

FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended March 31, 1997

OR

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

For the transition period from _____ to _____

Commission file number 1-11993

MIM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

05-0489664

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One Blue Hill Plaza, Pearl River, New York 10965

(Address of principal executive offices)

(914) 735-3555

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No
--- ---

APPLICABLE ONLY TO CORPORATE ISSUERS:

On May 7, 1997, there were outstanding 12,091,500 shares of the Company's \$.0001 par value per share common stock ("Common Stock").

MIM CORPORATION
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Item 1. Financial Information

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

	March 31, 1997 ----- (Unaudited)	December 31, 1996 -----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 7,939	\$ 1,834
Investment securities	16,345	28,113
Receivables, less allowance for doubtful accounts of \$1,667 and \$1,088 at March 31, 1997 and December 31, 1996, respectively	19,385	18,646
Prepaid expenses and other current assets	1,136	1,129
	-----	-----
Total current assets	44,805	49,722
Investment securities, net of current portion	14,300	8,925
Property and equipment, net	2,482	2,423
Due from affiliates, less allowance for doubtful accounts of \$2,157 at March 31, 1997 and December 31, 1996	269	628
Other assets, net	113	102
	-----	-----
Total assets	\$ 61,969 =====	\$ 61,800 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$ 203	\$ 213
Accounts payable	736	1,562
Claims payable	20,292	17,278
Payables to plan sponsors and others	7,994	10,174
Accrued expenses	472	926
	-----	-----
Total current liabilities	29,697	30,153
Capital lease obligations, net of current portion	332	375
Commitments and contingencies		
Minority interest	1,127	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, 12,083,300 and 12,040,600 shares issued and outstanding at March 31, 1997 and December 31, 1996, respectively	1	1
Additional paid-in capital	73,450	73,443
Accumulated deficit	(40,866)	(41,564)
Stockholder notes receivable	(1,772)	(1,737)
	-----	-----
Total stockholders' equity	30,813	30,143
	-----	-----
Total liabilities and stockholders' equity	\$ 61,969 =====	\$ 61,800 =====

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

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

	Three months ended March 31,	
	1997	1996
	(Unaudited)	
Revenue	\$ 70,811	\$ 66,589
Cost of revenue	66,829	64,790
Gross profit	3,982	1,799
General and administrative expenses	3,909	2,235
Income (loss) from operations	73	(436)
Interest income, net	623	137
Income (loss) before minority interest	696	(299)
Minority interest	2	9
Net income (loss)	\$ 698	\$ (290)
Net income (loss) per common and common equivalent share	\$ 0.05	\$ (0.04)
Weighted average shares outstanding	15,121	8,024

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

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

	Three months ended March 31,	
	1997	1996
	(Unaudited)	
Cash flows from operating activities:		
Net income (loss)	\$ 698	\$ (290)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net loss allocated to minority interest	(2)	(9)
Depreciation and amortization	239	140
Stock option charges	7	-
Provision for losses on receivables and due from affiliates	579	-
Changes in assets and liabilities:		
Receivables	(1,318)	1,292
Prepaid expenses and other assets	(7)	(31)
Accounts payable	(826)	(33)
Claims payable	3,014	(423)
Payables to plan sponsors and others	(2,180)	1,929
Accrued expenses	(454)	404
	(250)	2,979
Cash flows from investing activities:		
Purchase of property and equipment	(312)	(53)
Purchase of investment securities	(14,832)	-
Proceeds from maturities of investment securities	21,239	-
Increase in other assets	(11)	-
Stockholder loans, net	(35)	36
Loans to affiliates, net	359	(225)
	6,408	(242)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(53)	(56)
Net cash used in financing activities	(53)	(56)
Net increase in cash and cash equivalents	6,105	2,681
Cash and cash equivalents--beginning of period	1,834	1,804
Cash and cash equivalents--end of period	\$ 7,939	\$ 4,485
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Income taxes	\$ -	\$ -
	=====	=====
Interest	\$ 12	\$ 6
	=====	=====
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Equipment acquired under capital lease obligations	\$ -	\$ -
	=====	=====
Distribution to stockholder through the cancellation of stockholder notes receivable	\$ -	\$ 622
	=====	=====

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

Mim Corporation And Subsidiaries
Notes To The Consolidated Financial Statements
(unaudited)
(in thousands, except for share and per share amounts)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information, pursuant to the rules and regulations of the Securities and Exchange Commission. Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements, primarily consisting of normal recurring adjustments, have been included. The results of operations and cash flows for the three months ended March 31, 1997 are not necessarily indicative of the results of operations or cash flows which may be reported for the remainder of 1997.

These consolidated financial statements should be read in conjunction with the consolidated financial statements, notes and information included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1996 (the "Form 10-K").

The accounting policies followed for interim financial reporting are the same as those disclosed in Note 2 to the consolidated financial statements included in the Form 10-K.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

In February 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, Earnings Per Share (SFAS 128). This Statement establishes standards for computing and presenting earnings per share and applies to entities with publicly traded common stock or potential common stock. SFAS 128 is effective for financial statements for both interim and annual periods ending after December 15, 1997 and early adoption is not permitted. When adopted, the statement will require restatement of prior years' earnings per share. The Company will adopt this statement for its fiscal year ending December 31, 1997. Assuming that SFAS 128 had been implemented, basic earnings per share would have been \$0.06 and \$(0.04), and diluted earnings per share would have been \$0.05 and \$(0.04), for the three month periods ended March 31, 1997 and March 31, 1996, respectively.

Item 2. Management's Discussion And Analysis Of Financial Condition And Results Of Operations

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements, the related Notes to the Consolidated Financial Statements and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Form 10-K and the Consolidated Financial Statements and the related Notes to the Consolidated Financial Statements included in Item 1 of this Report.

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. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. The accompanying information contained in this Report identifies important factors that could cause such differences.

Overview

A majority of the Company's revenues to date have been derived from operations in the State of Tennessee in conjunction with RxCare of Tennessee, Inc. ("RxCare"), a pharmacy services administrative organization owned by the Tennessee Pharmacists Association. The Company assisted RxCare in defining and marketing pharmacy benefit services to private health plan sponsors on a consulting basis in 1993, but did not commence substantial operations until January 1994 when RxCare began servicing several of the health plan sponsors involved in the newly instituted TennCare(R) state health program. At March 31, 1997, the Company provided pharmacy benefit management services to 34 health plan sponsors with an aggregate of approximately 1.2 million plan members, primarily on a capitated basis in Tennessee.

Results Of Operations

Three months ended March 31, 1997 compared to three months ended March 31, 1996

For the three months ended March 31, 1997, the Company recorded revenue of \$70.8 million compared with revenue of \$66.6 million for the three months ended March 31, 1996. The increase of \$4.2 million in revenue was due primarily to the servicing of 13 new plan sponsors covering over 121,000 plan members primarily in the Northeast, South Central and Pacific regions of the United States. Slight decreases in TennCare enrollment were offset by increases in per member revenue due to several contract restructurings. During the first three months of 1997, approximately 68% of the Company's revenue was generated through capitated contracts, compared with 92% during the first three months of 1996.

Cost of revenue for the three months ended March 31, 1997 increased to \$66.8 million compared with cost of revenue of \$64.8 million for the three months ended March 31, 1996. The increase of \$2.0 million in cost of revenue was primarily due to an increase in claims costs from the added health plans, which was offset in part by lower claims costs resulting from slight reductions in TennCare enrollment. As a percentage of revenue, cost of revenue decreased to 94.4% for the three months ended March 31, 1997 from 97.3% for the three months ended March 31, 1996.

General and administrative expenses were \$3.9 million for the three months ended March 31, 1997 and \$2.2 million for the three months ended March 31, 1996, an increase of 74.9%. The \$1.7 million increase was attributable to increases in operations, sales and marketing and headquarter 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 to 5.5% for the three months ended March 31, 1997 from 3.4% for the three months ended March 31, 1996.

For the three months ended March 31, 1997, the Company recorded net income of \$0.7 million, or \$0.05 per share. This compares with a net loss of \$0.3 million, or \$0.04 per share for the three months ended March 31, 1996. This improvement was a result of the above-described changes in revenue and expenses.

Liquidity And Capital Resources

For the three months ended March 31, 1997, net cash used by operating activities totaled \$0.3 million, primarily due to decreases in payables to plan sponsors and others and increases in receivables. Such uses were offset by the generation of \$0.7 million in net income along with increases in claims payable. Investment activities provided \$6.4 million in cash due to the maturity of short term investment securities.

At March 31, 1997, the Company had working capital of \$15.1 million, compared to \$19.6 million at December 31, 1996. The majority of this \$4.5 million decrease relates to the purchase of long term investment securities upon the maturity of short term investment securities. Cash and cash equivalents increased to \$7.9 million at March 31, 1997 compared with \$1.8 million at December 31, 1996. The Company had investment securities held to maturity of \$30.6 million and \$37.0 million at March 31, 1997 and December 31, 1996, respectively. The investments are primarily corporate debt securities rated A or better.

At March 31, 1997, the Company had, for tax purposes, unused net operating loss carryforwards of approximately \$6.1 million that may be available to offset future taxable income, if any, and which will begin expiring in 2008. Use of these carryforwards may be limited by the Tax Reform Act of 1986.

The Company believes that its improved financial condition and capital structure, since its initial public offering which raised approximately \$47 million in August 1996, has enhanced the Company's 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 the foreseeable future. The Company intends to offset, against profit sharing amounts, if any, due RxCare in the future under the Company's contract with RxCare, approximately \$7.1 million representing RxCare's share of the Company's cumulative losses and amounts previously advanced or paid to RxCare.

As part of its continued efforts to expand its pharmacy 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 management business, which the Company would expect to fund from cash on hand or future indebtedness or, if appropriate, the sale or exchange (in the case of a merger) of equity securities of the Company.

Other Matters

The Company's pharmaceutical reimbursement claims historically have 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 affect the Company's cost of revenue. The Company does not believe that inflation has had a material impact on the results of its operations.

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.

PART II - OTHER INFORMATION

Item 6 - Exhibits And Reports On Form 8-K

(a) Exhibits

Exhibit Number -----	Description -----
10.1	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 26, 1997
27	Financial Data Schedule

(b) Reports on Form 8-K

The registrant did not file any Reports on Form 8-K during the quarter for which this Report is filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MIM Corporation

Date: May 14, 1997

Richard H. Friedman
Chief Operating Officer, Chief Financial Officer,
Treasurer and Director
(Principal Financial Officer)

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT dated as of March 26, 1997, by and between MIM Corporation with its principal place of business at One Blue Hill Plaza, 15th Floor, P.O. Box 1670, Pearl River, New York 10965-8670 (hereinafter referred to as the "Company"), and Barry A. Posner residing at 105 West 73rd Street, Apartment 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 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 the date hereof and ending when terminated in accordance with the provisions of Section 4 or Section 5 (the period during which the Executive is employed hereunder being hereinafter referred to as the "Term").

2. Duties. The Executive, in his capacity as General Counsel and Corporate

Secretary of the Company, shall faithfully perform for the Company the duties of said offices and such other duties of an executive, managerial, or administrative nature as shall be specified and designated from time to time by the Board of Directors of the Company (the "Board"), the Chief Executive Officer and Chief Operating Officer of the Company. The Executive shall devote substantially 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 salary at the rate of \$165,000 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. The Chief Operating Officer of the Company shall, three months from the date hereof, review the Executive and, in the sole discretion of the Chief Operating Officer of the Company and in the event of a favorable review, increase the Annual Salary to \$175,000. Thereafter, from time to time, and at least annually, the Board or the Chief Operating Officer of the Company shall review the Executive's Annual Salary and if the Board or the Chief Operating Officer, in its discretion, increases the Annual Salary, then upon such increase, the increased amount shall thereafter be deemed to be the "Annual Salary." Annual Salary shall not be reduced at any time, including, without limitation, after any increase provided under this Section 3.1 .

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, 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. Without limiting the generality of Section 3.2,

the Executive during the Term shall (i) be eligible to participate in the Company's Executive Bonus Program established for the benefit of senior officers in accordance with its terms as amended from time to time (at levels consistent with the Executive's position relative to other members of senior management), (ii) be entitled to a life insurance policy with a face value of \$1,000,000 the premium for which shall be paid entirely by the Company (or by the Executive and reimbursed by the Company) and (iii) be eligible for director and officer liability insurance to the extent provided to other senior executives of the Company generally.

3.4 Grant of Option. The Executive shall be granted an option, which

shall not be required to be qualified under Section 422 of the Internal Revenue Code of 1986, as amended, to purchase 50,000 shares of common stock of the Company, par value .0001 per share, at a per-share price equal to the closing sales price per share on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") on the date hereof. Subject to Section 5 hereof and the applicable award agreement, thirty-three and one-third percent (33 1/3%) of the option shall vest and become exercisable, on each of the first, second, and third anniversaries of the date hereof. The option 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 15 business

days per year, increasing to 20 business days per year on the first anniversary
of the date hereof, to be accrued and available in accordance with the policies
applicable to senior executives of the Company generally (other than the
Founders).

3.6 Automobile. The Company will provide the Executive a monthly

allowance of \$450 for the use of an automobile.

3.7 Expenses. The Company shall pay or reimburse the Executive for all

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 travel expenses; provided that the Executive submits proof of such
expenses, with the properly completed forms 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 Employee shall terminate in
their entirety except as otherwise provided 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 but not yet paid)
earned and accrued under 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), and (ii) 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.

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 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 a 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 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 nine months 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 and (B) such continuing coverage under the benefit plans and programs the Executive would have received under this Agreement as would have applied in the absence of such termination; it being expressly understood and agreed that nothing in this clause (ii) shall restrict the ability of the Company to amend or terminate such plans and programs from time to time in its sole discretion; provided, however, that the Company shall in no event be required to provide any coverage after such time as 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 (iii) 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; or
 - (iv) the Executive's other material breach of this Agreement which breach shall have continued

unremedied for 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, and the Executive may terminate his employment upon written notice to the Company which specifies an effective date of termination of employment not less than 30 days from the date of such notice. If the Company terminates the Executive for Cause, or the Executive terminates his employment and the termination by the Executive is not covered by Section 4, 5.2, or 5.3, (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); and (ii) 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.

5.2 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;
- (ii) the relocation of the Executive's office to more than 50 miles from the George Washington

Bridge;

(iii) the failure by the Company to obtain an agreement in form and substance reasonably satisfactory to the Executive from any successor to the business of the Company upon a Change of Control (as defined below) to assume and agree to perform this Agreement; or

(iv) 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 and the Executive may terminate the Executive's employment with the Company for Good Reason. If the Company terminates the Executive's employment and the termination is not covered by Section 4, 5.1 or 5.3, or the Executive terminates his employment for Good Reason and the termination by the Executive is not covered by Section 5.3, (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 nine months 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 and (B) such continuing coverage under the benefit plans and programs the Executive would have received under this Agreement as would have applied in the absence of such termination; it being expressly understood and agreed that nothing in this clause (ii) shall restrict the ability of the Company to amend or terminate such

plans and programs from time to time in its sole discretion; provided, however, that the Company shall in no event be required to provide any coverage after such time as 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 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; and (iv) 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 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"), 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 50% or more of the combined voting power of the Company's then outstanding securities in any one or more transactions; 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 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 outstanding common stock (the "Common Stock") at such time, 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).

(b) If, within the one-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 period, the Executive elects to terminate his employment after the Company 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 prior to such Change of Control, (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 one year 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 and (B) such continuing coverage under the benefit plans and programs the Executive would have received under this Agreement as would have applied in the absence of such termination; it being expressly understood and agreed that nothing in this clause (ii) shall restrict the ability of the Company to amend or terminate such plans and programs from time to time in its sole discretion; provided, however, that the Company shall in no event be required to provide any coverage after such time as 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 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; and (iv) 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. Covenant of the Executive.

6.1 Covenant Against Competition; Other Covenants.

The Executive acknowledges that (i) the principal business of the

Company is the provision of a broad range of services designed to promote the cost-effective delivery of pharmacy benefits (such business, and any and all other businesses that after the date hereof, and from time to time during the Term, become material with respect to the Company's then-overall business, herein being collectively referred to as the "Business"); (ii) the Company is dependent on the efforts of a certain limited number of persons who have developed the Company's Business; (iii) the Company's Business is, in part, national in scope; (iv) the Executive's work for the Company has given and will continue to give him access to the 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 this Agreement but for the covenants and agreements set forth in this Section 6. Accordingly, the Executive covenants and agrees that:

(a) If at any time during his employment with the Company the Executive is no longer serving as General Counsel and is given a title or is otherwise assigned a position which principally has business responsibilities, and the Company gives the Executive notice of such fact, then during the period commencing on the date upon which the Executive receives such notice from the Company and ending one 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 (i) the Business and (ii) any 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 and its affiliates, all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by the Executive heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansions of product, service, or geographic markets of the Company and its affiliates, (ii) sales figures, contracts, agreements, and undertakings with or with respect to customers, (iii) profit or loss figures, and (iv) customers, clients, suppliers, sources of supply and customer lists, and shall not disclose such Confidential Company Information to anyone outside of

the Company except with the Company's express written consent and except for Confidential Company Information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of 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 years following the date upon which the Executive shall cease to be an employee of the Company or its affiliates, 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 or any of its affiliates, any employee or independent contractor thereof or hire (on behalf of the Executive or any other person or entity) any employee or independent contractor who has left the employment or other service of the Company or any of its affiliates within one year of the termination of such employee's or independent contractor's employment or other service with the Company and its affiliates. During such period, the Executive will not, whether for his own account or for the account of any other person, firm,

corporation or other business organization, intentionally interfere with the Company's or any of its affiliates' relationship with, or endeavor to entice away from the Company or any of its affiliates, any person who during the Term is or was a customer or client of the Company or any of its affiliates.

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

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 (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, the Company and its affiliates shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company and its affiliates under law or in equity (including, without limitation, the recovery of damages):

(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 and its affiliates 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 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 Severability. 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.

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 affiliates, where applicable), other than those arising under Section 6, to the extent necessary for the Company (or its affiliates, where applicable) to avail itself of the rights and remedies provided under Section 6.2, 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 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
One Blue Hill Plaza
15th Floor
P.O. Box 1670
Pearl River, New York 10965-8670
Attention: Richard H. Friedman

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
Apartment 6C
New York, New York 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 PRINCIPLES 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

notwithstanding, the provisions of Sections 6, 7.3 and 7.9, and the other
provisions of this Section 7 (to the extent necessary to effectuate the survival
of Sections 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 Parachutes. If all, or any portion, of the payments provided under

this Agreement, either alone or together

with other payments and benefits which the Executive receives or is entitled to receive from the Company or an affiliate, would constitute an excess "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), the payments and benefits provided under this Agreement shall be reduced to the extent necessary so that no portion thereof shall fail to be tax-deductible under Section 280G of the Code.

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

/s/ Richard H. Friedman

MIM CORPORATION

By: Richard H. Friedman
its Chief Operating Officer

/s/ Barry A. Posner

Barry A. Posner

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