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

FORM 10-K/A
AMENDMENT NO. 2 TO
ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997
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.)

One Blue Hill Plaza, Pearl River, New York 10965
(914) 735-3555
(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 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

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

The aggregate market value of the registrant's Common Stock (its only voting stock) held by non-affiliates of the registrant as of July 30, 1998 was approximately $34.6 million. (Reference is made to the final paragraph of Part II, Item 5 herein for a statement of the assumptions upon which this calculation is based.)

On July 30, 1998 there were outstanding 13,822,000 shares of the registrant's Common Stock.

MIM Corporation's ("MIM" or the "Company") Annual Report on Form 10-K for the fiscal year ended December 31, 1997, filed with the Securities and Exchange Commission (the "Commission") on March 31, 1997, as amended by Amendment No. 1 thereto on Form 10-K/A filed with the Commission on April 30, 1998 (as amended, the "Annual Report"), is hereby amended as follows:

Items 7 and 8 of the Annual Report are hereby amended and restated and replaced in their entirety as follows:

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

This Report contains statements which constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The matters discussed in this Report include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to the future operating performance of the Company and the results and the effect of legal proceedings, arbitration and disputes. Investors are cautioned that any such forward looking statements are not guarantees of future performance or the ultimate outcome of litigation, arbitration or disputes and involve risks and uncertainties, and that actual results and/or outcomes may differ materially from those in the forward looking statements as a result of various factors. The Company undertakes no 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.

The accompanying information contained in this Report identifies important factors that could cause such differences, including: the effect of government regulations on the Company's business; the effect of the outcome of certain legal proceedings, arbitration proceedings and/or disputes; and the effect of the Merger with Continental or the failure to consummate such Merger.

Overview

A majority of the Company's revenues to date have been derived from operations in the State of Tennessee in conjunction with RxCare. The Company assisted RxCare in defining and marketing pharmacy benefit management services to private health plan sponsors on a consulting basis in 1993, but did not commence substantial operations through the management of pharmacy benefits to plan sponsors until January 1994 when RxCare began servicing several of the health plan sponsors involved in the newly instituted TennCare(R) state health program. See "Business -- The TennCare Program." At December 31, 1997, the Company provided pharmacy benefit management services to a total of 36 public and private plan sponsors with an aggregate of approximately 1.7 million plan members on both a risk and non-risk basis throughout the United States. TennCare represents 1.2 million members.

Results of Operations

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 BCBS - TN contract 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 the average cost of each prescription. Subsequent to the termination of the original BCBS - TN contract, the Company had negotiated a new contract directly with an affiliate of BCBS - TN to begin providing 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 eliminates capitation risk to MIM and provides for MIM to be paid for certain administrative and clinical consulting services on a fee-for service basis. The restructuring in April 1997 of the BCBS-TN 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 revenue 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. In 1997, 53% of the Company's revenue was generated from risk-based contracts, compared with 82% during 1996. The Company believes that this decrease in risk-based arrangements during 1997 will minimize the Company's exposure to potential losses.

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 a major TennCare 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, increasing drug prices and increasing 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 costs under the Sierra Agreement described below. 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 in 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 Sierra Agreement. The Sierra Agreement generated $7.3 million in gross losses in the fourth quarter of 1997 (including a $4.1 million reserve for future contract losses).

Generally, loss contracts arise only on risk-based (capitated) 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 estimated 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 Sierra Agreement. Management believes that the reserve is sufficient to cover any further losses on the Sierra Agreement. Management does not believe that there is an overall trend towards losses on its existing capitated contracts.

On April 14, 1998, the Company resolved its dispute with certain subsidiaries of Sierra Health Services, Inc., a Nevada corporation ("Sierra"), a party to a pharmacy benefit management services agreement (the "Sierra Agreement") with MIM. The Sierra Agreement was entered into by Pro-Mark and became effective October 1, 1997. This dispute related to the parties' divergent interpretation of certain provisions of the Sierra Agreement, which led to Sierra's dispute of certain amounts which the Company claimed were owed to it. Under the terms of the settlement, both parties dismissed their respective claims pending in the United States District Court, District of Nevada as well as the American Arbitration Association. The settlement provides that the parties work together to develop and manage a new drug formulary to be used by one of the larger Sierra plans. In addition, the parties modified a number of provisions of the Sierra Agreement, including the addition of a provision permitting any party to terminate the Sierra Agreement at any time and for any reason upon 90 days' prior written notice. On May 8, 1998, the Company notified Sierra of its intention to terminate the Sierra Agreement 90 days after notice thereof in accordance with the terms of Agreement. MIM continues to provide pharmacy benefit management services to Sierra under the Sierra Agreement for such 90-day period. The termination of the Sierra Agreement will reduce revenues by approximately $3.5 million per month. The termination will have no impact on 1998 net income as the Company reserved for all expected losses under the Sierra Agreement in 1997.

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 force, 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 Offering being invested for the entire year in 1997 and 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 (before recording a $26.6 million nonrecurring, non-cash stock option charge, representing the difference between the exercise price and the deemed fair market value of the Common Stock granted by the Company's principal stockholder to certain executive officers and directors of the Company) for the year ended December 31, 1996. This 164% increase in net loss is the result of the above described changes in revenue, cost of revenue and expenses.

Year ended December 31, 1996 compared to year ended December 31, 1995

For the year ended December 31, 1996, the Company recorded revenues of $283.2 million compared with 1995 revenues of $213.9 million. The increase of $69.3 million in revenues was due primarily to the addition of the BCBS-TN contract in April 1995 (representing approximately $36 million of such increase) and increased revenue from new and renegotiated contracts of approximately $33 million. In 1996, approximately 82% of the Company's revenue was generated through capitated contracts, compared with 90% during 1995.

Cost of revenue for 1996 increased to $278.1 million compared with 1995 cost of revenue of $213.4 million for the same reasons revenues increased as described above. As a percentage of revenue, cost of revenue decreased from 99.8% in 1995 to 98.2% in 1996. As a result of the termination of the BCBS-TN contract on March 31, 1997, the Company reserved $3.5 million at December 31, 1996 to cover future claims in excess of capitated payments to the Company. Excluding this contract, the Company would have earned $2.2 million in 1996 before taking the stock option charge (as described below). The BCBS - TN contract represented approximately 495,000 lives and accounted for $132.8 million of revenue and $7.3 million in net losses in 1996.

Selling, general and administrative expenses were $11.6 million in 1996 and $8.0 million in 1995, an increase of 45.0%. The $3.6 million increase was attributable to increases in operations, sales and marketing and headquarters personnel to support the anticipated needs of the business as well as increases in consulting and legal fees, depreciation expense and costs related to further development of the Company's management information systems. As a percentage of revenue, general and administrative expenses increased from 3.8% in 1995 to 4.1% in 1996.

For the year ended December 31, 1996, the Company recorded a net loss of $5.1 million, or $0.54 per share (before recording a $26.6 million nonrecurring, non-cash stock option charge representing the difference between the exercise price and the deemed fair market value of the Common Stock at the date of grant of options to purchase an aggregate of 3,600,000 shares of Common Stock granted by the Company's principal stockholder to certain executive officers and directors of the Company) compared with a 1995 net loss of $6.8 million, or $1.43 per share. This improvement was a result of the above-described changes in revenue and expenses. After recording the effect of the stock option charge, the Company reported a net loss of $31.8 million, or $3.32 per share, for 1996.

Liquidity and Capital Resources

For the year ended December 31, 1997, net cash used by the Company for operating activities totaled $3.1 million, primarily due to the funding of a $13.5 million net operating loss and an increase in accounts receivable of $5.3 million. Such uses were offset by a $9.7 million increase in claims payable and a $2.8 million increase in deferred revenue. Investing activities generated $10.9 million in cash from proceeds of maturities of investment securities of $41.9 million offset by the purchase of investment securities of approximately $29.8 million. The Company also purchased $1.6 million of equipment with cash on hand, primarily to upgrade and enhance information systems. The Company plans to purchase $.5 million of property and equipment in fiscal 1998 with cash on hand, primarily to upgrade and enhance information systems necessary to strengthen and support the Company's ability to better manage its customers' pharmacy benefits payments. The Company did not have any additional material commitments for capital expenditures as of December 31, 1997.

At December 31, 1997, the Company had working capital of $9.3 million including $19.2 million in investment securities, compared to $19.6 million at December 31, 1996. The decrease in working capital of $10.3 million is mainly due to an increase in claims payable of $9.7 million and an increase in deferred revenue of 2.8 million offset by an increase in accounts receivable of $5.0 million. Cash and cash equivalents were $9.6 million at December 31, 1997 compared with $1.8 million of cash and cash equivalents at December 31, 1996. The Company had investment securities held to maturity of $22.6 million at December 31, 1997. These investments were and currently are primarily corporate debt securities rated A or better. The Company has $2.3 million invested in the Series B Preferred Stock, par value $0.01 per share, of Wang Healthcare Information Systems, Inc.

At December 31, 1997, the Company had, for tax purposes, unused net operating loss carryforwards of approximately $18.3 million which will begin expiring in 2008. As it is certain whether the Company will realize the full benefit from its deferred tax assets, the Company has recorded a valuation allowance for the same amount. The Company will assess the need for a valuation allowance at each balance sheet date. The amount of net operating loss carryforwards which may be utilized in any given year may become limited by the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, if a cumulative change of ownership of more than 50% occurs within a three year period.

The Company believes that its financial condition and capital structure as a result of the Offering has enhanced its ability to negotiate and obtain additional contracts with plan sponsors and other potential customers. 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 intends to offset, against profit sharing amounts, if any, due RxCare in the future under the RxCare Contract, approximately $6.5 million, representing RxCare's share of the Company's losses and amounts previously advanced or paid to RxCare as of December 31, 1997.

As part of its continued efforts to expand its pharmacy benefit management business, the Company expects to incur additional sales and marketing expenses. The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its pharmacy benefit management business, which the Company would expect to fund from cash on hand or future indebtedness or, if appropriate, the sale of equity securities of the Company.

Other Matters

The Company's pharmaceutical reimbursement claims have historically been subject to a significant increase over annual averages from October through February, which the Company believes is due to increased medical problems during the colder months.

Changes in prices charged by manufacturers and wholesalers 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 new rates.

The TennCare program has been controversial since its inception and has generated government investigations and adverse publicity. There can be no assurances that the Company's association with the TennCare program will not adversely affect the Company's business in the future.

The so-called "year 2000 problem", which is common to many companies, concerns the inability of information systems, primarily computer software programs, to recognize properly and process date sensitive information as the year 2000 approaches. The Company believes that it does not and will not have any material year 2000 problems. This belief is based upon a review of its internally-generated programs, representations made by external software program and hardware suppliers, experience processing information with dates on or after the year 2000 and the known availability of software which the Company may utilize and which is free of year 2000 problems.

The Company does not believe that inflation has had or, assuming inflation remains at current levels, will have in the near term, a material impact on the results of its operations.

On January 27, 1998 the Company and its wholly owned subsidiary, CMP Acquisition Corp. ("CMP") entered into an Agreement and Plan of Merger with Continental and certain of its principal shareholders. Upon consummation of the merger (the "Merger"), CMP and Continental would merge, whereupon Continental would be the surviving corporation and the separate corporate existence of CMP would terminate. Thereafter, Continental would become a wholly owned subsidiary of the Company. The Merger is subject to a number of customary conditions to closing. While it is anticipated that the Merger will occur during the third quarter of 1998, there can be no assurances that the Merger will be consummated at such time or at all.

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 and Subsidiaries as of December 31, 1997 and 1996 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, 1997. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, 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 Commissions'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
March 23, 1998

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

	1997	1996
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,593	$ 1,834
Investment securities	19,235	28,113
Receivables, less allowance for doubtful accounts of $1,386 and $1,088, respectively	23,666	18,646
Prepaid expenses and other current assets	888	1,129
Total current assets	53,382	49,722
Investment securities, net of current portion	3,401	8,925
Other investments	2,300	--
Property and equipment, net	3,499	2,423
Due from affiliates, less allowance for doubtful accounts of $2,360 and $2,157, respectively	--	628
Other assets, net	145	102
Total assets	$ 62,727	$ 61,800
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 222	$ 213
Accounts payable	931	1,562
Deferred revenue	2,799	--
Claims payable	26,979	17,278
Payables to plan sponsors and others	10,839	10,174
Accrued expenses	2,279	926
Total current liabilities	$ 44,049	$ 30,153
Capital lease obligations, net of current portion	756	375
Commitments and contingencies (Note 6)		
Minority interest	1,112	1,129
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, 13,335,150 and 12,040,600 shares issued and outstanding , respectively	1	1
Additional paid-in capital	73,585	73,443
Accumulated deficit	(55,061)	(41,564)
Stockholder notes receivable	(1,715)	(1,737)
Total stockholders' equity	16,810	30,143
Total liabilities and stockholders' equity	$ 62,727	$ 61,800

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

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

	1997	1996	1995
Revenue	$ 242,291	$ 283,159	$ 213,929
Cost of revenue	239,002	278,068	213,398
Gross profit	3,289	5,091	531
Selling, general and administrative expenses	19,098	11,619	8,048
Non-cash stock option charge	--	26,640	--
Loss from operations	(15,809)	(33,168)	(7,517)
Interest income, net	2,295	1,393	745
Loss before minority interest	(13,514)	(31,775)	(6,772)
Less: minority interest	(17)	(21)	--
Net loss	$ (13,497)	$ (31,754)	$ (6,772)
Basic and diluted loss per common	$ (1.07)	$ (3.32)	$ (1.43)
Weighted average common shares used in computing basic and diluted loss per share	12,620	9,557	4,732

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

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

	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Stockholder Notes Receivable	Total Stockholders' Equity (Deficit)
Balance, December 31, 1994	$ 1	$ --	$ (2,416)	$ (1,278)	$ (3,693)
Stockholder loans, net	--	--	--	(1,059)	(1,059)
Net loss	--	--	(6,772)	--	(6,772)
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

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)

	1997	1996	1995
Cash flows from operating activities:			
Net loss	$(13,497)	$(31,754)	$ (6,772)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Net loss allocated to minority interest	(17)	(21)	--
Depreciation and amortization	1,091	781	366
Stock option charges	29	26,657	--
Provision for losses on receivables and due from affiliates	501	928	1,977
Changes in assets and liabilities:			
Receivables	(5,318)	(4,551)	(4,728)
Prepaid expenses and other current assets	241	(648)	98
Accounts payable	(631)	491	(376)
Deferred Revenue	2,799	--	--
Claims payable	9,701	(2,016)	9,031
Payables to plan sponsors and others	665	1,738	2,003
Accrued expenses	1,353	755	(202)
Net cash (used in) provided by operating activities	(3,083)	(7,640)	1,397
Cash flows from investing activities:			
Purchase of property and equipment	(1,575)	(870)	(802)
Purchase of investment securities	(27,507)	(37,038)	--
Purchase of other investments	(2,300)	--	--
Maturities of investment securities	41,909	--	--
Stockholder notes receivable, net	22	(22)	(1,059)
Due from affiliates, net	425	(828)	(1,759)
(Increase) decrease in other assets	(48)	(93)	164
Net cash (used in) provided by investing activities	10,926	(38,851)	(3,456)
Cash flows from financing activities:			
Principal payments on capital lease obligations	(197)	(265)	(220)
Proceeds from initial public offering	--	46,786	--
Proceeds from exercise of stock options	113	--	--
Minority interest investment	--	--	1,150
Net cash provided by (used in) financing activities	(84)	46,521	930
Net increase (decrease) in cash and cash equivalents	7,759	30	(1,129)
Cash and cash equivalents--beginning of period	1,834	1,804	2,933
Cash and cash equivalents--end of period	$ 9,593	$ 1,834	$ 1,804
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Income taxes	$ --	$ --	$ 286
Interest	$ 41	$ 55	$ 31
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:			
Equipment acquired under capital lease obligations	$ 587	$ 527	$ 109
Distribution to stockholder through cancellation of stockholder notes receivable	$ --	$ 622	$ --

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

NOTE 1--NATURE OF BUSINESS

Corporate Organization

MIM Corporation was incorporated in Delaware in March 1996 for the purpose of combining 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"). The Formation was effected in May 1996. Previously, Pro-Mark Drug Benefit Management Services, LLC, a Rhode Island limited liability company, formed in June 1993 ("Pro-Mark DBMS"), had merged into Pro-Mark in April 1994. Pro-Mark is a wholly-owned subsidiary of MIM Corporation, and MIM Strategic is 90% owned by MIM Corporation. As used in these notes, the "Company" refers to MIM Corporation and its subsidiaries and predecessors.

Prior to the Formation, Pro-Mark DBMS, Pro-Mark and Strategic were controlled by an officer of the Company (See Note 11) and his family who, before subsequent stock transfers, collectively held a direct or indirect controlling interest in MIM Corporation. The Formation has been accounted for using the carryover basis of accounting, and MIM Corporation's consolidated financial statements include the accounts and operations of the subsidiaries for all periods presented from the date each entity was formed.

At incorporation, the authorized capital stock of MIM Corporation consisted of 1,500,000 shares of common stock, $0.001 par value. In May 1996, the certificate of incorporation of MIM Corporation was amended and restated to provide for authorized capital stock consisting of 40,000,000 shares of common stock, $0.0001 par value ("Common Stock"), and 5,000,000 shares of Preferred Stock, $0.0001 par value. In May 1996, 8,023,800 shares of Common Stock were issued in connection with the Formation.

In the Formation, MIM Corporation acquired all of the outstanding stock of Pro-Mark and 90% of the ownership and membership interests in MIM Strategic. In exchange, Pro-Mark's stockholders received 150 shares of Common Stock of MIM Corporation for each Pro-Mark share (or an aggregate of 4,500,000 shares of Common Stock), and certain members of MIM Strategic received an aggregate of 3,523,800 shares of Common Stock for their 90% interest in MIM Strategic. Zenith Goldline Pharmaceuticals, Inc., a Florida corporation ("Zenith Goldline"), has held a 10% interest in MIM Strategic since its inception and did not participate in the Formation.

In the Formation, outstanding stock options granted by Pro-Mark to employees and key contractors were exchanged for options from MIM Corporation on substantially similar terms (see Note 8). Except as otherwise indicated, all stock and stock option amounts (including share, per share par value and exercise price) pertaining to Pro-Mark DBMS, Pro-Mark and MIM Strategic prior to the Formation have been restated to reflect the equivalent amounts pertaining to Common Stock as if the Formation had already occurred.

MIM Strategic was formed in 1995 by MIM Holdings, LLC ("MIM Holdings"), which is controlled by an officer of the Company (See Note 11) and his family. MIM Holdings and Zenith Goldline contributed various intangibles and $1,150 in cash, respectively, to the capital of MIM Strategic in exchange for their 90% and 10% interests, respectively, in MIM Strategic. No accounting recognition has been given to the intangibles for financial reporting purposes since their value is not objectively determinable, and the entire $1,150 of capital contributed by Zenith Goldline has been presented as minority interest in the accompanying consolidated balance sheets. Profits and losses of MIM Strategic are allocated 90% to the Company and 10% to Zenith Goldline.

Business

The Company's revenues have been derived primarily from agreements to provide pharmacy benefit management services to sponsors of public and private health plans. To date, a majority of the services provided by the Company have been to sponsors of Tennessee-based plans who have entered into pharmacy benefit management contracts with RxCare of Tennessee, Inc. ("RxCare"), a subsidiary of the Tennessee Pharmacists Association, including contracts ("TennCare contracts") to provide 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 is responsible for operating and managing RxCare's pharmacy benefit management contracts. In return for receipt of all sponsor payments due RxCare under its pharmacy benefit management contracts and all rebates negotiated with pharmaceutical manufacturers in connection with RxCare programs, the Company implements and enforces the drug benefit programs, bears all program costs including payments to dispensing pharmacies and certain payments to RxCare and sponsors, and shares with RxCare the remaining profit, if any, under the pharmacy benefit management contracts (see Note 2). The RxCare Contract is scheduled to expire in December 1998 unless renewed in accordance with its terms.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make certain estimates and assumptions that 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.

Revenue Recognition

Capitated Agreements. Certain pharmacy benefit management contracts are capitated agreements pursuant to which the Company receives a fixed monthly fee for each member enrolled in a particular health plan. In exchange for this fee, the Company is obligated to provide covered pharmacy services to plan members. Typically, capitated agreements have a one-year term and are subject to automatic renewal unless notice of termination is given. These contracts are subject to earlier termination upon the occurrence of certain events.

Capitation payments under TennCare contracts are based upon the latest eligible member data provided by the State of Tennessee. 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 persons determined to be retroactively eligible or ineligible for prior months under the contract. The related receivables at December 31, 1997 and 1996 were approximately $120 and $1,056, respectively. The related capitated revenue for the years ended December 31, 1997, 1996 and 1995 was approximately $127,477, $232,395 and $192,625, respectively.

Fee-for-Service Agreements. Certain pharmacy benefit management contracts are fee-for-service agreements pursuant to which the Company is paid by the plan sponsor an amount reflecting the cost of a prescription plus a per prescription service fee. Under these contracts, the Company is obligated to pay network pharmacies for pharmacy services provided to plan members. The Company recognizes the cost incurred to pay network pharmacies with its corresponding fees for service revenue at the time a pharmacy prescription claim is adjudicated. The related fee-for-service revenue for the years ended December 31, 1997, 1996 and 1995 was approximately $114,654, $49,941 and $16,525, respectively.

Receivables. Receivables include amounts due from plan sponsors under the Company's pharmacy benefit management contracts and amounts due from pharmaceutical manufacturers, which represent rebates resulting from the distribution of certain drugs through retail pharmacies.

Cost of Revenue. Cost of revenue includes pharmacy claims, fees paid to pharmacists and other direct costs associated with pharmacy management and claims processing operations, offset by rebates received from pharmaceutical manufacturers in connection with the Company's pharmacy management programs. Rebates are earned in accordance with contractual agreements between the Company and pharmaceutical manufacturers. For the years ended December 31, 1995, 1996 and 1997, rebates earned net of rebate sharing arrangements on pharmacy benefit management contracts were approximately $7,141, $7,738 and $13,290, 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 exceed revenues the Company records a receivable. Agreements between RxCare and certain plan sponsors also provide for the sharing of pharmaceutical manufacturers' rebates with the plan sponsor. The Company is also obligated to share with RxCare the cumulative profit, if any, under the Company's agreement with RxCare (see Note 4). The Company estimates that any difference between the recorded liability on the accompanying consolidated balance sheets and the ultimate exposure under those contract provisions will not have a material adverse effect on the consolidated financial statements.

Cash and Cash Equivalents

For the purpose of the accompanying consolidated statements of cash flows, cash and cash equivalents are defined as demand deposits and overnight investments at banks.

Property and Equipment

The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of assets ranging from three to five years or, in the case of leases, over the life of the lease. Maintenance and repairs are expensed as incurred.

Long-Lived Assets

The provisions of Statement of Financial Accounting Standards No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("SFAS 121") requires, among other things, that an entity review its long-lived assets and certain related intangibles for impairment whenever changes in circumstances indicate that the carrying amount of an asset may not be fully recoverable. Impairment of long-lived assets exist if, at a minimum, the future expected cash flows (undiscounted and without interest charges) from operations are less than the carrying value of those assets. An impairment loss, if any, would be measured as the amount by which the carrying amount of the asset exceeds its fair value. Management does not believe that any such change in circumstances has occurred.

Deferred Revenue

Deferred revenues represent 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 members during the contract period. At December 31, 1997 and 1996, certain prescriptions were dispensed to members for which the related claims had not yet been presented to the Company for payment. Estimates of $1,858 and $3,296 at December 31, 1997 and 1996, respectively, have been accrued for these claims in the accompanying consolidated balance sheets. Unpaid claims incurred and reported amounted to $20,786 and $10,482 at December 31, 1997 and 1996, respectively.

The Company entered into several commercial risk-based contract during 1997 (See Note 6) for which future losses are expected. Based on management's estimate of losses to be incurred the Company has accrued $4,335 at December 31, 1997. The Company also experienced losses on one of the TennCare contracts since the contract was entered into as of April 1, 1995. RxCare exercised its option to terminate the contract on March 31, 1997, before its scheduled expiration date of December 31, 1997. At December 31, 1996 the Company accrued $3,500 to cover management's estimate of losses to be incurred during the remainder of the original contract. This amount is included in claims payable in the accompanying consolidated balance sheets.

Minority Interest

The minority interest in the loss of MIM Strategic is reflected as a reduction of net loss in the accompanying consolidated statements of operations.

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.

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 and accounts payable. 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 anyone other than 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 8).

Earnings Per Share

Effective for the year ended December 31, 1997, the Company adopted Statement of Financial Accounting Standards, No. 128, "Earnings Per Share" ("SFAS 128"). SFAS 128 requires the presentation of basic earnings (loss) per share and diluted earnings (loss) per share. Basic loss per share is based on the average number of shares outstanding during the year. Diluted loss per share is the same as basic loss per share as the inclusion of common stock equivalents would be anti-dilutive. Common shares outstanding and per share amounts reflect the formation (see Note 1) and are considered outstanding from the date each entity was formed.

Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") and No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 130 establishes standards for reporting comprehensive income and its components. SFAS 131 establishes standards for reporting financial and descriptive information regarding an enterprise's operating segments. Both are effective for periods beginning after December 15, 1997. These standards increase financial reporting disclosures and will have no impact on the Company's financial position or results of operations.

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 sheet as of December 31, 1997 and 1996. Management believes that it has the positive intent and ability to hold such securities to maturity. Amortized cost (which approximates fair value), of these securities as of December 31, 1997 and 1996 is as follows:

	1997	1996
Held-to-maturity securities:		
U.S. government	$ 3,600	$ 1,000
States and political subdivision	295	545
Corporate securities	18,741	35,493
Total investment securities	$22,636	$37,038

The contractual maturities of all held-to-maturity securities at December 31, 1997 are as follows:

	Amortized Cost
Due in one year or less	$19,235
Due after one year through five years	3,401
Total investment securities	$22,636

Other Investments

On June 23, 1997, the Company, along with other strategic partners, made an investment in Wang Healthcare Information Systems, Inc. ("WHIS"), a company engaged in the development, marketing and servicing of PC-based clinical information systems for physicians and their staff, using 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 (the "WHIS Shares") representing a minority 8% interest for an aggregate purchase price equal to $2,300. An executive officer on administrative leave from the Company, assumed the Company's board seat and was elected Chairman of WHIS. 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 the losses RxCare had incurred in connection with one of its pharmacy benefit management contracts. Although the Company does not currently intend to seek repayment of the advance, the Company intends to offset such amount against future profit sharing amounts, if any, due RxCare under the Company's agreement with RxCare. As RxCare's revenue is largely dependent upon the Company's results of operations in Tennessee, the collectibility of this amount is uncertain, and a full reserve has been recorded against the advance. During October 1996, the Company advanced approximately $349 directly to individual pharmacies in Tennessee on behalf of RxCare. This advance was repaid in full in March 1997.

As part of its agreement with RxCare, the Company is obligated to share with RxCare the Company's cumulative profit, if any, from the RxCare pharmacy benefit management contracts. No amount was due RxCare for the years ended December 31, 1997 or 1996.

The Company entered into two three-year contracts with Zenith Goldline in December 1995. Pursuant to the contract, 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, 1997 and 1996 is management's estimate of revenues earned under these agreements. At December 31, 1997 the collectibility of the amounts is uncertain and a full reserve has been recorded against the revenues earned.

During 1996, the Company made short-term advances to MIM Holdings and Alchemie Properties, LLC ("Alchemie") of $99 and $25, respectively. Alchemie is controlled by an executive officer of the Company (See Note 11).

Repayments by MIM Holdings and Alchemie through December 31, 1996 were $13 and $25, respectively. The remaining $86 principal amount owed by MIM Holdings and accrued interest from September 1996 was paid in full at December 31, 1997.

In June 1996, an executive officer of the Company loaned $500 to the Company for working capital purposes pursuant to an unsecured, 10% promissory note that was payable upon demand. The loan amount plus $2.5 for interest and fees was repaid by December 31, 1996.

Other Activities

Pursuant to the RxCare Contract, which expires in December 1998, the Company makes 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 agreement were $240 for the years ended December 31, 1997 and 1996 and $140 for the year ended December 31, 1995. 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.

In December 1994, the Company entered into a ten-year agreement to lease a facility from Alchemie. The lease provides for monthly payments of $3 plus real estate taxes and condominium association fees. Rent expense was approximately $56, $52 and $60 for the years ended December 31, 1997, 1996 and 1995, respectively. The Company has expended an aggregate of approximately $513 for alterations and improvements to this space through December 31, 1997, which upon termination of the lease will revert to the lessor. The future minimum rental payments under these agreements are included in Note 6 with the Company's other operating leases.

Consulting and Service Agreements

In January 1994, the Company entered into consulting agreements with three minority stockholders of the Company. These agreements expire in 1999 and provide for payments to be made as services are rendered. No amounts were paid in 1997, 1996 or 1995.

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 1997 and $66 in both 1996 and 1995. The Company was reimbursed $225 of the amount paid to such officer and recorded 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 amounted to $225 and $300 for the year ended December 31, 1996 and 1995, respectively. The contract was terminated on March 31, 1996.

A professional services agreement was entered into as of January 1, 1996 between MIM Holdings and the Company. Under this agreement, MIM Holdings provided the Company with operational professional services required to perform the Company's obligations under a Marketing Services Agreement with Zenith Goldline (see Note 1), for which the Company paid MIM Holdings $150 in 1996. The agreement was terminated in May 1996.

Stockholder Notes Receivable

In June 1994, the Company advanced to an executive officer, who has since resigned as an employee and officer and who has been on administrative leave, approximately $979 for purposes of acquiring a principal residence, $975 of which is secured by a first mortgage on the residence. In exchange for the funds, the Company received two promissory notes, the aggregate outstanding principal balance of which was $979 and $955 at December 31, 1997 and 1996, respectively. Originally scheduled to be repaid by June 15, 1997 and bearing interest at 5.42% per annum payable monthly, the remaining principle balance currently is due and payable on June 15, 2000 together with 7.125% interest. Interest income on the notes for the years ended December 31, 1997, 1996 and 1995 was $60, $52 and $55, respectively.

In August 1994, the Company advanced to Alchemie $299 for the purposes of acquiring a building leased by the Company, of which approximately $280 was outstanding at December 31, 1997 and 1996. The note bears interest at a rate of 10% per annum with principal due on December 1, 2004. Interest income was $29 for the years ended December 31, 1997, 1996 and 1995.

In December 1995, the Company advanced to MIM Holdings $800 for certain consulting services to be performed for the Company in 1996. During 1995, the Company also 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 at December 31, 1995. The Company has received a note from MIM Holdings for $456. As originally written, the note bore interest at 10% per annum, payable quarterly, with principal due on March 31, 2001. The note was rewritten in December 1996 to make all interest from January 1, 1996 to September 30, 1997 payable on September 30, 1997. Thereafter, interest will be paid quarterly, in arrears, until March 31, 2001. The note is guaranteed by an officer of the Company and further secured by the assignment to the Company of a note in favor of MIM Holdings in the aggregate principal amount of $100. The remaining balance of $622 will not be repaid and was recorded as a stockholder distribution during the first quarter of 1996. The outstanding balance at December 31, 1997 and 1996 was $456 and $502, respectively.

NOTE 5--PROPERTY AND EQUIPMENT

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

	1997	1996
Computer and office equipment, including equipment under capital leases	$ 4,227	$ 2,794
Furniture and fixtures	442	364
Leasehold improvements	540	506
	5,209	3,664
Less: Accumulated depreciation	(1,710)	(1,241)
	$ 3,499	$ 2,423

NOTE 6--COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is currently a third-party defendant in a proceeding in the Superior Court of the State of Rhode Island. The third-party complaint alleges that the Company interfered with certain contractual relationships and misappropriated certain confidential information. The third-party complaint seeks to enjoin the Company from using the allegedly misappropriated confidential information and seeks an unspecified amount of compensatory and consequential damages, interest and attorneys' fees. Although the Company believes that the third-party plaintiffs' allegations are without merit, the loss of this litigation could have a material adverse effect on the Company's financial position and results of operations.

Pro-Mark is currently engaged in efforts to recover amounts it believes are reimbursable from Sierra Health Services, Inc. collectively, on behalf of its subsidiaries, Sierra Health and Life Insurance Company, Inc., Sierra Healthcare Options, Inc., Sierra Healthplan of Nevada, Inc. and HMO Texas L.C. (collectively, "Sierra") under a pharmacy benefit management services agreement (the "Sierra Agreement") dated as of August 6, 1997, which went into effect on October 1, 1997. The Company and Sierra disagree with respect to the interpretation of certain provisions of the Sierra Agreement.

On February 13, 1998, Pro-Mark gave Sierra notice of termination of the agreement which provided for the termination of the Sierra Agreement 30 days from the date of such notice and commenced an arbitration of the dispute before the American Arbitration Association, which the agreement specifies as the sole forum for resolving disputes arising under the agreement. The terminated date was extended an additional ten days upon neutral agreement of the parties.

On March 13, 1998, Sierra filed a lawsuit against Pro-Mark in the United States District Court, District of Nevada. The suit claims Pro-Mark breached the Sierra Agreement and that Sierra was misled as to the nature of that agreement. Sierra has asked the court to issue an order preventing Pro-Mark from terminating the Sierra Agreement under its February 13, 1998 notice of termination.

In ruling upon Sierra's motion, the court directed that if Sierra elected to post as $5 million bond in Pro-Mark's favor, a temporary restraining order would be issued, pending a motion for a preliminary injunction. Sierra elected to post such bond. The Court will schedule a hearing on Sierra's request for a preliminary injunction. Pro-Mark is opposing Sierra's request for a preliminary injunction and is asking the court to refer Sierra's contentions and claims to the arbitration proceeding before the American Arbitration Association. The Company believes that it has the right to receive the disputed funds from Sierra under the Sierra Agreement, and that the Company has the right to terminate the agreement; however, if the court were to rule in favor of Sierra, and if Pro-Mark were both unable to terminate the agreement and unable to recover from Sierra the amounts Pro-Mark claimed were owed, then the Company's business would be materially adversely affected.

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.

Non-Compete Covenant

In connection with his resignation from Zenith Laboratories, Inc. a manufacturer and distributor of generic drugs ("Zenith"), in January 1996 the Company's Chief Executive Officer agreed that he would provide consultative services to Zenith through December 31, 1998 and that, until then, neither he, nor any business in which he has a direct or indirect interest, will own, manage or be employed or engaged by any business that is substantially competitive with any material portion of the business of Zenith or its subsidiaries as conducted in early 1996. Such covenant may restrict the Company's ability to compete in certain areas including any future drug distribution business in which the Company may engage.

Employment Agreements

The Company has entered into employment agreements with certain key employees which expire at various dates through May 2000. Total minimum commitments under these agreements are approximately as follows:

1998	$1,088
1999	958
2000	399
	$2,445

Other Agreements

The Company has two consulting agreements which will require payments of $300 in the aggregate through 1998. As discussed in Note 4, the Company rents one of its main facilities from Alchemie. Rent expense for non-related party leased facilities and equipment was approximately $477, $208 and $116 for the years ended December 31, 1997, 1996 and 1995, 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, 1997 are as follows:

1998	$ 584
1999	436
2000	383
2001	378
2002	363
Thereafter	272
	$2,416

Capital Leases

The Company leases certain equipment under various capital leases. Future minimum lease payments under the capital lease agreements at December 31, 1997 are as follows:

1998	$ 292
1999	292
2000	292
2001	267
Total minimum lease payments	1,143
Less: amount representing interest	165
Obligations under leases	978
Less: current portion of lease obligation	222
	$ 756

NOTE 7--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, 1997 and 1996:

	1997	1996
Deferred tax assets:		
Reserves and accruals not yet deductible for tax purposes	$ 3,700	$ 3,327
Net operating loss carryforward	7,427	2,475
Subtotal	11,127	5,802
Less: valuation allowance	(11,196)	(5,734)
Total deferred tax assets	(69)	68
Deferred tax liabilities:		
Property basis differences	69	(68)
Total deferred tax liability	69	(68)
Net deferred taxes	$ --	$ --

It is uncertain whether the Company will realize 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, 1997 and 1996. A reconciliation to the tax provision (benefit) at the Federal statutory rate is presented below:

	1997	1996
Tax benefit at statutory rate	$4,589)	$(10,796)
State tax benefit, net of federal taxes	(891)	(2,096)
Provision for valuation allowance	5,460	2,065
Non-deductible executive stock option compensation charge	--	10,816
Other	20	11
Recorded income taxes	$ --	$ --

At December 31, 1997, the Company had, for tax purposes, unused net operating loss carryforwards of approximately $18.3 million that may be available to offset future taxable income, if any, and which will begin expiring in 2008. The amount of net operating loss carryforwards which may be utilized in any one period may become limited by federal income tax requirements if a cumulative change in ownership of more than 50% occurs within a three year period.

NOTE 8--STOCKHOLDERS' EQUITY

Public Offering

On August 14, 1996, the Company completed its initial public offering of 4,000,000 shares of Common Stock sold at $13.00 per share. Net proceeds amounted to $46,786 after offering costs of $1,574.

Stock Option Plans

In 1994, Pro-Mark established the Pro-Mark Holdings, Inc. 1994 Stock Plan (the "Pro-Mark Plan"). The Pro-Mark Plan provided for, among other awards, options to employees, contractors and consultants to purchase up to 60,000 shares of Pro-Mark common stock at an option price not less than 100% of the fair market value of the shares on the grant date. The period during which an option may be exercised varied, but no option could be exercised after 15 years from the date of grant. During 1994, options to purchase 560,700 shares of the Company's Common Stock at $0.0067 per share were granted. During 1995, options to purchase 2,494,200 shares of the Company's Common Stock at $0.0067 per share were granted. (See Note 1).

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 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. The number of shares authorized for issuance under the Plan, initially 4,000,000, was increased to 4,375,000 in December 1996. At December 31, 1997, 368,369 shares remained available for grant under the Plan.

As of December 31, 1997 and 1996, the exercisable portion of outstanding options was 2,004,306 and 2,793,550, respectively. No options were exercisable at December 31, 1994. Stock option activity under the Plan through December 31, 1997 is as follows:

	Options	Average Price
Balance, December 31, 1994	552,300	$ 0.0067
Granted	2,494,200	$ 0.0067
Canceled	(24,600)	
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

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, 1997, options to purchase 40,000 shares of Common Stock were outstanding under the Directors Plan at an exercise price of $13.00 per share, 13,334 of which were exercisable.

Accounting for Stock-Based Compensation

In May 1996, the then majority stockholder of the Company granted to three individuals who were unaffiliated with the Company (each of whom 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 are 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, under APB 25, 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 $7.50, the deemed fair market value of the Common Stock at the date of grant. In January 1998, two of these individuals who are officers of the Company exercised a total of 3,300,000 of these options.

In July 1996, the then 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.

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 net loss would have been increased to the pro forma amounts indicated below for the years ended December 31,:

	1997		1996		1995	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net loss	$(13,497)	$(14,416)	$(31,754)	$(32,131)	(6,772)	$(6,779)
Basic and diluted loss per common share	$ (1.07)	$ (1.14)	(3.32)	(3.36)	(1.43)	(1.43)
Weighed average shares outstanding	12,620	12,620	9,557	9,557	4,732	4,732

Because the method prescribed by SFAS No. 123 has not been applied to options granted prior to January 1, 1995, the resulting pro forma compensation expense may not be representative of the amount to be expected 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:

	1997	1996	1995
Volatility	60%	50%	50%
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 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 9--CONCENTRATION OF CREDIT RISK

The majority of the Company's revenues have been derived from TennCare contracts pursuant to the RxCare Contract. The following table outlines contracts with plan sponsors having revenues which individually exceeded 10% of total revenues during the applicable time period:

	Plan Sponsor			
	A	B	C	D
Year ended December 31, 1995				
% of total revenue....................................	30%	45%	--	-
% of total accounts receivable at period end..........	*	28%	--	-
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..........	*	*	*	*

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

There were no other contracts representing 10% or more of the Company's total revenue for the years ended December 31, 1997, 1996 and 1995. It is possible that the State of Tennessee or the Federal government could require modifications to the TennCare program. The Company is unable to predict the effect of any such future changes to the TennCare program. Effective April 1,1997, one of the TennCare contracts was terminated which represented 1996 revenues and net losses of $132,846 and $7,321 (including a $3,500 loss reserve), respectively (see Note 2).

NOTE 10--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 made no matching contributions for the years ended December 31, 1997, 1996 and 1995.

NOTE 11--SUBSEQUENT EVENTS

The Company has entered into an agreement to acquire Continental Managed Pharmacy, Inc., a Cleveland based pharmacy benefit management company, for approximately 3.9 million shares of the Company's Common Stock. The acquisition is subject to shareholder approval and will be treated as a purchase for accounting and financial reporting purposes.

Effective March 31, 1998, Mr. E. David Corvese, the Vice Chairman and a director of the Company and an officer and director of certain Company subsidiaries resigned as an employee and officer of the Company and its subsidiaries, pursuant to a spearation agreement between Mr. Corvese and the Company. Under that agreement, he also agreed not to stand for re-election as a director of the Company at its annual shareholders meeting. Effective January 1, 1998, Mr. Corvese had requested, and was granted, an administrative leave from his responsibilities with the Company and its subsidiaries. This leave was requested so that Mr. Corvese could attend to matters of a personal nature. Mr. Corvese's former responsibilities were allocated among the Company's senior management.

In addition, footnote 1 to the "Option Grants in Last Fiscal Year" Table of Item 11 - "Executive Compensation" in the Annual Report is hereby amended to add at the end of such footnote the following:

> Effective July 6, 1998, under a company repricing program, Mr. Posner elected to reprice the exercise price of this option to $6.50 per share. As a result of the conditions imposed upon such repricing program, the vested portion of this option became unvested and all 50,000 shares of MIM Common Stock subject to this option become exercisable in three equal installments on July 6, 1999, July 6, 2000 and July 6, 2001. The repricing program offered all employees holding options the right to reprice all outstanding options held by them on the same terms described above.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has caused this Amendment to No. 2 Annual Report on Form 10-K/A to be signed on its behalf by the undersigned thereunto duly authorized.

MIM Corporation

By: /s/ Barry A. Posner

Date: August 4, 1998

Name: Barry A. Posner
Title: Vice President