when the Bank's prime rate changes. Installments of principal and accrued interest due under this Note shall be payable on the 1st day of each month, commencing March 1, 1996, and the entire remaining unpaid balance of principal and accrued interest shall be payable on February 28, 1999 (the "Maturity Date").

If this Note or any installment under this Note shall become payable on a day other than a day on which the Bank is open for business, this payment may be extended to the next succeeding business day and interest shall be payable at the rate specified in this Note during this extension. Any payments of principal in excess of the installment payments required under this Note need not be accepted by the Bank (except as required under applicable law), but if accepted shall apply to the installments last falling due. A late installment charge equal to 5% of each late installment may be charged on any installment payment not received by the Bank within 10 calendar days after the installment due date, but acceptance of payment of this charge shall not waive any default under this Note.

This Note and any other indebtedness and liabilities of any kind of the undersigned (or any of them) to the Bank, and any and all modifications, renewals or extensions of it, whether joint or several, contingent or absolute, now existing or later arising, and however evidenced (collectively "Indebtedness") are secured by and the Bank is granted a security interest in all items deposited in any account of any of the undersigned with the Bank and by all proceeds of these items (cash or otherwise), all account balances of any of the undersigned from time to time with the Bank, by all

property of any of the undersigned from time to time in the possession of the Bank and by any other collateral, rights and properties described in each and every guaranty, mortgage, security agreement, pledge, assignment and other agreement which has been, or will at any time(s) later be, executed by any (or all) of the undersigned or any guarantor (as defined below) to or for the benefit of the Bank (collectively "Collateral")

If the undersigned (or any of them) or any guarantor under a guaranty of all or part of the Indebtedness ("guarantor") (a) fail(s) to pay this Note or any of the Indebtedness within 5 days when due, by maturity, acceleration or otherwise, or fail(s) to pay any Indebtedness owing on a demand basis upon demand; or (b) fail(s) to comply with any of the terms or provisions of any agreement between the undersigned (or any of them) or any guarantor and the Bank; or (c) become(s) insolvent or the subject of a voluntary or involuntary proceeding in bankruptcy, or a reorganization, arrangement or creditor composition proceeding, (if a business entity) cease(s) doing business as a going concern, (if a natural person) die(s) or become(s) incompetent, (if a partnership) dissolve(s) or any general partner of it dies, becomes incompetent or becomes the subject of a bankruptcy proceeding or (if a corporation) is the subject of a dissolution, merger or consolidation; or (d) if any warranty or representation made by any of the undersigned or any guarantor in connection with this Note or any of the Indebtedness shall be discovered to be untrue or incomplete; or (e) if there is any termination, notice of termination, or breach of any guaranty, pledge, collateral assignment or subordination agreement relating to all or any part of the Indebtedness; or (f) if there is any failure by any of the undersigned or any guarantor to pay when due any of its indebtedness (other than to the Bank) or in the observance or performance of any term, covenant or condition in any document evidencing, securing or relating to such indebtedness, and such failure gives rise to an immediate right of acceleration of such indebtedness; or (g) if there is filed or issued a levy or writ of attachment or garnishment or other like judicial process upon the undersigned (or any of them) or any guarantor or any of the Collateral, including without limit, any accounts of the undersigned (or any of them) or any guarantor with the Bank, then the Bank, upon the occurrence of any of these events (each a "Default"), and subject to the terms of the Letter Agreement among the parties dated January 24, 1995, may at its option declare any or all of the Indebtedness to be immediately due and payable

(notwithstanding any provisions contained in the evidence thereof to the contrary), sell or liquidate all or any portion of the Collateral, set off against the Indebtedness any amounts owing by the Bank to the undersigned (or any of them), charge interest at the default rate provided in the document evidencing the relevant Indebtedness and exercise any one or more of the rights and remedies granted to the Bank by any agreement with the undersigned (or any of them) or given to it under applicable law. All payments under this Note shall be in immediately available United States funds, without setoff or counterclaim.

If this Note is signed by two or more parties (whether by all as makers or by one or more as an accommodation party or otherwise) the obligations and undertakings under this Note shall be that of all and any two or more jointly and also of each severally. This Note shall bind the undersigned, and the undersigneds' respective successors and permitted assigns.

The undersigned waive(s) presentment, demand, protest, notice of dishonor, notice of demand or intent to demand, notice of acceleration or intent to accelerate, and all other notices and agree(s) that no extension or indulgence to the undersigned (or any of them) or release, substitution or nonenforcement of any security, or release or substitution of any of the undersigned, any guarantor or any other party, whether with or without notice, shall affect the obligations of any of the undersigned. The undersigned waive(s) all defenses or right to discharge available under Section 3-606 of the Uniform Commercial Code and waive(s) all other suretyship defenses or right to discharge. The undersigned agree(s) that the Bank has the right to sell, assign, or grant participations, or any interest, in any or all of the Indebtedness, and that, in connection with this right, but without limiting its ability to make other disclosures to the full extent allowable under applicable law, the Bank may disclose all documents and information which the Bank now or later has relating to the undersigned or the Indebtedness.

The undersigned agree(s) to reimburse the holder or owner of this Note for any and all costs and expenses (including without limit, court costs, legal expenses and reasonable attorney fees, whether inside or outside counsel is used, whether or not suit is instituted and, if suit is instituted, whether at the trial court level, appellate level, in a bankruptcy, probate or administrative proceeding or otherwise) incurred in collecting or attempting to collect this Note or incurred in any other matter or proceeding relating to this Note.

The undersigned acknowledge(s) and agree(s) that there are no contrary agreements, oral or written, establishing a term of this Note and agree(s) that the terms and conditions of this Note may not be amended, waived or modified except in a writing signed by an officer of the Bank expressly stating that the writing constitutes an amendment, waiver or modification of the terms of this Note. As used in this Note, the word "undersigned" means, individually and collectively, each maker, accommodation party, indorser and other party signing this Note in a similar capacity. If any provision of this Note is unenforceable in whole or part for any reason, the remaining provisions shall continue to be effective. THIS NOTE WAS EXECUTED IN CUYAHOGA COUNTY, OHIO AND SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF OHIO. NOTWITHSTANDING THE FOREGOING, THE PARTIES ACKNOWLEDGE THAT THE INDEBTEDNESS EVIDENCED HEREBY WAS APPROVED AND MADE AND THE PROCEEDS OF THE LOAN EVIDENCED HEREBY WERE DISBURSED IN THE STATE OF MICHIGAN.

THE UNDERSIGNED AND THE BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. THE UNDERSIGNED AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS NOTE OR THE INDEBTEDNESS.

The undersigned hereby submits to personal jurisdiction in the State of Ohio; waives any and all personal rights under the laws of any state or country to object to jurisdiction within the State of Ohio for the purposes of litigation to enforce this Note, or any other related loan document; and consents to be sued in all courts of general jurisdiction in Cuyahoga County in the State of Ohio. The undersigned waives any claim that Cuyahoga County, Ohio, is an inconvenient forum or an improper forum based on lack of venue. Nothing contained in this Note, however, shall prevent Bank from bringing any action or exercising any rights under this Note within any other state or country having jurisdiction over the subject matter hereof. Bank's initiating such proceeding or taking such action in any other state or country shall in no event constitute a waiver of the agreement contained in this Note that the laws of the State of Ohio shall govern the rights and obligations of the undersigned and Bank under this Note or a waiver of the submission made in this Note by the undersigned to personal jurisdiction within the State of Ohio. The undersigned agrees that service of process may be made, and personal jurisdiction over the undersigned obtained, by serving a copy of the Summons and Complaint upon the undersigned at its address set forth in this Note (or at the last address of the undersigned which is known to Bank) in accordance with the applicable laws of the State of Ohio.

THE UNDERSIGNED HEREBY AUTHORIZES ANY ATTORNEY-AT-LAW TO APPEAR IN ANY COURT OF RECORD IN THE UNITED STATES, AT ANY TIME AFTER THE ABOVE OBLIGATION BECOMES DUE, EITHER AT ITS STATED MATURITY OR BY ACCELERATION, AND WAIVE THE ISSUING AND SERVICE OF PROCESS, AND CONFESS A JUDGMENT AGAINST THE UNDERSIGNED IN FAVOR OF BANK FOR THE AMOUNT THEN APPEARING DUE, TOGETHER WITH INTEREST AND COSTS OF SUIT, AND THEREUPON TO RELEASE ALL ERRORS AND WAIVE ALL RIGHT OF APPEAL AND STAY OF EXECUTION. No judgment against the undersigned shall be a bar to subsequent judgment(s) against the undersigned. The foregoing warrant of attorney shall survive any judgment, it being understood that should any judgment be vacated for any reason, the foregoing warrant of attorney may nevertheless be used to obtain additional judgments.

The undersigned has executed and delivered this Note on the day and year first above written.

WARNING -- BY SIGNING THIS PAPER YOU GIVE UP YOUR RIGHT TO NOTICE AND COURT TRIAL. IF YOU DO NOT PAY ON TIME A COURT JUDGMENT MAY BE TAKEN AGAINST YOU WITHOUT YOUR PRIOR KNOWLEDGE AND THE POWERS OF A COURT CAN BE USED TO COLLECT FROM YOU REGARDLESS OF ANY CLAIMS YOU MAY HAVE AGAINST THE CREDITOR WHETHER FOR RETURNED GOODS, FAULTY GOODS, FAILURE ON HIS PART TO COMPLY WITH THE AGREEMENT, OR ANY OTHER CAUSE.

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CONTINENTAL MANAGED
PHARMACY SERVICES, INC.

By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

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Brooklyn Heights, Ohio 44131

CONTINENTAL PHARMACY, INC.

By: /s/ MICHAEL R. ERLENBACH

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By: /s/ MICHAEL R. ERLENBACH

Its: Secretary

SECURITY AGREEMENT
(Equipment)

For value received, the undersigned ("Debtor") grants to Comerica Bank, a Michigan banking corporation, whose address is 500 Woodward Avenue, Detroit, Michigan 48226 ("Bank"), a security interest in all Equipment and Fixtures of Debtor wherever located, now owned or later acquired, and also in (a) all other similar property, wherever located, now owned or later acquired by Debtor, (b) all additions, attachments, accessions, parts, replacements, substitutions and renewals of or for all Equipment and Fixtures of Debtor, wherever located, now owned or later acquired, (c) all of Debtor's Property in Possession of Bank, and (d) the Proceeds and products of all of the above, to secure payment of any and all sums, indebtedness and liabilities of any and every kind now owing or later to become due to the Bank from Debtor or from Continental Pharmacy, Inc. ("CPI"), Preferred Rx, Inc. ("Preferred"), Automated Scripts, Inc. ("ASI"), or Valley Physicians Services, Inc. ("VPSI") (Debtor, CPI, Preferred, ASI and VPSI are sometimes collectively hereinafter referred to as the "Borrower") or any or all of them, during the term of this Agreement, however created, incurred, evidenced, acquired or arising, whether under any note(s), guaranty(ies), letter of credit agreement(s), evidence(s) of indebtedness or under any other instrument, obligation, guaranty, contract or agreement or dealing of any and every kind now existing or later entered into between the Debtor or the Borrower and the Bank, or otherwise, and whether direct, indirect, primary, secondary, fixed, contingent, joint or several, due or to become due, together with interest and charges, and including, without limit, all present and future indebtedness or obligations of third parties to the Bank which is guaranteed by the Debtor or the Borrower or any or all of them and the present or future indebtedness originally owing by the Debtor or the Borrower or any or all of them to third parties and assigned by third parties to the Bank, and any and all renewals, extensions or modifications of any of them (the "Indebtedness").

1. Definitions. As used in this Agreement:

1.1 "Collateral" means any and all property of Debtor in which Bank now has or by this Agreement now or later acquires a security interest.

1.2 "Debtor's Property in Possession of Bank" means goods, instruments, documents, policies and certificates of insurance, deposits, money or other property now owned or later acquired by Debtor or in which Debtor now has or later acquires an interest and which are now or later in possession of Bank or as to which Bank now or later controls possession by documents or otherwise.

1.3 "Environmental Law" means any laws, ordinances, directives, orders, statutes, or regulations an object of which is to regulate or improve health, safety, or the environment, including, without limit, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 USC 9601 et seq.), and the Resource Conservation and Recovery Act, as amended (42 USC 6901 et seq.).

1.4 "Equipment" and "Fixtures" each have the respective meaning assigned it in Article 9 and/or Chapter 1309 of the Uniform Commercial Code, as of the date of this Agreement.

1.5 "Proceeds" has the meaning assigned it in Article 9 of the Uniform Commercial Code, as of the date of this Agreement, and also includes without limit cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

1.6 "Uniform Commercial Code" means Chapters 1301 through 1310 of the Ohio Revised Code, as amended.

1.7 Except as otherwise provided in this Agreement, all terms used in this Agreement have the meanings assigned to them in Chapter 1309 (or, absent definition in Chapter 1309, in any other Article) of the Uniform Commercial Code, as of the date of this Agreement.

2. Warranties, Covenants and Agreements. Debtor warrants, covenants and agrees as follows:

2.1 The Collateral has been acquired (or will be acquired) for use primarily in business. Bank at its option may disburse loan proceeds directly to the seller of any Collateral to be acquired with proceeds of loans from Bank.

2.2 All items constituting a part of the Collateral which are Fixtures under applicable law or which are in fact attached to real estate are described in attached Schedule A (if any) (but the failure by Debtor to attach a Schedule A to this Agreement shall not in any way affect or impair Bank's security interest in Fixtures). There is also set forth in Schedule A (if any) a description of the real estate upon which all these items are located and the name(s) and address(es) of the owner(s) and mortgagee(s) of the real estate. Debtor upon demand of Bank shall furnish Bank with consents or disclaimers filed by all persons having an interest in the real estate (including without limit owners, mortgage

holders and lessees) consenting to Bank's security interest and acknowledging its priority or disclaiming any interest in the Collateral.

2.3 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject the same to a security interest granted to Bank and (b) except for leases currently in place, none of the Collateral is subject to any security interest other than that in favor of Bank and the lien of Foxmeyer Drug Co. ("Foxmeyer") and there are no financing statements on file other than in favor of such parties.

2.4 Debtor will keep the Collateral free at all times from any and all claims, liens, security interests and encumbrances other than those in favor of Bank and except for leases currently in place and for leased equipment in an amount not to exceed $50,000. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit or suffer to be sold, transferred or leased any or all of the Collateral. Bank or its agents or attorneys may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located. Debtor shall allow Bank to examine, inspect and make abstracts from, or copy any of Debtor's books and records (relating to the Collateral or otherwise).

2.5 Debtor will do all acts and things, and will execute all writings requested by Bank to establish, maintain and continue a perfected and first security interest of Bank in the Collateral, and will pay on demand all costs and expenses of searches, filing and recording deemed necessary by Bank to establish, determine or continue the validity and the priority of Bank's security interest.

2.6 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of

(a) the ultimate sale or exchange thereof, or

(b) presentation, collection, renewal, or registration of transfer thereof, or

(c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing therewith preliminary to sale or exchange,

such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest therein or in the proceeds or products thereof unless Bank specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and forthwith delivered to Bank for application on the Indebtedness. Bank may (if, in its sole discretion, it elects to do so) deliver the Collateral or any part of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from any and all liability or responsibility for such Collateral.

2.7 Debtor acknowledges and agrees that the Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which the Bank has or may have a lien or security interest for payment of the Indebtedness.

2.8 Debtor will pay promptly and within the time that they can be paid without interest or penalty all taxes, assessments and similar imposts and charges which at any time are or may become, a lien, charge, or encumbrance upon any of the Collateral, except to the extent contested in good faith in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest default rate which could be charged by Bank to Debtor on any Indebtedness.

2.9 Debtor will keep the Collateral in good condition and will safeguard and protect it from loss, damage or deterioration from any cause. Debtor has and will maintain at all times (a) with respect to the Collateral, insurance against fire and other risks customarily insured against under an "all risk" policy and such other risks customarily insured against by persons engaged in similar business to that of Debtor, and (b) public liability insurance and other insurance as may be required by law or reasonably required by Bank, all of which insurance shall be in amount, form and content, and written by companies as may be satisfactory to Bank, naming Bank as sole payee as to the Collateral. Debtor will deliver to Bank evidence satisfactory to Bank that

the required insurance has been procured. If Debtor fails to maintain satisfactory insurance, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest default rate which could be charged by Bank to Debtor on any Indebtedness.

2.10 If any of the Collateral (or any records concerning the Collateral) is located or kept by Debtor on leased premises, Debtor will: (a) provide a complete and correct copy of all applicable leases to Bank, (b) furnish or cause to be furnished to Bank from each landlord under such leases a lessor's acknowledgment and subordination in form satisfactory to Bank authorizing, on Default, Bank's entry on such premises to enforce its rights and remedies under this Agreement and (c) comply with all such leases. Debtor's rights under all such leases shall further be part of the Collateral, and included in the security interest granted to Bank hereunder.

2.11 Debtor agrees to reimburse Bank upon demand for all fees and expenses incurred by Bank (a) in seeking to collect the Indebtedness or any part of it (through formal or informal collection actions, workouts or otherwise), in defending the validity or priority of its security interest, or in pursuing its rights and remedies under this Agreement or under any other agreement between Bank and Debtor; (b) in connection with any proceeding (including, without limit, bankruptcy, insolvency, administrative, appellate, or probate proceedings or any lawsuit) in which Bank at any time is involved as a result of any lending relationship or other financial accommodation involving Bank and Debtor; or (c) incurred by Bank during the continuance of an Event of Default, which fees and expenses relate to or would not have been incurred but for any lending relationship or other financial accommodation involving Bank and Debtor. The fees and expenses include, without limit, court costs, legal expenses, reasonable attorneys' fees, paralegal fees, internal transfer charges for in-house attorneys and paralegals and other services, and audit expenses.

2.12 Debtor at all times shall be in strict compliance with all applicable laws.

2.13 Debtor is and shall be in strict compliance with all Environmental Laws.

2.14 Debtor acknowledges and agrees that if any Guaranty is executed by the Debtor in connection with or related to this Agreement, all waivers contained in that Guaranty

shall be and are incorporated by reference into this Agreement.

3. Defaults, Enforcement and Application of Proceeds.

3.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

(a) Any failure or neglect to comply with, or breach of, any of the terms, provisions, warranties or covenants of this Agreement, or any other agreement or commitment between Debtor or the Borrower or any or all of them or any guarantor of any of the Indebtedness ("guarantor") and Bank; or

(b) Any failure to pay the Indebtedness within five (5) days when due, or such portion of it as may be due, by acceleration or otherwise; or

(c) If the Collateral or any part of it ceases to be personal property unless shown to the contrary in this Agreement;

(d) Any warranty, representation, financial statement or other information made, given or furnished to Bank by or on behalf of Debtor or the Borrower or any or all of them or any guarantor shall be, or shall prove to have been, false or materially misleading when made, given, or furnished; or

(e) Any loss, theft, substantial damage or destruction to or of any of the Collateral, or the issuance or filing of any attachment, levy, garnishment or the commencement of any proceeding in connection with any of the Collateral or of any other judicial process of, upon or in respect of Debtor or the Borrower or any or all of them or any guarantor or any of the Collateral; or

(f) Sale or other disposition by Debtor or the Borrower or any or all of them or any guarantor of any substantial portion of its assets or property without replacing such assets or property with property of a similar nature and quality, or voluntary suspension of the transaction of business by Debtor or Borrower or any or all of them or any guarantor, or death, dissolution, termination of existence, merger, consolidation, insolvency, business failure, or assignment for the benefit of creditors of or by Debtor or Borrower or any or all of them or any guarantor; or commencement of any

proceedings under any state or federal bankruptcy or insolvency laws or laws for the relief of debtors by or against Debtor or Borrower or any or all of them or any guarantor; or the appointment of a receiver, trustee, court appointee, sequestrator or otherwise, for all or any part of the property of Debtor or Borrower or any or all of them or any guarantor; or

(g) Any termination or notice of termination of any guaranty of collection or payment of, or any breach, termination or notice of termination of any subordination agreement, pledge, or collateral assignment relating to, all or any part of the Indebtedness; or

(h) Any failure by Debtor or Borrower or any or all of them or any guarantor to pay when due any of its indebtedness (other than to Bank) or in the observance or performance of any term, covenant or condition in any agreement evidencing, securing or relating to that indebtedness, and such failure gives rise to an immediate right of acceleration of such indebtedness.

3.2 Upon the occurrence of any Event of Default, Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any one or more of the following rights and remedies:

(a) exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured parties under the provisions of the Uniform Commercial Code and other applicable law;

(b) institute legal proceedings to foreclose upon and against the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the same out of any of the Collateral or proceeds of any sale of it;

(c) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all of the Collateral; and/or

(d) personally or by agents, attorneys or appointment of a receiver, enter upon any premises where the Collateral or any part of it may then be located, and take possession of all or any part of it and/or

render it unusable, and without being responsible for loss or damage to such Collateral, except for loss or damage caused by Bank's gross negligence or willful misconduct,

(i) hold, store, and keep idle, or lease, operate, remove or otherwise use or permit the use of, the Collateral or any part of it, for that time and upon those terms as Bank, in its sole discretion, deems to be in its own best interest, and demand, collect and retain all resulting earnings and other sums due and to become due from any party, accounting only for net earnings, if any (unless the Collateral is retained in satisfaction of the Indebtedness, in which case no accounting will be necessary) arising from that use (which net earnings may be applied against the Indebtedness) and charging against all receipts from the use of the Collateral or from its sale, by court proceedings or pursuant to subsection (ii) below, all other costs, expenses, charges, damages and other losses resulting from that use; and/or

(ii) sell, lease or dispose of, or cause to be sold, leased or disposed of, all or any part of the Collateral at one or more public or private sales, leasings or other dispositions, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement and, except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

At any sale pursuant to this Section 3.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of the Collateral to be sold. The recitals

contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any of the Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any of the Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral.

3.3 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses authorized by the Uniform Commercial Code and all reasonable attorney fees and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness, if any, and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand.

3.4 Nothing in this Agreement is intended, nor shall it be construed, to preclude Bank from pursuing any other remedy provided by law for the collection of any or all of the Indebtedness or for the recovery of any other sum to which Bank may be or become entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Debtor and Bank, nor shall anything in this Agreement modify the terms of any Indebtedness owing to Bank on a demand basis.

3.5 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of

any other default or of the same default on a future occasion or of any rights.

3.6 Debtor irrevocably appoints (which appointment is coupled with an interest) Bank or any employee or agent of Bank the true and lawful attorney of Debtor (with full power of substitution) in the name, place and stead of, and at the expense of, Debtor:

(a) to give any necessary receipts or acquittances for amounts collected or received under this Agreement;

(b) to make all necessary transfers of all or any part of the Collateral in connection with any sale, lease or other disposition made pursuant to this Agreement;

(c) to adjust and compromise any insurance loss on the Collateral and to endorse checks or drafts payable to Debtor in connection with the insurance;

(d) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any permitted sale, lease or other disposition of the Collateral. Debtor ratifies and confirms all that its said attorney (or any substitute) shall lawfully do under this Agreement. Nevertheless, if requested by Bank or a purchaser or lessee, Debtor shall ratify and confirm any such sale, lease or other disposition by executing and delivering to Bank or the purchaser or lessee all proper bills of sale, assignments, releases, leases and other instruments as may be designated in any such request; and

(e) to execute and file in the name of and on behalf of Debtor all financing statements or other filings deemed necessary or desirable by Bank to evidence, perfect or continue the security interests granted in this Agreement.

3.7 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Bank, to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.

4. Miscellaneous.

4.1 This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Ohio. Notwithstanding the foregoing, the parties acknowledge that the Indebtedness secured hereby was

approved and made and the proceeds of the Indebtedness were disbursed in the State of Michigan.

4.2 This Agreement shall be terminated only by the filing of a termination statement in accordance with the applicable provisions of the Uniform Commercial Code, but the obligations contained in Section 2.13 of this Agreement shall survive termination. Until terminated, the security interest created by this Agreement shall continue in full force and effect and shall secure and be applicable to all advances now or later made by Bank to Debtor, whether or not Debtor is indebted to Bank immediately prior to the time of any advance, and to all other Indebtedness.

4.3 Notwithstanding any prior revocation, termination, surrender or discharge of this Agreement, the effectiveness of this Agreement shall automatically continue or be reinstated, as the case may be, in the event that (a) any payment received or credit given by the Bank in respect of the Indebtedness is returned, disgorged or rescinded as a preference, impermissible setoff, fraudulent conveyance, diversion of trust funds, or otherwise under any applicable state or federal law, including, without limitation, laws pertaining to bankruptcy or insolvency, in which case this Agreement shall be enforceable against Debtor as if the returned, disgorged or rescinded payment or credit had not been received or given, whether or not the Bank relied upon this payment or credit or changed its position as a consequence of it; or (b) any liability is imposed, or sought to be imposed, against the Bank relating to Debtor's failure to comply with all Environmental Laws, (excluding only conditions which arise after any acquisition by the Bank of any such Property, by foreclosure, in lieu of foreclosure or otherwise, to the extent due to the wrongful act or omission of the Bank), in which case this Agreement shall be enforceable to the extent of all liability, costs and expenses (including without limit reasonable attorney fees) incurred by the Bank as the direct or indirect result of such failure. In the event of continuation or reinstatement of this Agreement, Debtor agree(s) upon demand by the Bank to execute and deliver to the Bank those documents which the Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation. If Debtor does not execute and deliver to the Bank upon demand such documents, the Bank and each Bank officer is irrevocably appointed (which appointment is coupled with an interest) the true and lawful attorney

of Debtor (with full power of substitution) to execute and deliver such documents in the name and on behalf of Debtor.

4.4 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the Indebtedness or any portion of it, and shall bind Debtor and the successors and permitted assigns of Debtor.

4.5 If there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.

4.6 In addition to Bank's other rights, any indebtedness owing from Bank to Debtor can be set off and applied by Bank on any Indebtedness at any time(s) either before or after maturity or demand without notice to anyone.

4.7 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to it at least five days before the date of the act shall be reasonable notice of the act and, specifically, reasonable notification of the time and place of any public sale or of the time after which any private sale, lease, or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or when placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service. The mailing shall be registered, certified or first class mail.

4.8 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Bank in any filing office.

4.9 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement.

4.10 The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement.

4.11 No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank.

4.12 This Agreement constitutes the entire agreement of Debtor and Bank with respect to the subject matter of this Agreement.

4.13 To the extent that any of the Indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that Indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that Indebtedness at any time(s), whether or not an Event of Default has occurred.

5. Statement of Business Name, Residence and Location of Collateral. Debtor warrants, covenants and agrees as follows:

5.1 Debtor's chief executive office is located in the County of Cuyahoga.

Mailing Address: 1400 E. Schaaf Road, Brooklyn Heights, Ohio 44131

No. and Street City State Zip Code

This location is (check one box):

[_] Owned [x] Leased by the Debtor.

5.2 Any other places of business and/or residences of Debtor are indicated below: 1350 West State Street, Alliance, Ohio 44601

5.3 Debtor's correct legal name is set forth at the end of this Agreement. During the past five years, Debtor has not conducted business under any other name except as set forth in any appropriately labeled schedule attached to this Agreement.

5.4 Until Bank is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the address indicated in Section 5.1 above.

5.5 Debtor will give Bank not less than 90 days prior written notice of all contemplated changes in Debtor's name, identity, corporate structure, and/or any of the above addresses, but the giving of this notice shall not cure any default caused by this change.

6. Jury Waiver.

6.1 DEBTOR aND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.

7. Special Provisions Applicable to this Agreement. (*None, if left blank)

Dated and delivered on:

January 24, 1995
- - ------------------------

at Cleveland, Ohio

CONTINENTAL MANAGED PHARMACY SERVICES, INC.
Debtor

By: /s/ MICHAEL R. ERLENBACH

Signature of

Its: Executive Vice President

Title (if applicable)

By: /s/ [ILLEGIBLE]

Signature of

Its: Vice President, Treasurer

Title (if applicable)

SECURITY AGREEMENT
(Accounts and Chattel Paper)

For value received, the undersigned ("Debtor") grants to Comerica Bank, a Michigan banking corporation, whose address is 500 Woodward Avenue, Detroit, Michigan 48226 ("Bank"), a continuing security interest in (a) Debtor's Accounts Receivable, (b) Debtor's interest in the proceeds and products of Debtor's goods which has given rise to any Account Receivable, (c) Debtor's Property in Possession of Bank, (d) the Proceeds and products of Debtor's Inventory, and (e) the proceeds and products of all the above, to secure payment of any and all sums, indebtedness and liabilities of any and every kind now owing or later to become due to the Bank from Debtor or from Continental Pharmacy, Inc. ("CPI"), Preferred RX, Inc. ("Preferred"), Automated Scripts, Inc. ("ASI"), or Valley Physicians Services, Inc. ("VPSI") (Debtor, CPI, Preferred, ASI and VPSI are sometimes collectively referred to as the "Borrower") or any or all of them during the term of this Agreement, however created, incurred, evidenced, acquired or arising, whether under any note(s), guaranty(ies), letter of credit agreement(s), evidence(s) of indebtedness or under any other instrument, obligation, guaranty, contract or agreement or dealing of any and every kind now existing or later entered into between the Debtor or the Borrower and the Bank, or otherwise, and whether direct, indirect, primary, secondary, fixed, contingent, joint or several, due or to become due, together with interest and charges, and including, without limit, all present and future indebtedness or obligations of third parties to the Bank which is guaranteed by the Debtor or the Borrower or any of them and the present or future indebtedness originally owing by the Debtor or the Borrower or any of them to third parties and assigned by third parties to the Bank, and any and all renewals, extensions or modifications of any of them (the "Indebtedness").

1. Definitions. As used in this Agreement:

1.1 "Account(s) Receivable" or "Debtor's Account(s) Receivable" means all of the following now owned or later acquired by Debtor wherever located: all accounts, general intangibles (including, without limit, Tax Refunds, trade names, trade styles and goodwill, trademarks, copyrights and patents, and applications for them, trade and proprietary secrets, formulae, designs, blueprints and plans, customer lists, software programs, literary rights, licenses and permits, insurance policies, insurance proceeds, beneficial interests in trusts, and minute books and other books and records), chattel paper, contract rights, deposit accounts, documents and instruments.

1.2 "Collateral" means any and all property of Debtor in which Bank now has or by this Agreement now or later acquires a security interest.

1.3 "Debtor's Property in Possession of Bank" means goods, instruments, documents, policies and certificates of insurance, deposits, money or other property now owned or later acquired by Debtor or in which Debtor now has or later acquires an interest and which are now or later in possession of Bank, or as to which Bank now or later controls possession by documents or otherwise.

1.4 "Environmental Law" means any laws, ordinances, directives, orders, statutes, or regulations an object of which is to regulate or improve health, safety, or the environment, including, without limit, the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended (42 USC 9601 et seq.), and the Resource Conservation and Recovery Act, as amended (42 USC 6091 et seq.).

1.5 "Inventory" or "Debtor's Inventory" means all goods wherever located, now owned or later acquired by Debtor, which are held for sale or lease or furnished or to be furnished under any contract of service (including, without limit, any such goods which are returned to or repossessed by Debtor), or which are raw materials, work in process or. materials used or consumed in Debtor's business and any other property constituting "inventory" under the Uniform Commercial Code.

1.6 "Proceeds" has the meaning assigned it in Article 9 and/or chapter 1309 of the Uniform Commercial Code, as of the date of this Agreement, and also includes, without limit, cash or other property which were proceeds and are recovered by a bankruptcy trustee or otherwise as a preferential transfer by Debtor.

1.7 "Tax Refunds" means refunds or claims for refunds of any taxes at any time paid by Debtor to the United States of America, any state, city, county or any other governmental entity.

1.8 "Uniform Commercial Code" means chapters 1301 through 1310 of the Ohio Revised Code, as amended.

1.9 Except as otherwise provided in this Agreement, all terms in this Agreement have the meanings assigned to them in Chapter 1309 (or, absent definition in Chapter 1309, in any other Article) of the Uniform Commercial Code, as of the date of this Agreement.

3. Warranties, Covenants and Agreements. Debtor warrants, covenants and agrees as follows:

2.1 Bank at its option may disburse loan proceeds directly to the seller of any collateral to be acquired with proceeds of loans from Bank.

2.2 Debtor shall (a) keep adequate records of the Collateral and other records as Bank shall determine to be appropriate; and (b) allow Bank to examine, inspect and make abstracts from, or copy any of Debtor's books and records (relating to the Collateral or otherwise and whether printed or in magnetic tape or discs or in other machine readable form), and arrange for verification of Accounts Receivable directly with account debtors or by other methods acceptable to Bank.

2.3 Debtor shall at the request of Bank deliver to Bank all accounting and other records pertaining to, and all writings evidencing, the Collateral or any portion of it, together with all books, records and documents of Debtor related to it in whatever form kept by Debtor, whether printed or in magnetic tape or discs or in other machine readable form or otherwise, and all forms, programs, software and other materials and instructions necessary or useful to Bank, to monitor the Collateral or enforce its rights under this Agreement.

2.4 At the time any Collateral becomes, or is represented to be, subject to a security interest in favor of Bank, Debtor shall be deemed to have warranted that (a) Debtor is the lawful owner of the Collateral and has the right and authority to subject it to a security interest granted to Bank; (b) except for leases currently in place, none of the Collateral is subject to any security interest other than that in favor of Bank and the lien of Foxmeyer Drug Co. ("Foxmeyer") and there are no financing statements on file, other than in favor of such parties; and (c) Debtor acquired its rights in the Collateral in the ordinary course of its business.

2.5 On each occasion on which Debtor evidences to Bank the account balances on and the nature and extent of Debtor's Accounts Receivable, Debtor shall be deemed to have warranted that except as otherwise indicated (a) each of those Accounts Receivable is valid and enforceable without performance by Debtor of any act; (b) each of those account balances are in fact owing, (c) there are no setoffs, recoupments, credits, contra accounts, counterclaims or defenses against any of those Accounts Receivable, (d) as to any Accounts Receivable represented by a note, trade acceptance, draft or other instrument or by any chattel paper or document, the same have been endorsed and/or delivered by Debtor to Bank, (e) Debtor has not received with respect to any Account Receivable, any notice of the death of the related account debtor,

nor of the dissolution, liquidation, termination of existence, insolvency, business failure, appointment of a receiver for assignment for the benefit of creditors by, or filing of a petition in bankruptcy by or against, the account debtor, and (f) as to each Account Receivable, the account debtor is not an affiliate of Debtor, the United States of America or any department, agency or instrumentality of it, or a citizen or resident of any jurisdiction outside of the United States.

2.6 Debtor will keep the Collateral free at all times from any and all claims, liens, security interests and encumbrances other than those in favor of Bank or Foxmayer and except leases currently in place and for leased equipment in an amount not to exceed $50,000. Debtor will not, without the prior written consent of Bank, sell, transfer or lease, or permit or suffer to be sold, transferred or leased, any or all of the Collateral, except for Inventory in the ordinary course of its business and will not return any Inventory to its supplier. Bank or its agents or attorneys may at all reasonable times inspect the Collateral and may enter upon all premises where the Collateral is kept or might be located.

2.7 If Bank, acting in its sole discretion, redelivers Collateral to Debtor or Debtor's designee for the purpose of

(a) the ultimate sale or exchange thereof, or

(b) presentation, collection, renewal, or registration of transfer thereof, or

(c) loading, unloading, storing, shipping, transshipping, manufacturing, processing or otherwise dealing therewith preliminary to sale or exchange,

such redelivery shall be in trust for the benefit of Bank and shall not constitute a release of Bank's security interest therein or in the proceeds or products thereof unless Bank specifically so agrees in writing. If Debtor requests any such redelivery, Debtor will deliver with such request a duly executed financing statement in form and substance satisfactory to Bank. Any proceeds of Collateral coming into Debtor's possession as a result of any such redelivery shall be held in trust for Bank and forthwith delivered to Bank for application on the Indebtedness. Bank may (if, in its sole discretion, it elects to do so) deliver the Collateral or any part of the Collateral to Debtor, and such delivery by Bank shall discharge Bank from any and all liability or responsibility for such Collateral.

2.8 Debtor acknowledges and agrees that the Bank has no obligation to acquire or perfect any lien on or security interest in any asset(s), whether realty or personalty, to secure payment of the Indebtedness, and Debtor is not relying upon assets in which the Bank has or may have a lien or security interest for payment of the Indebtedness.

2.9 Debtor will do all acts and things, and will execute all writings requested by Bank to establish, maintain and continue a perfected and first security interest of Bank in the Collateral, and will pay on demand all costs and expenses of searches, filing and recording deemed necessary by Bank to establish, determine or continue the validity and the priority of Bank's security interest.

2.10 Debtor will pay promptly and within the time that they can be paid without interest or penalty all taxes, assessments and similar imposts and charges which at any time are or may become a lien, charge, or encumbrance upon any of the Collateral, except to the extent contested in good faith in a manner satisfactory to Bank. If Debtor fails to pay any of these taxes, assessments, or other charges in the time provided above, Bank has the option (but not the obligation) to do so and Debtor agrees to repay all amounts so expended by Bank immediately upon demand, together with interest at the highest default rate which could be charged by Bank to Debtor on any Indebtedness.

2.11 If any of the Collateral (or any records concerning the Collateral) is located or kept by Debtor on leased premises, Debtor will: (a) provide a complete and correct copy of all applicable leases to Bank, (b) furnish or cause to be furnished to Bank from each landlord under such leases a lessor's acknowledgment and subordination in form satisfactory to Bank authorizing, on Default, Bank's entry on such premises to enforce its rights and remedies under this Agreement and (c) comply with all such leases. Debtor's rights under all such leases shall further be part of the Collateral, and included in the security interest granted to Bank hereunder.

2.12 Debtor shall neither make nor permit any modification, compromise or substitution for any Account Receivable without the prior written consent of Bank.

2.13 Debtor agrees to reimburse Bank upon demand for all fees and expenses incurred by Bank (a) in seeking to collect the Indebtedness or any part of it (through formal or informal collection actions, workouts or otherwise), in defending the validity or priority of its security interest, or in pursuing its rights and remedies under

this Agreement or under any other agreement between Bank and Debtor; (b) in connection with any proceeding (including, without limit, bankruptcy, insolvency, administrative, appellate, or probate proceedings or any lawsuit) in which Bank at any time is involved as a result of any lending relationship or other financial accommodation involving Bank and Debtor; or (c) incurred by Bank during the continuance of an Event of Default, which fees and expenses relate to or would not have been incurred but for any lending relationship or other financial accommodation involving Bank and Debtor. The fees and expenses include, without limit, court costs, legal expenses, reasonable attorneys' fees, paralegal fees, internal transfer charges for in-house attorneys and paralegals and other services, and audit expenses.

2.14 Debtor at all times shall be in strict compliance with all applicable laws.

2.15 Debtor is and shall be in strict compliance with all Environmental Laws.

2.16 Debtor acknowledges and agrees that if any Guaranty is executed by the Debtor in connection with or related to this Agreement, all waivers contained in that Guaranty shall be and are incorporated by reference into this Agreement.

3. Collection of Proceeds.

3.1 Debtor agrees to collect and enforce payment of all Accounts Receivable until Bank shall direct Debtor to the contrary and, from and after this direction, Debtor agrees to fully and promptly cooperate and assist Bank (or any other person as Bank shall designate) in the collection and enforcement of all Accounts Receivable.

3.2 Debtor irrevocably authorizes Bank or any Bank employee or agent to endorse the name of Debtor upon any checks or other items which are received in payment of any Account Receivable or for any Inventory, and to do any and all things necessary in order to reduce these items to money.

3.3 Bank shall have no duty as to the collection or protection of Collateral or the proceeds of it, nor as to the Preservation of any related rights, beyond the use of reasonable care in the custody and preservation of Collateral in the possession of Bank. Debtor agrees to take all steps necessary to preserve rights against prior Parties with respect to Debtor's Property in Possession of Bank.

3.4 For the purpose of calculating interest on the Indebtedness, Debtor understands that Bank imposes a minimum one business day delay in crediting payments received by Bank on Accounts Receivable against the Indebtedness to allow time for collection and Debtor agrees that Bank may, at Bank's option, make such credits only when payments are actually collected by Bank in immediately available funds. Any credit of payment by Bank prior to receipt by Bank of immediately available funds is conditional upon Bank's receipt of those funds. For the purpose of calculating the principal amount which Debtor may request to borrow from Bank under any borrowing arrangements with Bank, Debtor understands that Bank may, at Bank's option, use a method different from that used for the purpose of calculating interest.

4. Defaults, Enforcement and Application of Proceeds.

4.1 Upon the occurrence of any of the following events (each an "Event of Default"), Debtor shall be in default under this Agreement:

(a) Any failure or neglect to comply with, or breach of, any of the terms, provisions, warranties or covenants of this Agreement, or any other agreement or commitment between Debtor or the Borrower or any or all of them or any guarantor of any of the Indebtedness ("guarantor") and Bank; or

(b) Any failure to pay the Indebtedness within five days when due, or such portion of it as may be due, by acceleration or otherwise; or

(c) Any warranty, representation, financial statement or other information made, given or furnished to Bank by or on behalf of Debtor or the Borrower or any or all of them or any guarantor shall be, or shall prove to have been, false or materially misleading when made, given, or furnished; or

(d) Any loss, theft, substantial damage or destruction to or of any of the Collateral, or the issuance or filing of any attachment, levy, garnishment or the commencement of any proceeding in connection with any of the Collateral or of any other judicial process of, upon or in respect of Debtor or the Borrower or any or all of them or any guarantor or any of the Collateral; or

(e) Sale or other disposition by Debtor or the Borrower or any or all of them or guarantor of any substantial Portion of its assets or property without replacing such assets or property with property of

a similar nature and quality or voluntary suspension of the transaction of business by Debtor or the Borrower or any or all of them or any guarantor, or death, dissolution, termination of existence, merger, consolidation, insolvency, business failure or assignment for the benefit of creditors of or by Debtor or the Borrower or any or all of them or any guarantor; or commencement of any proceedings under any state or federal bankruptcy or insolvency laws or laws for the relief of debtors by or against Debtor or the Borrower or any or all of them or any guarantor; or the appointment of a receiver, trustee, court appointee, sequestrator or otherwise, for all or any part of the property of Debtor or the Borrower or any or all of them or any guarantor; or

(f) Any termination or notice of termination of any guaranty of collection or payment of, or any breach, termination or notice of termination of any subordination agreement, pledge, or collateral assignment relating to, all or any part of the Indebtedness; or

(g) Any failure by Debtor or the Borrower or any or all of them or any guarantor to pay when due any of its indebtedness (other than to Bank) or in the observance or performance of any term, covenant or condition in any agreement evidencing, securing or relating to that indebtedness, and such failure gives rise to an immediate right of acceleration of such indebtedness.

4.2 Upon the occurrence of any Event of Default, Bank may at its discretion and without prior notice to Debtor declare any or all of the Indebtedness to be immediately due and payable, and shall have and may exercise any one or more of the following rights and remedies:

(a) exercise all the rights and remedies upon default, in foreclosure and otherwise, available to secured Parties under the provisions of the Uniform Commercial Code and other applicable law;

(b) institute legal proceedings to foreclose upon and against the lien and security interest granted by this Agreement, to recover judgment for all amounts then due and owing as Indebtedness, and to collect the Same out of any of the Collateral or the proceeds of any sale of it;

(c) institute legal proceedings for the sale, under the judgment or decree of any court of competent jurisdiction, of any or all of the Collateral; and/or

(d) personally or by agents, attorneys, or appointment of a receiver, enter upon any premises where the Collateral or any part of it may then be located, and take possession of all or any part of it and/or render it unusable; and without being responsible for loss or damage to such Collateral, except for loss or damage caused by Bank's gross negligence or willful misconduct,

(i) hold, store, and keep idle, or lease, operate, remove or otherwise use or permit the use of the Collateral or any part of it, for that time and upon those terms as Bank, in its sole discretion, deems to be in its own best interest, and demand, collect and retain all resulting earnings and other sums due and to become due from any party, accounting only for net earnings, if any (unless the Collateral is retained in satisfaction of the Indebtedness, in which case no accounting will be necessary), arising from that use (which net earnings may be applied against the Indebtedness) and charging against all receipts from the use of the Collateral or from its sale, by court proceedings or pursuant to subsection (ii) below, all other costs, expenses, charges, damages and other losses resulting from that use; and/or

(ii) sell, lease, dispose of, or cause to be sold, leased or disposed of, all or any part of the Collateral at one or more public or private sales, leasings or other dispositions, at places and times and on terms and conditions as Bank may deem fit, without any previous demand or advertisement; and except as provided in this Agreement, all notice of sale, lease or other disposition, and advertisement, and other notice or demand, any right or equity of redemption, and any obligation of a prospective purchaser or lessee to inquire as to the power and authority of Bank to sell, lease or otherwise dispose of the Collateral or as to the application by Bank of the proceeds of sale or otherwise, which would otherwise be required by, or available to Debtor under, applicable law are expressly waived by Debtor to the fullest extent permitted.

At any sale pursuant to this Section 4.2, whether under the power of sale, by virtue of judicial proceedings or otherwise, it shall not be necessary for Bank or a public officer under order of a court to have present physical or constructive possession of the Collateral to be sold. The recitals contained in any conveyances and receipts made and given by Bank or the public officer to any purchaser at any sale made pursuant to this Agreement shall, to the extent permitted by applicable law, conclusively establish the truth and accuracy of the matters stated (including, without limit, as to the amounts of the principal of and interest on the Indebtedness, the accrual and nonpayment of it and advertisement and conduct of the sale); and all prerequisites to the sale shall be presumed to have been satisfied and performed. Upon any sale of any of the Collateral, the receipt of the officer making the sale under judicial proceedings or of Bank shall be sufficient discharge to the purchaser for the purchase money, and the purchaser shall not be obligated to see to the application of the money. Any sale of any of the Collateral under this Agreement shall be a perpetual bar against Debtor with respect to that Collateral.

4.3 Debtor shall (upon the occurrence of any Event of Default) at the request of Bank, notify the account debtors or obligors of the security interest of Bank in any Accounts Receivable and direct payment of it to Bank. Bank may, itself, upon the occurrence of any Event of Default so notify and direct any account debtor or obligor and may take control of any proceeds to which it may be entitled under this Agreement.

4.4 The proceeds of any sale or other disposition of Collateral authorized by this Agreement shall be applied by Bank first upon all expenses authorized by the Uniform Commercial Code and all reasonable attorney fees and legal expenses incurred by Bank; the balance of the proceeds of the sale or other disposition shall be applied in the payment of the Indebtedness, first to interest, then to principal, then to remaining Indebtedness and the surplus, if any, shall be paid over to Debtor or to such other person(s) as may be entitled to it under applicable law. Debtor shall remain liable for any deficiency, which it shall pay to Bank immediately upon demand.

4.5 Nothing in this Agreement is intended, nor shall it be to preclude Bank from pursuing any other remedy provided by law for the collection of any or all the Indebtedness or for the recovery of any other sum

to which Bank may be or become entitled for the breach of this Agreement by Debtor. Nothing in this Agreement shall reduce or release in any way any rights or security interests of Bank contained in any existing agreement between Debtor and Bank, nor shall anything in this Agreement modify the terms of any Indebtedness owing to Bank on a demand basis.

4.6 No waiver of default or consent to any act by Debtor shall be effective unless in writing and signed by an authorized officer of Bank. No waiver of any default or forbearance on the part of Bank in enforcing any of its rights under this Agreement shall operate as a waiver of any other default or of the same default on a future occasion or of any rights.

4.7 Debtor irrevocably appoints Bank or any employee or agent of Bank (which appointment is coupled with an interest) the true and lawful attorney of Debtor (with full power of substitution) in the name, place and stead of, and at the expense of, Debtor:

(a) to demand, receive, sue for and give receipts or acquittance for any moneys due or to become due on any Account Receivable and to endorse any item representing any payment on or proceeds of the Collateral;

(b) with respect to any Collateral, to assent to any or all extensions or postponements of the time of its payment or any other indulgence in connection with it, to the substitution, exchange, or release of Collateral, to the addition or release of any party primarily or secondarily liable, to the acceptance of partial payments on it and the settlement, compromise or adjustment of it, all in a manner and at times as Bank shall deem advisable;

(c) to make all necessary transfers of all or any part of the Collateral in connection with any sale, lease or other disposition made pursuant to this Agreement;

(d) to adjust and compromise any insurance loss on the Inventory and to endorse checks or drafts payable to Debtor in connection with the insurance;

(e) to execute and deliver for value all necessary or appropriate bills of sale, assignments and other instruments in connection with any sale, lease or other disposition of the Collateral. Debtor ratifies and confirms all that its said attorney (or any substitute) shall lawfully do under this Agree-

ment. Nevertheless, if requested by Bank or a purchaser or lessee, Debtor shall ratify and confirm any sale, lease or other disposition by executing and delivering to Bank or the purchaser or lessee all proper bills of sale, assignments, releases, leases and other instruments as may be designated in any request; and

(f) to execute and file in the name of and on behalf of Debtor all financing statements or other filings deemed necessary or desirable by Bank to evidence, perfect or continue the security interests granted in this Agreement.

4.8 Upon the occurrence of an Event of Default, Debtor also agrees, upon request of Bank, to assemble the Collateral and make it available to Bank at any place designated by Bank which is reasonably convenient to Bank and Debtor.

5. Miscellaneous.

5.1 This Agreement shall in all respects be governed by and construed in accordance with the laws of the State of Ohio. Notwithstanding the foregoing, the parties acknowledge that the Indebtedness secured hereby was approved and made and the proceeds of the Indebtedness were disbursed in the State of Michigan.

5.2 This Agreement shall be terminated only by the filing of a termination statement in accordance with the applicable provisions of the Uniform Commercial Code, but the obligations contained in Section 2.15 of this Agreement shall survive termination. Until terminated, the security interest created by this Agreement shall continue in full force and effect and shall secure and be applicable to all advances now or later made by Bank to Debtor, whether or not Debtor is indebted to Bank immediately prior to the time of any advance, and to all other Indebtedness.

5.3 Notwithstanding any prior revocation, termination, surrender or discharge of this Agreement, the effectiveness of this Agreement shall automatically continue or be reinstated, as the case may be, in the event that (a) any payment received or credit given by the Bank in respect of the Indebtedness is returned, disgorged or rescinded as a preference, impermissible setoff, fraudulent conveyance, diversion of trust funds, or otherwise under any applicable state or federal law, including, without limitation, laws pertaining to bankruptcy or insolvency, in which case this Agreement shall be enforceable against Debtor as if the returned, disgorged or rescinded payment or credit had not been received or given, whether or not

the Bank relied upon this payment or credit or changed its position as a consequence of it; or (b) any liability is imposed, or sought to be imposed, against the Bank relating to Debtor's failure to comply with all Environmental Laws, (excluding only conditions which arise after any acquisition by the Bank of any such Property, by foreclosure, in lieu of foreclosure or otherwise, to the extent due to the wrongful act or omission of the Bank), in which case this Agreement shall be enforceable to the extent of all liability, costs and expenses (including without limit reasonable attorney fees) incurred by the Bank as the direct or indirect result of any such failure. In the event of continuation or reinstatement of this Agreement, Debtor agree(s) upon demand by the Bank to execute and deliver to the Bank those documents which the Bank determines are appropriate to further evidence (in the public records or otherwise) this continuation or reinstatement, although the failure of Debtor to do so shall not affect in any way the reinstatement or continuation. If Debtor does not execute and deliver to the Bank upon demand such documents, the Bank and each Bank officer is irrevocably appointed (which appointment is coupled with an interest) the true and lawful attorney of Debtor (with full power of substitution) to execute and deliver such documents in the name and on behalf of Debtor.

5.4 This Agreement and all the rights and remedies of Bank under this Agreement shall inure to the benefit of Bank's successors and assigns and to any other holder who derives from Bank title to or an interest in the Indebtedness or any portion of it, and shall bind Debtor and the heirs, legal representatives, successors and assigns of Debtor.

5.5 It there is more than one Debtor, all undertakings, warranties and covenants made by Debtor and all rights, powers and authorities given to or conferred upon Bank are made or given jointly and severally.

5.6 In addition to Bank's other rights, any indebtedness owing from Bank to Debtor can be set off and applied by Bank of any Indebtedness at any time(s) either before or after maturity or demand without notice to anyone.

5.7 Banks assumes no duty of performance or other responsibility under any contracts contained within the Collateral.

5.8 In the event that applicable law shall obligate Bank to give prior notice to Debtor of any action to be taken under this Agreement, Debtor agrees that a written notice given to it at least five days before the date of the act shall be reasonable notice of the act and, specifically,

reasonable notification of the time and place of any public sale or of the time after which any private sale, lease or other disposition is to be made, unless a shorter notice period is reasonable under the circumstances. A notice shall be deemed to be given under this Agreement when delivered to Debtor or when placed in an envelope addressed to Debtor and deposited, with postage prepaid, in a post office or official depository under the exclusive care and custody of the United States Postal Service. The mailing shall be registered, certified, or first class mail.

5.9 A carbon, photographic or other reproduction of this Agreement shall be sufficient as a financing statement under the Uniform Commercial Code and may be filed by Bank in any filing office.

5.10 No single or partial exercise, or delay in the exercise, of any right or power under this Agreement, shall preclude other or further exercise of the rights and powers under this Agreement.

5.11 The unenforceability of any provision of this Agreement shall not affect the enforceability of the remainder of this Agreement.

5.12 No amendment or modification of this Agreement shall be effective unless the same shall be in writing and signed by Debtor and an authorized officer of Bank.

5.13 This Agreement constitutes the entire agreement of Debtor and Bank with respect to the subject matter of this Agreement.

5.14 To the extent that any of the Indebtedness is payable upon demand, nothing contained in this Agreement shall modify the terms and conditions of that Indebtedness nor shall anything contained in this Agreement prevent Bank from making demand, without notice and with or without reason, for immediate payment of any or all of that Indebtedness at any time(s), whether or not an Event of Default has occurred.

6. Statement of Business Name, Residence and Location of Collateral. Debtor warrants, covenants and agrees as follows:

6.1 Debtor's chief executive office is located in the County of Cuyahoga.

Mailing Address: 1400 E. Schaaf Road, Brooklyn Hts., Ohio 44131.
No. and Street City State Zip Code

This location is (check one box):

[_] Owned [X] Leased by the Debtor.

6.2 Any other places of business and/or residences of Debtor are indicated below: 1350 West State Street, Alliance, Ohio 44601

6.3 Debtor's correct legal name is set forth at the end of this Agreement. During the past five years, Debtor has not conducted business under any other name except as set forth in any appropriately labeled schedule attached to this Agreement.

6.4 Until Bank is advised in writing by Debtor to the contrary, all notices, requests and demands required under this Agreement or by law shall be given to, or made upon, Debtor at the address indicated in Section 6.1 above.

6.5 Debtor will give Bank not less than 90 days prior written notice of all contemplated changes in Debtor's name, identity, corporate structure, and/or any of the above addresses, but the giving of this notice shall not cure any default caused by this change.

7. Jury Waiver.

7.1 DEBTOR AND BANK ACKNOWLEDGE THAT THE RIGHT TO TRIAL BY JURY IS A CONSTITUTIONAL ONE, BUT THAT IT MAY BE WAIVED. EACH PARTY, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL OF THEIR CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT WAIVES ANY RIGHT TO TRIAL BY JURY IN THE EVENT OF LITIGATION REGARDING THE PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO, THIS AGREEMENT OR THE INDEBTEDNESS.

5. Special Provisions Applicable to this Agreement. (*None, if left blank)

Dated and delivered on:

January 24, 1995

CONTINENTAL MANAGED PHARMACY SERVICES, INC.

at Cleveland, Ohio

By: /S/ MICHAEL R. ERLENBACH

Signature of

Its: Executive Vice President

Title (if applicable)

By: [illegible]

Signature of

Its: Vice President Treasurer

Title (if applicable)

INTERCREDITOR AGREEMENT

THIS INTERCREDITOR AGREEMENT ("Agreement") is made and entered into as of this 24th day of January 1995, by and between FOXMEYER DRUG COMPANY, a Kansas corporation (together with its successors and assigns, the "Creditor"), COMERICA BANK, a Michigan banking corporation (together with its successors and assigns, the "Lender") and CONTINENTAL PHARMACY, INC., an Ohio corporation together with its successors and assigns, the "Borrower").

RECITALS:

A. Creditor is a Supplier of pharmaceutical drugs and other goods (collectively, the "Inventory") to Borrower. Creditor supplies such Inventory to Borrower on an open account basis, pursuant to which Borrower is indebted to the Creditor from time to time (all such indebtedness, together with all interest and other charges payable in connection therewith, from time to time owing by the Borrower to the Creditor being referred to herein as the "Supplier Indebtedness"). Payment of the Supplier Indebtedness is secured by a security interest (such security interest, as the same may be renewed, extended or modified, and any security interest granted in replacement thereof or substitution therefor, being referred to herein as the "Supplier Security Interest") in certain assets of the Borrower, including without limitation, Borrower's accounts, inventory and equipment.

B. Lender has agreed, and may otherwise hereafter agree, to extend credit and other financial accommodations to Borrower secured by a security interest in certain of Borrower's assets, including, without limitation, substantially all of the assets subject to the Supplier Security Interest. In connection therewith, Borrower and Lender have entered into a certain Letter Agreement dated January _, 1995 which, together with certain of the other "Loan Documents" (as defined herein) sets forth the terms and conditions pursuant to which Lender will make certain of such credit and other financial accommodations available to the Borrower (said Letter Agreement, together with all promissory notes and security agreements related thereto, in each instance as amended, supplemented or modified from time to time, are collectively referred to herein as the "Loan Agreement" and, together with each other agreement, instrument or other document executed in connection with any such financing arrangements as may exist from time to time to which Lender and Borrower are parties, are referred to herein as the "Loan Documents").

C. Lender, as a condition precedent to extending to Borrower the credit and other financial accommodations provided for pursuant to the Loan Agreement, requires the execution of this Agreement by Creditor and Borrower so as to establish the relative priorities, rights and claims of the Creditor and Lender in and to the assets of the Borrower otherwise subject to the Supplier Security Interest and the amounts realized from the collection, sale, liquidation or other disposition thereof.

D. It is to the direct benefit and advantage of Creditor for Lender to enter into the Loan Agreement with Borrower and to extend to Borrower the credit and other financial accommodations contemplated thereby.

PROVISIONS

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, in order to induce Lender, at its option now and from time to time hereafter, to make loans or extend credit or any other financial accommodations to or for the benefit of Borrower, including, without limitation, under or pursuant to the provisions of the Loan Agreement and the other Loan Documents, and to better secure Lender in respect of the foregoing, the parties hereby agree as follows:

1. Certain Definitions. In addition to the terms defined in the recitals hereto, the terms set forth below shall have the following meanings for the purposes of this Agreement:

"Lender Collateral" shall mean the "Collateral" as defined in the Loan Agreement.

"Lender Lien" shall mean the security interest in and lien upon the Lender Collateral to the extent granted by Borrower in favor of Lender pursuant to the Loan Agreement or any of the other Loan Documents.

"Lien" shall mean, in the case of the Lender, the Lender Lien and, in the case of the Creditor, the Supplier Lien.

"Liens" shall mean the Lender Lien and Supplier Lien, collectively.

"Supplier Lien" shall mean the Supplier Security Interest and any other security interest in or lien upon any property of the Borrower, or Borrower's interest in any property, howsoever arising, securing the repayment of the Supplier Indebtedness, or any part thereof.

"Senior Debt" shall mean all indebtedness, obligations and liabilities of Borrower (including, without limitation, principal, interest, fees, costs, expenses and reasonable attorneys' fees), howsoever arising or incurred, now or hereafter owed by Borrower to Lender.

2. Enforcement Standstill Provisions.

(a) Creditor agrees that, notwithstanding any default by Borrower with respect to payment of any Supplier Indebtedness, it will not attempt to levy foreclose or otherwise realize upon, or otherwise exercise any right or remedy that it may have with respect to, any of the Lender Collateral, unless and until the Senior Debt shall have been fully paid and satisfied and all financing arrangements between Borrower and Lender have been terminated in writing, provided, however, that the foregoing shall not in any manner be deemed to preclude the Creditor from otherwise exercising any such other rights, or taking such other action, as it may deem necessary or appropriate to enforce payment of the Supplier Indebtedness to the extent not involving recourse of any nature against the Lender Collateral.

(b) If the Creditor takes, commences or otherwise initiates any action in violation of Section 2(a) above, including, without limitation, any action to enforce the Supplier Lien or otherwise realize upon any of the Lender Collateral, Borrower or Lender may interpose as a defense or plea the making of this Agreement and Lender may intervene and interpose such defense in its name or in the name of Borrower, and either Borrower or Lender may by virtue of this Agreement restrain the enforcement thereof in the name of Borrower or Lender.

3. Agreements Concerning Lender collateral.

(a) The Supplier Lien in or with respect to any Lender Collateral shall, so long as any Senior Debt remains outstanding and until all of the financing arrangements between Borrower and Lender have been terminated in writing, be fully subordinate in all respects, and junior in right and priority, to the Lender Lien. In furtherance of the foregoing, the Creditor acknowledges and agrees that all amounts realized from the enforcement of any Lien against the Lender Collateral shall be subject to application to the payment in full of the Senior Debt prior to the application of any part thereof to the payment of the Supplier Indebtedness in accordance with the provisions of Section 4 hereof.

(b) The priorities specified in Section 3(a) are applicable irrespective of the time or order of attachment or perfection of the Liens or the time or order of recording or filing of security agreements, other agreements or financing statements, the giving or failure to give notice of the attachment of either Lien and the taking of any other steps to perfect the Liens. Each of the Lender and the Creditor consents to the filing or recording by the other of financing statements with respect to its Lien.

(c) The Creditor agrees that, so long as any Senior Debt remains outstanding and until all financing arrangements between the Borrower and Lender have been terminated in writing, the Lender may, without the requirement of any notice to Creditor, other than as may be provided in subsection (e) below, make all determinations and take or omit to take all actions and exercise or refrain from exercising all rights and remedies that the Lender is permitted to make or take under the Loan Agreement or any of the other Loan Documents or by law with respect to the Lender Collateral, without any participation by or joinder or consent of the Creditor, without any consideration of the interest of the Creditor and without Liability to the Creditor. Without limiting the foregoing, Creditor acknowledges and agrees that Lender shall, except as above provided have the full right and authority, without requirement of any notice to, or the consent of, the Creditor, to settle, compromise or waive any claims made with respect to amounts due in respect of any accounts receivable of the Borrower, as Lender may, in its sole and absolute discretion, determine appropriate, including, without limitation, to discount any amounts due in respect thereof to the extent deemed appropriate by Lender for any reason whatsoever, including for purposes of facilitating payment and avoiding the costs of litigation or collection efforts.

(d) If the Lender determines to exercise any right or remedy with respect to the Lender Collateral as permitted by paragraph (c) of this Section 3, the Creditor will take all action requested by the Lender to assist the Lender in exercising such right or remedy, including, but not limited to, executing and delivering such agreements, documents, instruments and releases as shall be required to permit the collection, settlement, compromise, release, foreclosure, sale or other disposition of the Lender Collateral free and clear of the Supplier Lien.

(e) If, following the occurrence of any event of default under the Loan Documents and Lender's making of demand for repayment of the Senior Debt, Lender elects to terminate its financing arrangements with the Borrower and exercise its rights to foreclose on the Lender Collateral and apply the proceeds thereof to the payment of the Senior Debt, Lender will give Creditor prompt written notice of its exercise of such right, provided, however, that the foregoing provisions shall not be deemed to require such notice to creditor merely by reason of Lender's collection, and application to payment of the Senior Debt, of amounts payable in respect or accounts receivable of the Borrower received by Lender, so long as Lender has not expressly agreed to discount or otherwise compromise the amounts due in respect thereof and release the account debtor from any further liability thereon.

(f) The Creditor hereby expressly waives any and all right, or rights, to contest the validity, perfection, priority or enforceability of the Lender Lien and any and all rights to affect the method, or to challenge the appropriateness or commercial

reasonableness, of any action taken, or omitted to be taken, by the Lender with respect to the Lender Collateral and the enforcement of the rights of the Lender therein, including, but not limited to, any right, objection or challenge based upon or involving the marshalling of assets or liens. Without limiting the foregoing, Creditor acknowledges and agrees that (i) Lender shall not have any duty to the Creditor as to any Lender Collateral in its possession or control or in the possession or control of any agent or nominee of it or as to any proceeds therefrom or income thereon or as to the preservation of rights against prior parties or any other rights pertaining thereto and (ii) Lender shall be under no duty to take any action or measures to protect the value of the Lender Collateral for the benefit of the Creditor, including, without limitation, any duty to commence, institute or otherwise pursue any litigation, collection proceedings or other collection measures, including the engagement of any collection agency, for the purpose of collecting amounts due in respect of, or otherwise realizing upon, any Lender Collateral.

(g) Each of the Lender and the Creditor acknowledges that this Agreement shall constitute notice of their respective interests in the Lender Collateral as provided in Section 9-504 of the Uniform Commercial Code. The Creditor agrees to execute, and deliver to Lender, such instruments or documents as Lender may reasonably require to evidence the subordinated nature of the Supplier Lien, including, if required by Lender, the execution of appropriate forms of UCC financing statements, or amendments to existing financing statements of record in favor of Creditor, evidencing the subordination of the Supplier Lien to the Lender Lien for filing in the appropriate UCC filing records.

4. Payments or Distributions Received. So long as this Agreement is in effect and until all of the Senior Debt has been fully paid and satisfied and all of the financing arrangements between the Borrower and Lender have been terminated in writing, all sums of money and property realized upon the enforcement of any Lien against the Lender Collateral, and all distributions which may be made in connection therewith, shall be paid or distributed directly to the Lender. Should any such payment or distribution be received by Creditor prior to the satisfaction of all Senior Debt and the termination of all financing arrangements between Borrower and Lender, Creditor shall receive and hold the same in trust, as trustee, for the benefit of Lender and shall forthwith deliver the same to Lender in precisely the same form received (except for the endorsement or assignment of Creditor where necessary). The Lender shall apply all such sums of money and property, together with any sums of money and property which may otherwise be realized upon the enforcement of the Lender Lien on the Lender Collateral, as provided in the Loan Agreement.

5. Assignment of Supplier Lien. Creditor agrees that, until the Senior Debt has been paid in full and satisfied and all financing arrangements between Borrower and Lender have been terminated in writing, the existence of this Agreement shall be fully disclosed in connection with any assignment or transfer by Creditor of the Supplier Lien, whether in whole or in part, and the rights of any such assignee shall be made expressly subject to this Agreement in a manner reasonably satisfactory to Lender.

6. Term. This Agreement shall constitute a continuing agreement between Borrower, Creditor and Lender, and Lender may continue, without notice to the Creditor, to lend monies, extend credit and make other accommodations to or for the account of Borrower on the face hereof. This Agreement shall be irrevocable by Creditor until all of the Senior Debt shall have been paid and fully satisfied and all financing arrangements between Borrower and Lender have been terminated in writing.

7. Additional Agreements Between Lender and Borrower. Lender, at any time and from time to time, may enter into such agreement or agreements with Borrower as Lender may deem proper, extending the time of payment of or renewing or otherwise altering the terms of all or any of the Senior Debt or affecting the security underlying any or all of the Senior Debt, and may exchange, sell, release, surrender or otherwise deal with any such security without in any way impairing or affecting this Agreement.

8. Waivers of Creditor. All of the Senior Debt shall be deemed to have been made or incurred in reliance upon this Agreement, and Creditor expressly waives all notice of the acceptance by Lender of the subordination and other provisions of this Agreement, notice of the incurring of Senior Debt from time to time and all other notices not specifically required pursuant to the terms of this Agreement or by law. Creditor expressly waives reliance by Lender upon the subordination and other provisions as herein provided.

9. Waivers of Parties. No waiver shall be deemed to be made by any party of any of its rights hereunder, unless the same shall be in writing signed in behalf of such party, and each waiver, if any, shall be a waiver only with respect to the specific instance involved and shall in no way impair the rights of such party or the obligations of the other parties in any other respect at any other time.

10. Borrower's Agreement. The Borrower hereby acknowledges its consent to the intercreditor and subordination arrangements effected hereby and agrees to be bound by the terms hereof.

11. Benefit of Agreement. Except as otherwise expressly set forth herein, the provisions of this Agreement are solely for the benefit of the parties hereto and are intended to regulate their

rights and obligations between themselves, and said provisions shall not limit, enlarge or in any way affect the obligations of the Borrower to any person not a party hereto.

12. Notices. Any notice, demand or other communication required or permitted under the terms of this Agreement shall be in writing and shall be made by telegram, telex or electronic transmitter or certified or registered mail, return receipt requested, and shall be deemed to be received by the addressee one (1) business day after sending, if sent by telegram, telex or electronic transmitter, and three (3) business days after mailing, if sent by certified or registered mail. Notices shall be addressed as provided below:

(a) If to Creditor: Foxmeyer Drug Company
1220 Senlac Drive
Carrollton, Texas 75006
Attn: Mr. Jeff Flynn

(b) If to Lender: Comerica Bank
One Detroit Center
500 Woodward Avenue
Detroit, Michigan 48226
Attn: Mr. Andrew Hanson

(c) If to Borrower: Continental Pharmacy, Inc.
1400 S. Schaaf Road
Cleveland, Ohio 44131
Attn: Mr. Edward Boehmer

or at such other address as any party may designate by notice to the other parties in accordance with the provisions hereof.

13. No Partnership. Neither the execution of this Agreement, nor any action or transaction contemplated hereby, shall be construed to be the formation or creation of a partnership or joint venture between or among the Lender and the Creditor or the Borrower.

14. No Oral Modification. None of the terms and provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by each of the Lender and the Creditor and, if its rights would be adversely affected thereby, the Borrower.

15. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Counterparts. This Agreement may be executed by one or more of the parties on any number of separate counterparts, and all of said counterparts taken together shall be deemed to constitute one and the same instrument.

17. Waiver of Trial by Jury. EACH PARTY HERETO HEREBY KNOWINGLY, VOLUNTARILY, AND INTENTIONALLY WAIVES (TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW) ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY OF ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT AND AGREES THAT ANY SUCH DISPUTE SHALL BE TRIED BEFORE A JUDGE SITTING WITHOUT A JURY.

18. Governing Law. This Agreement shall be interpreted, and the rights and liabilities of the parties hereto determined, in accordance with the laws and decisions of the State of Ohio.

19. Parties. This Agreement shall be binding upon, and inure to the benefit of, the Creditor, the Lender and the Borrower and their respective heirs, personal representatives, successors and assigns, including, without limitation, any subsequent holder of Senior Debt. Successors and assigns of Borrower shall include, but not be limited to, a receiver, trustee, custodian or debtor-in-possession.

20. Section Titles. The section titles contained in this Agreement are and shall be without substantive meaning or content of any kind whatsoever and are not a part of the Agreement between the parties hereto.

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

FOXMEYER DRUG COMPANY

By: /s/ [ILLEGIBLE]

Title: Senior Vice President

COMERICA BANK

By: /s/ [ILLEGIBLE]

Title: Vice President

CONTINENTAL PHARMACY, INC.

By: /s/ MICHAEL R. ERLENBACH

Title: Executive Vice President
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mee2861 (Comerica/CPI)

INDEMNIFICATION AGREEMENT

This INDEMNIFICATION AGREEMENT, dated August 13, 1998 (the "Agreement"), by and among MIM Corporation, a Delaware corporation (together with Continental (as defined below) and its other subsidiaries, the "Indemnitee"), and Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach (together, the "Stockholders").

RECITALS

A. The Stockholders have agreed to perform certain indemnification obligations arising hereunder as specified herein.

B. Pursuant to a merger agreement dated as of January 27, 1998, as amended to date, by and among MIM Corporation, Continental Managed Pharmacy Services, Inc. (together with its subsidiaries, "Continental") and the other parties listed on the signature pages thereto, Continental will become a wholly-owned subsidiary of MIM Corporation as a result of a merger (the "Merger") which is scheduled to close on August 24, 1998.

C. The Stockholders own common shares of Continental's capital stock and as such will receive shares (the "Shares") of MIM Corporation's common stock, par value $.0001 per share (the "Common Stock"), in the Merger.

D. Billing, accounting and sales and marketing practices of Continental have led to the threat of litigation and to claims against Continental by MetraHealth Insurance Company, Inc., The Travelers Insurance Company, Metropolitan Life Insurance Company and Aetna U.S. Healthcare ("Aetna").

E. The Stockholders and the Indemnitee recognize the risk of litigation and other claims and/or demands being asserted against the Indemnitee after the Merger in respect of the billing, accounting and/or sales and marketing practices of Continental prior to the Merger of waiving, or otherwise not pursuing, the collection of co-payments from persons covered by Continental's pharmacy benefit programs in connection with claims submitted to Aetna.

THEREFORE, in consideration of and in reliance upon the terms, covenants, conditions and representations contained in this Agreement, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Certain Definitions.

(a) Claim. The term "Claim" shall mean any claim or demand made upon Indemnitee for, or dispute involving Indemnitee (including a dispute which forms the basis of a breach of the representations and warranties set forth in Section 7 of this Agreement) with respect to, the payment of amounts that would constitute Indemnifiable Expenses or any threatened, pending or completed Proceeding, or any inquiry, correspondence or investigation that the Indemnitee in good faith believes is reasonably likely to lead to the institution or threat of any Proceeding.

(b) Claim Notice. The term "Claim Notice" shall mean written notification of a Claim, as to which indemnification under this Agreement is sought by Indemnitee, enclosing a copy of all papers served, if any, and specifying the nature of and basis for the Indemnitee's claim for indemnification by the Stockholders, together with the amount or, if not then reasonably ascertainable, the estimated amount, determined in good faith by Indemnitee, of such Claim.

(c) Dispute Period. The term "Dispute Period" shall mean the period commencing upon receipt of a Claim Notice by the Stockholders and ending twenty (20) calendar days following receipt by the Stockholders of such Claim Notice.

(d) Indemnifiable Event. The term "Indemnifiable Event" shall mean (1) any of Continental's billing, accounting and sales and marketing practices in effect prior to the Merger, relating to the waiving, or otherwise not pursuing the collection of, co-payments from persons covered by Continental's pharmacy benefit programs, but only insofar as such practices affected claims submitted by Continental to Aetna and (2) any breach of the representations and warranties set forth in Section 7 of this Agreement.

(e) Indemnifiable Expenses. The term "Indemnifiable Expenses" shall mean any and all costs, charges and expenses, including, without limitation, attorneys' fees and expenses and other fees and expenses, in connection with the investigation, negotiation, defense or appeal of or response to any Claim, as well as judgments, fines and amounts paid in settlement in connection with a Claim (including all interest, assessments and other charges paid or payable in connection with or in respect of any such attorneys' fees and expenses and other fees and expenses, judgments, fines or amounts paid in settlement), in each case actually and reasonably incurred by the Indemnitee in connection with such Claim. In addition, Indemnifiable Expenses include all expenses actually incurred by Indemnitee in enforcing its rights under this Agreement.

(f) Proceeding. The term "Proceeding" shall mean any threatened, pending or completed action, suit or other proceeding, whether civil, criminal, administrative, investigative or of any other type whatsoever.

2. Basic Indemnification Arrangement.

(a) If the Indemnitee becomes a party to or other participant in, or is threatened to be made a party to or other participant in, a Claim, or if Indemnitee receives notice of, or demand in connection with, a Claim or other threatened action, whether prior to or following the Merger, directly or indirectly, by reason of (or arising in whole or in part out of) an

Indemnifiable Event, the Stockholders shall indemnify the Indemnitee for any and all Indemnifiable Expenses in connection therewith. Notwithstanding the generality of the foregoing and subject to Section 2(c), the Stockholders hereby agree to indemnify Indemnitee against all Indemnifiable Expenses relating to the Claim (in whatever form it may take in the future) represented by the letter of July 13, 1998 from Aetna to Continental attached hereto as Exhibit A ("Aetna Claim").

(b) All Indemnifiable Expenses incurred by the Indemnitee in connection with a Claim shall be paid by the Stockholders in cash at the time the Indemnitee incurs such Indemnifiable Expenses in accordance with the procedures set forth in Section 3.

(c) Notwithstanding any provision in this Agreement to the contrary, the obligation of the Stockholders to indemnify the Indemnitee for Indemnifiable Expenses shall become operative only after the total amount of such claims for indemnification of Indemnifiable Expenses by Indemnitee exceed One Hundred Thousand Dollars ($100,000).

(d) Notwithstanding any provision in this Agreement to the contrary, the obligations of the Stockholders shall be several and not joint, and each and every Indemnifiable Expense shall be allocated among the Stockholders in the proportions set out below, and the obligations of each Stockholder under this Agreement shall be limited to the amounts so allocated to them, respectively:

(i)	Roulston Investment Trust L.P.	--	one-sixth (1/6)
(ii)	Roulston Ventures L.P.	--	one-sixth (1/6)
(iii)	Michael R. Erlenbach	--	two-thirds (2/3)

3. Certain Procedures Relating to Indemnification. All claims for indemnification by Indemnitee under this Agreement will be asserted and resolved as follows:

(i) If any Claim in respect of which Indemnitee may seek indemnification under this Agreement is asserted against or sought to be collected from Indemnitee, the Indemnitee shall deliver a Claim Notice with reasonable promptness to the Stockholders. If the Indemnitee fails to provide the Claim Notice with reasonable promptness after the Indemnitee receives notice of such Claim, the Stockholders will not be obligated to indemnify the Indemnitee with respect to such Claim to the extent that the Stockholders' ability to defend has been irreparably prejudiced by such failure of the Indemnitee but only to the extent of Indemnifiable Expenses which would not have been incurred but for such failure to notify. The Stockholders will notify the Indemnitee as soon as practicable within the Dispute Period whether the Stockholders dispute their liability to the Indemnitee under this Agreement and whether the Stockholders desire, at their sole cost and expense (subject to the provisions of Section 2(c)), to defend the Indemnitee against such Claim; provided, however, that the Stockholders hereby irrevocably acknowledge their liability (subject to the provisions of Section 2(c)) to Indemnitee for Indemnifiable Expenses in connection with the Aetna Claim.

(a) If the Stockholders notify the Indemnitee within the Dispute Period that the Stockholders desire to defend the Indemnitee with respect to the Claim pursuant to this Section 3(i), then the Stockholders will have the right to defend, with counsel reasonably satisfactory to the Indemnitee, at the sole cost and expense of the Stockholders, such Claim by all appropriate proceedings, which proceedings will be vigorously and diligently prosecuted by the Stockholders to a final conclusion or will be settled at the discretion of the Stockholders (but only with the prior written consent of the Indemnitee in the case of any settlement that provides for any relief other than the payment of monetary damages or that provides for the payment of monetary damages as to which the Indemnitee will not be indemnified in full (otherwise than as provided in Section 2(c))

pursuant to this Agreement). If the Stockholders so elect to defend Indemnitee with respect to a Claim, they will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that the Indemnitee, at the sole cost and expense of the Indemnitee, at any time prior to the Stockholders' delivery of the notice referred to in the first sentence of this clause (a), may file any motion, answer or other pleadings or take any other action that the Indemnitee reasonably believes to be necessary or appropriate to protect its interests; and provided further, that if requested by the Stockholders, the Indemnitee, at the sole cost and expense of the Stockholders, will provide reasonable cooperation to the Stockholders in contesting any Claim that the Stockholders elect to contest. The Indemnitee may participate in, but not control, any defense or settlement of any Claim controlled by the Stockholders pursuant to this clause (a), and except as provided in the preceding sentence, the Indemnitee will bear its own costs and expenses with respect to such participation. Notwithstanding the foregoing, the Indemnitee may take over the control of the defense or settlement of a Claim at any time if it irrevocably waives its right to indemnity under this Agreement with respect to such Claim.

(b) If the Stockholders notify the Indemnitee within the Dispute Period that the Stockholders do not desire to defend the Claim pursuant to Section 3(i), or if the Stockholders give notice within the Dispute Period that they desire to defend the Claim, but fail to prosecute such Claim vigorously and diligently to a final conclusion or to settle the Claim, or if the Stockholders fail to give any notice whatsoever within the Dispute Period, then the Indemnitee will have the right to defend, at the sole cost and expense of the Stockholders, the Claim by all appropriate proceedings, which proceedings will be prosecuted by the Indemnitee in a reasonable manner and in good faith or will be settled at the discretion of the Indemnitee (with the prior written consent of the Stockholders, which consent will not be unreasonably withheld). The Indemnitee will have full control of such defense and proceedings, including any compromise or settlement thereof; provided, however, that if requested by the Indemnitee, the Stockholders will, at the sole cost and expense of the Stockholders, provide reasonable cooperation to the Indemnitee and its counsel in contesting any Claim which the Indemnitee is contesting. Notwithstanding the foregoing provisions of this clause (b), if the Stockholders have notified the Indemnitee within the Dispute Period that the Stockholders dispute their liability hereunder to the Indemnitee with respect to such Claim and if such dispute is resolved in favor of the Stockholders in the manner provided in clause (c) below, the Stockholders will not be required to bear the costs and expenses of the Indemnitee's defense pursuant to this clause (b) or of the Stockholders' participation therein at the Indemnitee's request. The Stockholders may participate in, but not control, any defense or settlement controlled by the Indemnitee pursuant to this clause (b), and the Stockholders will bear their own costs and expenses with respect to such participation.

(c) If the Stockholders notify the Indemnitee that they do not dispute their liability to the Indemnitee with respect to the Claim under this Agreement or fail to notify the Indemnitee within the Dispute Period whether they dispute their liability to the Indemnitee with respect to such Claim, the Indemnifiable Expenses

arising out of such Claim will be conclusively deemed a liability of the Stockholders under this Agreement and the Stockholders shall pay the amount of such Indemnifiable Expenses to the Indemnitee on demand as incurred by Indemnitee. If the Stockholders have timely disputed their liability with respect to such Claim, the Stockholders and the Indemnitee will proceed in good faith to negotiate a resolution of such dispute, and if not resolved through negotiations within the ten (10) business days after the end of the Dispute Period, such dispute shall be resolved by arbitration in accordance with paragraph (ii) of this Section 3.

(ii) Any dispute submitted to arbitration pursuant to this Section 3 shall be finally and conclusively determined by the decision of a board of arbitration consisting of three (3) members (hereinafter sometimes called the "Board of Arbitration") selected as hereinafter provided. The Indemnitee shall select one member and the Stockholders (acting together) shall select one member, and the third member shall be selected by mutual agreement of the other two members, or if the other members fail to reach agreement on a third member within twenty (20) days after their selection, such third member shall thereafter be selected by the American Arbitration Association upon application made to it for such purpose by the Indemnitee. The Board of Arbitration shall meet in New York City, New York or such other place as a majority of the members of the Board of Arbitration determines more appropriate, and shall reach and render a decision in writing (concurred in by a majority of the members of the Board of Arbitration) with respect to the liability of the Stockholders to the Indemnitee for Indemnifiable Expenses in connection with the Claim and/or the amount, if any, which the Stockholders are required to pay to the Indemnitee in respect of Indemnifiable Expenses in connection with a Claim made against the Indemnitee. In connection with rendering its decisions, the Board of Arbitration shall adopt and follow such rules and procedures as a majority of the members of the Board of Arbitration deems necessary or appropriate. To the extent practical, decisions of the Board of Arbitration shall be rendered no more than thirty (30) calendar days following commencement of proceedings with respect thereto. The Board of Arbitration shall cause its written decision to be delivered to the Indemnitee and the Stockholders. Any decision made by the Board of Arbitration (either prior to or after the expiration of such thirty (30) calendar day period) shall be final, binding and conclusive on the Indemnitee and the Stockholders and entitled to be enforced to the fullest extent permitted by law and entered in any court of competent jurisdiction. Each party to any arbitration shall bear its own expense in relation thereto, including but not limited to such party's attorneys' fees, if any, and the expenses and fees of the member of the Board of Arbitration appointed by such party, provided, however, that the expenses and fees of the third member of the Board of Arbitration and any other expenses of the Board of Arbitration not capable of being attributed to any one member shall be borne in equal parts by the Stockholders and the Indemnitee.

4. Partial Indemnity. If the Indemnitee is entitled under this Agreement to indemnification by the Stockholders for some or a portion of the Indemnifiable Expenses related to a Claim but not, however, for all of the total amount paid in respect thereof, the Stockholders shall nevertheless indemnify the Indemnitee for the portion thereof to which the Indemnitee is entitled.

5. No Presumption. For purposes of this Agreement, the termination of any Claim by judgment, order or settlement (whether with or without court approval) shall not create a presumption that the Indemnitee did not meet any particular standard of conduct or have any

particular belief or that a court has determined that the indemnification provided for hereunder is not permitted by applicable law.

6. Further Assurances. The Stockholders will execute a pledge agreement dated of even date hereof pledging to Indemnitee Continental common shares and proceeds therefrom (including Shares to be received by the Stockholders in the Merger) having a total aggregate value (determined at the time of the closing of the Merger based on the average closing price of a share of the Common Stock on the Nasdaq for the 20 trading days prior to such closing) equal to at least $2.5 million, and will execute such further documents and instruments and take such further actions as may be reasonably requested by the Indemnitee to effect the purposes of the pledge agreement or this Agreement.

7. Representation and Warranty Regarding Litigation and other Claims. The Stockholders hereby represent and warrant to the Indemnitee that: (i) set forth on Schedule 7A attached hereto, are all claims or demands which were presented to, and disputes involving, Continental prior to December 1, 1995 arising out of Continental's billing, accounting and sales and marketing practices relating to waiving, or otherwise not pursuing the collection of, co-payments from persons covered by Continental's pharmacy benefit programs (the "Identified Claims"); (ii) except for the Aetna Claim, since December 1, 1995, there has been no claim or demand upon Continental or dispute involving Continental arising out of Continental's billing, accounting and sales and marketing practices relating to waiving, or otherwise not pursuing the collection of, co-payments from persons covered by Continental's pharmacy benefit programs and there is no threatened or pending Proceeding relating thereto, or any inquiry, correspondence or investigation that the Stockholders believe is likely to lead to the institution or threat of any such Proceeding arising therefrom; (iii) such billing, accounting and sales and marketing practices were revised prior to December 1, 1995 such that co-payments were not at any time after such date and are not waived (or intentionally not pursued) except in accordance with applicable law and regulations; (iv) except for the Aetna Claim, there has been no inquiry, correspondence, communication or other form of contact by the respective insurers in any way relating to the Identified Claims ("Lack of Notice") and (A) the claim made by MetraHealth (as defined on Schedule 7A) has been formally settled and (B) based upon informal communications during late 1995 between Continental or its counsel and the respective insurers or their counsel and/or based upon the Lack of Notice described above, Continental has no reason to believe any other Identified Claims (other than the Aetna Claim) will be further pursued by such insurers; and (v) the information set forth on Schedule 7B attached hereto regarding (A) the percentage of Continental's total revenues in 1996 represented by the individual indemnitee business, (B) the percentage of Continental's 1996 individual indemnitee business revenues represented by the five largest insurers to which Continental submitted claims in 1996 and (C) the percentage of Continental's 1996 total revenues represented by the five largest insurers to which Continental submitted claims in 1996 is true, correct and complete.

8. Severability. If any provision of this Agreement or the application of any provision hereof to any person or circumstance is held invalid, unenforceable or otherwise illegal, the remainder of this Agreement and the application of such provision to any other person or circumstance shall not be affected, and the provision so held to be invalid, unenforceable or otherwise illegal shall be reformed to the extent (and only to the extent) necessary, to make it enforceable, valid or legal.

9. Successors and Binding Agreement.

(a) This Agreement shall inure to the benefit of and be enforceable by the Indemnitee's successors (whether direct or indirect, by purchase, merger, consolidation, reorganization or otherwise), and shall be binding on the Stockholders' successors and assigns (including by operation of law or otherwise).

(b) This Agreement is personal in nature and neither of the parties hereto may, without the consent of the other, assign, transfer or delegate this Agreement or any rights or obligations hereunder except as expressly provided in Section 9(a).

10. Notices. For all purposes of this Agreement, all communications, including, without limitation, notices, consents, requests or approvals, required or permitted to be given hereunder shall be in writing and shall be deemed to have been duly given when hand delivered or dispatched by electronic facsimile transmission (with receipt thereof orally confirmed), or five calendar days after having been mailed by United States registered or certified mail, return receipt requested, postage prepaid, or one business day after having been sent for next-day delivery by a nationally recognized overnight courier service such as Federal Express, addressed as specified on the signature pages hereto, or to such other address as any party may have furnished to the others in writing and in accordance herewith, except that notices of changes of address shall be effective only upon receipt.

11. Governing Law. The validity, interpretation, construction and performance of this Agreement shall be exclusively governed by and construed in accordance with the internal laws of the State of New York without reference to its conflicts of law rules or principles.

12. Consent to Jurisdiction. The Indemnitee and the Stockholders each hereby irrevocably consents to the jurisdiction of the courts of the State of New York for all purposes in connection with any action or proceeding which arises out of or relates to the enforcement of this Agreement, but not for any other purpose.

13. Duration of Agreement. This Agreement and the Stockholders' indemnification obligations hereunder shall continue until and terminate on December 31, 1999, except that this Agreement shall continue to govern all Claims specified in a Claim Notice which is delivered to the Stockholders prior to such date.

14. Entire Agreement; Amendments. No provision of this Agreement may be waived, modified or discharged unless such waiver, modification or discharge is agreed to in writing by the Indemnitee and each of the Stockholders. No waiver by any party hereto at any time of any breach by another party hereto or compliance with any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreement or representation, oral or otherwise, expressed or implied with respect to the subject matter hereof have been made by any party which is not set forth expressly in this Agreement.

15. Section Headings. The Section headings of this Agreement are included for purposes of convenience only and shall not affect in any way the construction or interpretation of any of the provisions of the Agreement.

16. Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Indemnification Agreement as of the date first above written.

MIM CORPORATION

By: /S/ BARRY A. POSNER

Name: Barry A. Posner
Title: Vice President and General Counsel
Address:
One Blue Hill Plaza, 15th Floor
Pearl River, New York 10965
Attention: General Counsel
Phone: (914) 735-3555
Facsimile: (914) 735-3599

ROULSTON INVESTMENT TRUST L.P.

By: THOMAS H. ROULSTON, its general partner

/S/ THOMAS H. ROULSTON

Thomas H. Roulston, General Partner
Address:
4000 Chester Avenue
Cleveland, Ohio 44103
Phone: (216) 431-3841
Facsimile: (216) 431-3631

ROULSTON VENTURES L.P.

By: THOMAS H. ROULSTON, its general partner

/S/ THOMAS H. ROULSTON

Thomas H. Roulston, General Partner
Address:
4000 Chester Avenue
Cleveland, Ohio 44103
Phone: (216) 431-3841
Facsimile: (216) 431-3631

MICHAEL R. ERLENBACH

/S/ MICHAEL R. ERLENBACH

Address:

PLEDGE AGREEMENT

This PLEDGE AGREEMENT (the "Agreement"), dated as of August 13, 1998, by and among Roulston Investment Trust L.P. ("Roulston Investment"), Roulston Ventures L.P. ("Roulston Ventures") and Michael R. Erlenbach ("Erlenbach"), collectively as pledgor (each a "Pledgor" and together the "Pledgors"), and MIM Corporation, a Delaware corporation, together with its subsidiaries, as secured party (collectively, the "Secured Party").

WHEREAS, each Pledgor is a shareholder of Continental Managed Pharmacy Services, Inc. (together with its subsidiaries, "Continental"); and

WHEREAS, each Pledgor is a party to that certain merger agreement dated as of January 27, 1998, as amended to date, by and among MIM Corporation, Continental and the other parties listed on the signature pages thereto (the "Merger Agreement"); and

WHEREAS, pursuant to the Merger Agreement, a wholly-owned subsidiary of MIM Corporation will be merged (the "Merger") with and into Continental and Continental will become a wholly-owned subsidiary of MIM Corporation as a result of the Merger; and

WHEREAS, each Pledgor presently owns beneficially and of record the following number of Continental's common shares (the "Continental Shares"): Roulston Investment: 1,565 Continental Shares; Roulston Ventures: 1,565 Continental Shares; and Erlenbach: 6,260 Continental Shares; and such Continental Shares will be converted into the following number of shares of common stock, par value $.0001 per share (the "MIM Common Stock"), of MIM Corporation as a result of the Merger: Roulston Investment: 512,678 shares; Roulston Ventures: 512,678 shares; and Erlenbach: 2,050,713 shares; and

WHEREAS, each Pledgor has entered into that certain Indemnification Agreement dated August 10, 1998 (the "Indemnification Agreement") with MIM Corporation, as a material inducement to MIM Corporation to consummate the Merger; and

WHEREAS, in order to secure the obligations of each Pledgor under the Indemnification Agreement, each Pledgor has agreed to pledge, assign and hypothecate to the Secured Party the following number of Continental Shares owned by such Pledgor (collectively, the "Pledged Shares"): Roulston Investment: 248 Continental Shares; Roulston Ventures: 248 Continental Shares; and Erlenbach: 992 Continental Shares.

NOW, THEREFORE, in consideration of the foregoing and of covenants and agreements herein provided, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto mutually agree as follows:

SECTION 1. Definitions. Except as otherwise defined herein, all capitalized terms shall have the respective meanings given to such terms in the Indemnification Agreement.

SECTION 2. Grant of Security Interest. Each Pledgor hereby pledges, assigns, hypothecates, delivers and sets over to the Secured Party and grants to the Secured Party a

continuing perfected first priority lien on and security interest in the Pledged Shares and in all Proceeds (as defined below) therefrom (collectively, the "Collateral") as collateral security for the prompt and complete payment and performance when due of its respective obligations and liabilities, whether direct or indirect, absolute or contingent, due or to become due, or now existing or hereafter incurred, arising under, out of, or in connection with the Indemnification Agreement or this Agreement as the same, from time to time, may be amended, restated, replaced, extended, supplemented or otherwise modified (the "Obligations"). For purposes of this Agreement, "Proceeds" means all "proceeds" as such term is defined in Section 9-306(1) of the Uniform Commercial Code on the date hereof and, in any event, shall include, without limitation, all dividends or other income from the Pledged Shares, collections thereon or distributions with respect thereto (including, without limitation, the receipt by the Pledgors of MIM Common Stock as a result of the Merger).

SECTION 3. Registration of Pledge. Each Pledgor shall execute and deliver to the Secured Party all stock certificates, proxies, stock powers and other instruments representing or related to the Pledged Shares and the MIM Common Stock constituting Proceeds thereof, duly endorsed or subscribed by Pledgor or accompanied by appropriate instruments of transfer or assignment, duly executed in blank by Pledgor, as additional Collateral. All such instruments or certificates shall be held by the Secured Party.

SECTION 4. Power of Attorney. Each Pledgor hereby constitutes and irrevocably appoints the Secured Party, with full power of substitution and revocation by the Secured Party, as its true and lawful attorney-in-fact, to the fullest extent permitted by law, for the purpose of taking any action and executing any instrument that the Secured Party deems necessary or advisable to accomplish the purposes of the Indemnification Agreement or this Agreement, including, without limitation, to affix to certificates and documents representing any Collateral the endorsements or other instruments of transfer or assignment delivered with respect thereto and to transfer or cause the transfer of the Collateral, or any part thereof, on the books of Continental or MIM Corporation, as the case may be. The power of attorney granted pursuant to this Agreement and all authority hereby conferred are granted and conferred solely to protect the Secured Party's interest in the Collateral and shall not impose any duty upon the Secured Party to exercise any power. This power of attorney shall be irrevocable as one coupled with an interest until the Obligations have been paid in full and the Indemnification Agreement has been terminated.

SECTION 5. Obligations of Pledgor. Each Pledgor represents, warrants, and covenants to the Secured Party that:

(a) It is the sole legal, record and beneficial owner of, and has good and marketable title to, the respective Pledged Shares and the respective Collateral set forth in the recitals, and will upon consummation of the Merger have sole legal, record and beneficial ownership of the number of shares of MIM Common Stock set forth in the recitals. The Collateral described herein is subject to no mortgage, pledge, assignment, hypothecation, security interest, encumbrance, lien, charge, option, warrant or other encumbrance whatsoever (each, a "Lien"), or other interest (including, without limitation, any contract or other agreement to sell or otherwise transfer), except for the Lien created by this Agreement. The Pledged Shares have been duly authorized, validly issued, fully paid and are nonassessable.

(b) It has the requisite power and authority and the legal right to execute, deliver and perform this Agreement and the Indemnification Agreement and any other document, instrument or agreement to be executed and delivered by such Pledgor pursuant hereto or thereto and to create a security interest in the respective Collateral pursuant to this Agreement.

(c) This Agreement is effective to create a legal, valid and enforceable perfected first priority Lien on the respective Collateral, subject to no prior Lien or to any agreement purporting to grant to any third party a security interest in the property or assets of such Pledgor which would include the respective Collateral. All action necessary to perfect the Lien granted by this Agreement has been duly taken.

(d) This Agreement and the Indemnification Agreement have been duly authorized, executed and delivered by such Pledgor and constitute valid and legally binding obligations of such Pledgor, enforceable in accordance with their respective terms.

(e) No security agreements or any other Lien instruments have been executed and delivered, and no financing statements or any other notice of any Lien have been filed in any jurisdiction, granting or purporting to grant a security interest in or create a Lien on the respective Collateral to any party other than the Secured Party.

(f) No consent, license, approval or authorization of, exemption by, or registration, filing or declaration with, any governmental authority and no consent of any other individual, partnership, firm, corporation, limited liability company, association, joint venture, trust or other entity, or any government or political subdivision or agency, department or instrumentality thereof ("Person") is required to be obtained in connection with (i) the execution, delivery, performance, validity or enforcement or priority of this Agreement and the Indemnification Agreement or any other document, instrument or agreement to be executed and delivered by such Pledgor pursuant hereto or thereto, (ii) the pledge by such Pledgor of the respective Collateral to the Secured Party pursuant to this Agreement, or (iii) the exercise by the Secured Party of the rights provided for in this Agreement or the remedies in respect of the respective Collateral pursuant to this Agreement; provided, however, that Pledgors make no representation or warranty with respect to the requirements of the Securities Act of 1933 or state securities laws.

(g) The execution, delivery and performance of this Agreement and the Indemnification Agreement and any other document, instrument or agreement to be executed and delivered by such Pledgor pursuant hereto or thereto, does not conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, or result in a violation of any provision of any applicable law or regulation or of any order, judgment, writ, award or decree of any court, arbitrator or governmental authority (domestic or foreign) or of any bond, note, indenture, mortgage, deed of trust, contract, agreement, loan agreement, lease or other undertaking to which such Pledgor is a party or which purports to be binding upon such Pledgor and will not result in the creation or imposition of any Lien on any of the assets of such Pledgor, except as expressly provided by this Agreement.

(h) There is no suit, action, proceeding, arbitration, investigation or inquiry pending or threatened against such Pledgor with respect to this Agreement or the Indemnification

Agreement or any other document, instrument or agreement to be executed and delivered by such Pledgor pursuant hereto or thereto, or the pledging of the respective Collateral pursuant to this Agreement.

(i) It will not directly or indirectly sell, transfer, convey or otherwise dispose of any interest in the Collateral.

(j) It will not suffer or permit to exist any Lien on or with respect to the Collateral, except the Lien created under this Agreement.

(k) It will indemnify the Secured Party from and against any and all claims, losses and liabilities growing out of or resulting from this Agreement (including, without limitation, enforcement of this Agreement), except claims, losses, or liabilities resulting from the Secured Party's bad faith, willful misconduct or gross negligence. The Pledgors will, upon demand, pay to the Secured Party the amount of any and all reasonable expenses, including the reasonable fees and expenses of counsel and of any experts and agents, which the Secured Party may incur in connection with (i) the administration and enforcement of this Agreement, (ii) the custody or preservation of, or the sale of, collection from, or other realization upon, any of the Pledged Shares or Proceeds therefrom, (iii) the exercise or enforcement of any of the rights of the Secured Party hereunder, or (iv) the failure by any Pledgor to perform or observe any of the provisions hereof.

(l) It will, promptly upon the reasonable request of Secured Party, do, make, procure, execute and deliver all acts, things, writings, assurances and other documents as may be reasonably requested by Secured Party to further enhance, preserve, establish, demonstrate, perfect or enforce the Secured Party's rights, interests and remedies created by, provided in or emanating from this Agreement.

(m) It shall notify Secured Party promptly and in reasonable detail of any Lien or claim made or asserted against the respective Collateral or any portion of the respective Collateral and of all notices received by such Pledgor with respect to events which would be likely to have a material adverse impact on the respective Collateral.

SECTION 6. Rights of Pledgor. (a) So long as no Pledgor is in breach of the Indemnification Agreement or this Agreement (a "Breach"), each Pledgor shall be entitled to vote or consent with respect to the Collateral constituting Continental Shares or MIM Common Stock in any manner not inconsistent with this Agreement. Upon the occurrence and during the continuance of a Breach by any Pledgor, the Secured Party shall have the exclusive right to vote all of the Collateral. Each Pledgor hereby grants to the Secured Party an irrevocable proxy to vote the Collateral, which proxy shall be effective immediately upon the occurrence of and during the continuance of a Breach by any Pledgor, and upon request of the Secured Party, each Pledgor agrees to deliver to the Secured Party such further evidence of such irrevocable proxy or such further irrevocable proxy to vote the Collateral as the Secured Party may request.

(b) So long as no Breach by any Pledgor shall have occurred and be continuing, each Pledgor shall be entitled to receive and retain any and all cash dividends and distributions paid in respect of the respective Collateral.

SECTION 7. Rights of the Secured Party. (a) If any Pledgor fails to perform any agreement contained herein, the Secured Party may (but shall not be obligated or required to) perform, or cause the performance, of such agreement.

(b) At any time upon and during the continuance of a Breach by any Pledgor, the Secured Party may (but shall not be obligated or required to):

(i) Cause all of the Collateral to be transferred to its name or to the name of its nominee or nominees.

(ii) Ask for, demand, collect, sue for, recover, compromise, receive and give acquittances and receipts for monies due or to become due under or in respect of any of the Collateral and hold the same as part of the Collateral, or apply the same to any of the Obligations in such manner as the Secured Party may direct in its sole discretion;

(iii) Receive, endorse and collect any drafts or other instruments, documents and chattel paper, in connection with clause (ii) above (including, without limitation, all instruments representing dividends or other distributions in respect of the Collateral or any part thereof and give full discharge for the same);

(iv) File any claims or take any actions or institute any proceedings that the Secured Party may deem necessary or desirable for the collection of any of the Collateral or otherwise to enforce compliance with the rights of the Secured Party with respect to any of the Collateral; and

(v) Discharge any taxes or liens levied on the Collateral or pay for the maintenance and preservation of the Collateral; the amount of such payments, plus any and all fees, costs and expenses of the Secured Party (including reasonable attorneys' fees and disbursements) in connection therewith, shall, at the Secured Party's option, be reimbursed by the Pledgors on demand.

SECTION 8. Breach; Remedies. Upon and during the continuance of a Breach by any Pledgor:

(a) The Secured Party shall have all the rights and remedies of a secured party under the Uniform Commercial Code with respect to all of the Collateral. In addition, the Secured Party shall have the right, without demand of performance or other demand, advertisement or notice of any kind, except as specified below, to or upon Pledgor or any other Person (all and each of which demands, advertisements and/or notices are hereby expressly waived to the extent permitted by law), to proceed forthwith to collect, receive, appropriate and realize upon the Collateral, or any part thereof and to proceed forthwith to sell, assign, give an option or options to purchase, contract to sell, or otherwise dispose of and deliver the Collateral or any part thereof in one or more parcels at public or private sale or sales at any stock exchange, broker's board or at any of the Secured Party's offices or elsewhere at such prices and on such terms and restrictions (including, without limitation, a requirement that any purchaser of all or any part of the Collateral shall be required to purchase any securities constituting the Collateral solely for investment and without any intention to make a distribution thereof) as the Secured Party may deem appropriate without any liability for any loss due to decrease in the market value

of the Collateral during the period held. If any notification to Pledgor of the intended disposition of the Collateral is required by law, such notification shall be deemed reasonable and properly given if hand delivered or made by facsimile at least three business days' prior to such disposition to the address of each Pledgor indicated below. Any disposition of the Collateral or any part thereof may be for cash or on credit or for future delivery without assumption of any credit risk, with the right to the Secured Party to purchase all or any part of the Collateral so sold at any such sale or sales, public or private, free of any equity or right of redemption, which right or equity is, to the extent permitted by applicable law, hereby expressly waived and released by each Pledgor.

(b) All of the Secured Party's rights and remedies under this Agreement and under applicable law, including but not limited to the foregoing, shall be cumulative and not exclusive and shall be enforceable alternatively, successively or concurrently as the Secured Party may deem expedient.

(c) If any consent, approval or authorization of, or filing with, any governmental authority or any other person shall be necessary to effectuate any sale or other disposition of the Collateral, or any partial disposition of the Collateral, including, without limitation, under any federal or state securities laws, each Pledgor agrees to execute all such applications, registrations and other documents and instruments as may be required in connection with securing any such consent, approval or authorization, and will otherwise use its best efforts to secure the same. Each Pledgor further agrees to use its best efforts to effectuate such sale or other disposition of the Collateral as the Secured Party may deem necessary pursuant to the terms of this Agreement.

(d) Upon any sale or other disposition, the Secured Party shall have the right to deliver, endorse, assign and transfer to the purchaser thereof the Collateral so sold or disposed of. Each purchaser at any such sale or other disposition, including the Secured Party, shall hold the Collateral free from any claim or right of whatever kind, including any equity or right of redemption. Each Pledgor specifically waives, to the extent permitted by applicable law, all rights of stay or appraisal which Pledgor had or may have under any rule of law or statute now existing or hereafter adopted.

(e) The Secured Party shall not be obligated to make any sale or other disposition unless the terms thereof shall be satisfactory to it. The Secured Party may, without notice or publication, adjourn any private or public sale, and, upon three business days' prior notice to each Pledgor, hold such sale at any time or place to which the same may be so adjourned. In case of any sale of all or any part of the Collateral, on credit or future delivery, the Collateral so sold may be retained by the Secured Party until the selling price is paid by the purchaser thereof, but the Secured Party shall incur no liability in case of the failure of such purchaser to take up and pay for the property so sold and, in case of any such failure, such property may again be sold as herein provided.

SECTION 9. Disposition of Proceeds. The proceeds of any sale or disposition of all or any part of the Collateral shall be applied (after payment of any amounts payable to the Secured Party pursuant to Section 11 hereof) by the Secured Party to the payment of the Obligations in such order as the Secured Party may elect. Any surplus thereafter remaining shall be paid to the

Pledgors, subject to the rights of any holder of a lien on the Collateral of which the Secured Party has actual notice. If the proceeds from the sale of the Collateral are insufficient to satisfy the Obligations, each Pledgor shall remain liable for any deficiency.

SECTION 10. Termination. This Agreement shall:

(a) create a continuing security interest in the Collateral;

(b) remain in full force and effect until the payment in full of all Obligations hereunder or under the Indemnification Agreement; provided, however, that this Agreement shall terminate upon the final resolution of the Aetna Claim, unless there is then outstanding at least one other unresolved Claim Notice, in which case this Agreement shall then terminate upon the final resolution of said unresolved Claim Notice;

(c) be binding upon each Pledgor and its permitted successors and assigns; and

(d) inure to the benefit of the Secured Party and its successors, transferees and assigns.

SECTION 11. Expenses of the Secured Party. All expenses (including, without limitation, reasonable attorneys' fees and disbursements) actually incurred by the Secured Party in connection with the failure by any Pledgor to perform or observe any provision of this Agreement, the exercise or enforcement of any rights of the Secured Party under this Agreement and the custody or preservation of any of the Collateral and any actual or attempted sale or exchange of, or any enforcement, collection, compromise or settlement respecting, the Collateral, or any other action taken by the Secured Party hereunder whether directly or as attorney-in-fact pursuant to the power of attorney or other authorization herein conferred, shall be deemed an obligation of such Pledgor and shall be deemed an Obligation for all purposes of this Agreement and the Secured Party may apply the Collateral to payment of or reimbursement of itself for such liability.

SECTION 12. Secured Party's Duty. The Secured Party shall not be required to take any action hereunder in respect of a Breach. The Secured Party shall not be liable for any acts, omissions, errors of judgment or mistakes of fact or law including, without limitation, acts, omissions, errors or mistakes with respect to the Collateral, except for those arising out of or in connection with the Secured Party's (i) gross negligence or willful misconduct, or (ii) failure to use reasonable care with respect to the safe custody of any certificate or instrument evidencing any of the Collateral which is in the physical possession of the Secured Party. The Secured Party shall be under no obligation to take any steps necessary to preserve rights in the Collateral against any prior parties but may do so at its option, and all expenses incurred in connection therewith shall be for the account of the Pledgors, and shall be added to the Obligations secured hereby. The Secured Party agrees that upon termination of this Agreement, it will execute and deliver all documents reasonably requested by any Pledgor or any third party to evidence the release and termination of the pledge of the Pledged Shares hereunder.

SECTION 13. Further Assurances. Each Pledgor further agrees that, at any time and from time to time, upon written request of Secured Party, such Pledgor will execute and deliver

such further documents and do such further acts and things as Secured Party may reasonably request in order to effect the purposes of this Agreement.

SECTION 14. Adjustment of Collateral. At the closing of the Merger, the number of Pledged Shares constituting the Collateral shall be adjusted by either adding additional shares of MIM Common Stock to the pledge hereunder, or releasing shares of MIM Common Stock from the pledge hereunder, so that the shares of MIM Common Stock constituting the Collateral at such time is the whole number of shares having an aggregate value as close as possible to, and no less than, $2.5 million (determined based on the average closing price of the MIM Common Stock on the Nasdaq for the 20 trading days prior to the closing of the Merger). This Agreement shall be amended at the time of the closing of the Merger to effect the adjustment contemplated in the preceding sentence.

SECTION 15. Legends. Any certificate or other document issued in respect of shares of MIM Common Stock which constitute Collateral shall be endorsed with the legend set forth below:

"THESE SECURITIES ARE SUBJECT TO THE TERMS AND CONDITIONS OF THAT CERTAIN PLEDGE AGREEMENT DATED AS OF AUGUST 13, 1998, A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICES OF MIM CORPORATION."

SECTION 16. General Provisions. (a) No failure on the part of the Secured Party to exercise, and no delay in exercising, any right, power or remedy hereunder shall operate as a waiver thereof, nor shall any single or partial exercise by the Secured Party of any right, power or remedy hereunder preclude any other or future exercise thereof, or the exercise of any other right, power or remedy. The representations, covenants and agreements of each Pledgor herein contained shall survive the date hereof.

(b) The obligations of each Pledgor under this Agreement shall remain in full force and effect without regard to, and shall not be impaired or affected by:

(i) any amendment or modification or addition or supplement to the Indemnification Agreement, any document or instrument delivered in connection therewith or any assignment or transfer thereof;

(ii) any exercise, non-exercise or waiver by the Secured Party of any right, remedy, power or privilege under or in respect of the Indemnification Agreement;

(iii) any waiver, consent, extension, indulgence or other action or inaction in respect of the Indemnification Agreement or any assignment or transfer of any thereof; or

(iv) any bankruptcy, insolvency, reorganization, arrangement, readjustment, composition, liquidation or the like, of any Pledgor or any other Person;

in all cases, whether or not the Pledgors shall have notice or knowledge of any of the foregoing.

(c) No amendment or waiver of any provision of this Agreement nor consent to any departure by any Pledgor herefrom nor release of all or any part of the Collateral shall in any event be effective unless the same shall be in writing, signed by the Secured Party and each Pledgor. Any such waiver or consent or release shall be effective only in the specific instance and for the specific purpose for which it is given.

(d) All notices under this Agreement shall be deemed given when made in accordance with the provisions of the Indemnification Agreement.

(e) THIS AGREEMENT SHALL BE GOVERNED BY, AND INTERPRETED AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO CONFLICTS OF LAW PROVISIONS THEREOF. EACH OF THE SECURED PARTY AND EACH PLEDGOR HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF, UNDER OR IN CONNECTION WITH THIS AGREEMENT.

(f) Each Pledgor hereby consents to the non-exclusive jurisdiction of the Supreme Court of the State of New York for New York County and the United States District Court for the Southern District of New York with respect to any suit, claim, action or proceeding arising out of or related to this Agreement or the transactions contemplated hereby and hereby waives any objection which it may have now or hereafter to the venue of any suit, claim, action or proceeding arising out of or related to this Agreement or the transactions contemplated hereby and brought in the courts specified above and also hereby waives any claim that any such suit, claim, action or proceeding has been brought in an inconvenient forum. Each Pledgor hereby agrees that service of process in any such action or proceeding may be effected by mailing a copy thereof by registered or certified mail (or any substantially similar form of mail), postage prepaid, to its address set forth in the Indemnification Agreement or at such other address of which the Secured Party shall have been notified pursuant to the Indemnification Agreement and agrees that nothing herein shall affect the right to effect service of process in any other manner permitted by law or shall limit the right to sue in any other jurisdiction.

(g) If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable, such provision shall be automatically reformed and construed so as to be valid, operative and enforceable to the maximum extent permitted by the law while most nearly preserving its original intent. The invalidity of any part of this Agreement shall not render invalid the remainder of the Agreement.

(h) This Agreement may be executed in counterparts, each of which when so executed and delivered shall be deemed an original, but all such counterparts taken together shall constitute but one and the same instrument.

(i) The section headings in this Agreement are for convenience of reference only and shall not affect the interpretation hereof.

(j) Notwithstanding any provision of this Agreement to the contrary, the obligations of each Pledgor under this Agreement shall be several and not joint and shall be allocated based upon the respective obligations of the Pledgors under the Indemnification Agreement and enforced against the Collateral only in accordance with such allocation. By way of example, if any obligation of Erlenbach under the Indemnification Agreement is to be satisfied by action under this Agreement, action shall be taken only against the Collateral pledged by Erlenbach. Expenses and other obligations of Pledgors arising under this Agreement with respect to the Collateral shall be allocated among the Pledgors based upon specific Collateral, to the extent possible, and, to the extent such allocation is not possible, shall be allocated among the Pledgors in proportion to the value of Collateral pledged by each and continuing to be held as Collateral pursuant to this Agreement. Upon satisfaction of all obligations of any Pledgor under both the Indemnification Agreement and this Agreement, the Collateral pledged by such Pledgor shall be released from this Agreement notwithstanding the fact that any other Pledgor remains obligated under the Indemnification Agreement or this Agreement.

IN WITNESS WHEREOF, the parties hereto have executed this Pledge Agreement as of the date first above written.

MIM CORPORATION

By: /S/ BARRY A. POSNER

Name: Barry A. Posner
Title: Vice President and General Counsel

ROULSTON INVESTMENT TRUST L.P.

By: THOMAS H. ROULSTON, its general partner

/S/ THOMAS H. ROULSTON

Thomas H. Roulston, General Partner

ROULSTON VENTURES L.P.

By: THOMAS H. ROULSTON, its general partner

/S/ THOMAS H. ROULSTON

Thomas H. Roulston, General Partner

MICHAEL R. ERLENBACH

/S/ MICHAEL R. ERLENBACH

STOCK PURCHASE AGREEMENT

STOCK PURCHASE AGREEMENT dated as of February 9, 1999 (the "Agreement") by and between MIM CORPORATION, a Delaware corporation (the "Company"), and E. DAVID CORVESE (the "Seller").

WHEREAS, the Company desires to purchase, and the Seller desires to sell and transfer to the Company, One Hundred Thousand (100,000) shares of the issued and outstanding common stock, par value $.0001 per share, of the Company owned by the Seller (the "Shares") upon the terms and subject to the conditions hereinafter set forth.

NOW, THEREFORE, in consideration of the foregoing and the covenants and agreements set forth herein, the parties agree as follows:

1. Purchase and Sale of Shares. Effective upon the date of this Agreement, the Seller hereby agrees to sell and the Company hereby agrees to purchase all of the Seller's right, title and interest in and to the Shares, free and clear of all liens, charges and security interests. Each party represents, warrants and covenants with the other party that the purchase and sale of the Shares contemplated by this Agreement will be effected privately and will not be reported on the NASDAQ.

2. Purchase Price. The purchase price (the "Purchase Price") for the Shares shall be Three Dollars and Thirty-Seven and One-Half Cents ($3.375) per Share, for an aggregate of Three Hundred Thirty-Seven Thousand Five Hundred Dollars ($337,500.00) cash, which shall be paid by the Company to the Seller by wire transfer of immediately available funds, together with an additional Six Thousand Two Hundred Fifty Dollars ($6,250.00) which the Company has agreed to pay Warburg Dillon Read LLC as a brokerage commission on behalf of the Company, pursuant to wire instructions to be provided by Warburg Dillon Read LLC. In addition, Warburg Dillon Read LLC shall retain Six Thousand Two Hundred Fifty Dollars ($6,250.00) from the Purchase Price received by the Seller, as a brokerage commission on behalf of the Seller. Warburg Dillon Read LLC shall promptly disburse the remainder of the Purchase Price (a net amount of $331,250) to the Seller.

3. Representations and Warranties of Seller. The Seller represents, warrants and covenants to the Company that it owns (beneficially and of record) the Shares, free and clear of all liens, charges, security interests and other encumbrances, and that the execution, delivery and performance of this Agreement by the Seller, and the consummation of the transactions contemplated hereby, (i) does not require the consent, approval, waiver, license or authorization of, or filing or registration with, any person or entity (including governmental entity), (ii) will not violate any law, government rule or regulation, or applicable order, judgment or decree, (iii) result in the breach of, or a default under, any agreement, contract or other document to which the Seller is a party or by which the Seller is bound, or (iv) give rise to any lien, charge, security interest or other encumbrance on the Shares.

4. Representations and Warranties of the Company. The Company hereby represents, warrants and covenants to Seller that: (i) the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware; and (ii) the execution, delivery and performance of this Agreement by the Company, and the consummation of the transactions contemplated hereby, have been duly and validly authorized by all necessary corporate action on the part of the Company and will not violate any law, government rule or regulation or applicable order, judgment or decree, or the certificate of incorporation or bylaws of the Company, or result in the breach of or a default under any agreement, contract or other document to which the Company is a party or by which the Company is bound.

5. Settlement. The purchase and sale of the Shares shall be settled not later than 5:00 p.m. on March 12, 1999 by the delivery of the Shares to the Company and delivery of the Purchase Price to Warburg Dillon Read, Inc., as agent (the "Agent") for the Seller, in the manner set forth below (the "Closing").

(a) Deliveries by the Seller. At the Closing, the Seller shall deliver to the Company, certificates representing the Shares duly endorsed to the Company or accompanied by duly executed stock powers, or a certificate registered in the name of MIM Corporation evidencing the Shares.

(b) Deliveries by the Company. At the Closing, the Company shall deliver to the Agent, on behalf of the Seller, the Purchase Price in the manner described in Section 2, as well as the Company's portion of the brokerage commission set forth in Section 2.

6. Indemnification.

(a) By Seller. The Seller shall indemnify and hold harmless the Company, its affiliates and the directors, officers, shareholders, employees and agents of the Company and its affiliates, from and after the date hereof, against and in respect of any and all claims, losses, liabilities and expenses, including attorneys' fees ("Losses"), arising from a breach by the Seller of any of the representations, warranties or covenants made by Seller in this Agreement.

(b) By the Company. The Company shall indemnify and hold harmless the Seller from and after the date hereof, against and in respect of Losses arising from a breach by the Company of any of the representations, warranties or covenants made by the Company in this Agreement.

7. Exclusive Remedy. The provisions for indemnification set forth above are

the exclusive remedies of the Company and the Seller arising out of or in connection with this Agreement, and shall be in lieu of any rights under contract, tort, equity or otherwise.

8. Notices. Any and all notices or other communications or deliveries required or permitted to be given or made pursuant to any of the provisions of this Agreement shall be deemed to have been fully given or made for all purposes if (i) hand-delivered, (ii) sent by a nationally recognized overnight courier, or (iii) sent by telephone facsimile transmission (with prompt oral confirmation of receipt) as follows:

If to the Company, at:	MIM Corporation 100 Clearbrook Road Elmsford, New York, 10523 Telecopy No.: (914) 460-1670 Attn: General Counsel Tax ID No.: 05-0489664
If to Seller:	Mr. E. David Corvese 839-C Ministerial Road Wakefield, RI 03879 Fax: (401) 789-8732
With a copy to:	Steven J. Feder, Esquire White and Williams LLP 1800 One Liberty Place Philadelphia, PA 19103-7395 Fax: (215) 864-7123

9. General Provisions.

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

(b) Assignability. This Agreement shall not be assignable in whole or in part by either party, except upon the prior written consent of the other party.

(c) Entire Agreement. This Agreement constitutes the complete understanding of the parties hereto and shall supersede all other oral or written agreements, arrangements, representations and communications relating to the purchase of the Shares by the Company. This Agreement may not be modified or terminated orally, and no modification, termination or attempted waiver shall be valid unless in writing and signed by the party against whom the same is sought to be enforced.

(d) Waiver. Any delay by any party hereto in enforcing any right hereunder with respect to a breach of any provision of this Agreement shall not operate nor be construed as a waiver of any such right. Any waiver must be in writing and shall not operate as a waiver with respect to any subsequent breach.

(e) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which shall be deemed to be one and the same instrument.

(f) Governing Law. This Agreement shall be construed in accordance with, and governed by, the laws of the State of Delaware (without regard to any provisions thereof relating to conflicts of laws).

IN WITNESS WHEREOF, the undersigned have executed or caused this Agreement to be executed on its behalf by its duly authorized officer as of the date set forth above.

THE COMPANY:

MIM CORPORATION

By: /s/ BARRY A. POSNER

Name: Barry A. Posner

Title:

SELLER:

/s/ E. DAVID CORVESE

E. David Corvese

EXHIBIT 21

Parent:

MIM Corporation*

First Tier Subsidiaries:

MIM Health Plans, Inc.*
Pro-Mark Holdings, Inc.*
MIM Investment Corporation*
MIM IPA, Inc.**
Continental Managed Pharmacy Services, Inc.***

Second Tier Subsidiaries:

Continental Pharmacy, Inc.***
Automated Scripts, Inc.***
Preferred Rx, Inc.***
Valley Physicians Services, Inc.***

* Each of these corporations has been incorporated under the laws of the State of Delaware.

** This corporation has been incorporated under the laws of the State of New York.

*** Each of these corporations has been organized under the laws of the State of Ohio and each of the corporations identified as second tier subsidiaries are direct subsidiaries of Continental Managed Pharmacy Services, Inc.

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our report included in this Annual Report on Form 10-K into the Company's previously filed Registration Statements on Form S-8 (File No. 333-33905) and Form S-3 (File No. 333-61265).

ARTHUR ANDERSEN LLP

Roseland, New Jersey
March 31, 1999

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