

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, 1998 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 4, 1998, there were outstanding 13,591,350 shares of the Company's \$.0001 par value per share common stock ("Common Stock").

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PART 1  
FINANCIAL INFORMATION

Item 1. Financial Statements

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

	March 31, 1998 ----- (Unaudited)	December 31, 1997 -----
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 5,816	\$ 9,593
Investment securities	15,243	19,235
Receivables, less allowance for doubtful accounts of \$1,386, in 1998 and 1997	34,742	23,666
Prepaid expenses and other current assets	832	888
	-----	-----
Total current assets	56,633	53,382
Investment securities, net of current portion	1,100	3,401
Other investments	2,300	2,300
Property and equipment, net	3,626	3,499
Due from affiliates, less allowance for doubtful accounts of \$2,360, in 1998 and 1997	--	--
Other assets, net	187	145
	-----	-----
Total assets	\$ 63,846 =====	\$ 62,727 =====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Current portion of capital lease obligations	\$ 226	\$ 222
Accounts payable	367	931
Deferred revenue	--	2,799
Claims payable	29,462	26,979
Payables to plan sponsors and others	11,949	10,839
Accrued expenses	1,589	2,279
	-----	-----
Total current liabilities	43,593	44,049
Capital lease obligations, net of current portion	699	756
Commitments and contingencies		
Minority interest	1,112	1,112
Stockholders' equity		
Preferred stock, \$.0001 par value; 5,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, \$.0001 par value; 40,000,000 shares authorized, 13,421,850 and 13,335,120 shares issued and outstanding at March 31, 1998 and December 31, 1997, respectively	1	1
Additional paid-in capital	73,593	73,585
Accumulated deficit	(53,425)	(55,061)
Stockholder notes receivable	(1,727)	(1,715)
	-----	-----
Total stockholders' equity	18,442	16,810
	-----	-----
Total liabilities and stockholders' equity	\$ 63,846 =====	\$ 62,727 =====

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,	
	1998	1997
	----- (Unaudited) -----	
Revenue	\$97,963	\$70,811
Cost of revenue	92,384	66,829
	-----	-----
Gross profit	5,579	3,982
Selling, general and administrative expenses	4,450	3,909
	-----	-----
Income from operations	1,129	73
Interest income, net	507	623
	-----	-----
Income before minority interest	1,636	696
Minority interest	--	2
	-----	-----
Net income	\$ 1,636	\$ 698
	=====	=====
Basic earnings per share	\$ 0.12	\$ 0.06
	=====	=====
Diluted earnings per share	\$ 0.11	\$ 0.05
	=====	=====
Weighted average shares outstanding used in computing basic earnings per share	13,369	12,068
	=====	=====
Weighted average shares outstanding used in computing diluted earnings per share	15,132	15,121
	=====	=====

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,	
	1998	1997
	-----	
Cash flows from operating activities:	(Unaudited)	
Net income	\$ 1,636	\$ 698
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Net loss allocated to minority interest	--	(2)
Depreciation and amortization	361	239
Stock option charges	7	7
Provision for losses on receivables and loans to affiliates	--	579
Changes in assets and liabilities:		
Receivables	(11,076)	(1,318)
Prepaid expenses and other assets	56	(7)
Accounts payable	(564)	(826)
Deferred revenue	(2,799)	--
Claims payable	2,483	3,014
Payables to plan sponsors and others	1,110	(2,180)
Accrued expenses	(690)	(454)
	-----	-----
Net cash provided by (used in) operating activities	(9,476)	(250)
	-----	-----
Cash flows from investing activities:		
Purchase of property and equipment	(487)	(312)
Purchase of investment securities	(4,000)	(14,832)
Proceeds from maturities of investment securities	10,293	21,239
Increase in other assets	(43)	(11)
Stockholder loans, net	(12)	(35)
Loans to affiliates, net	--	359
	-----	-----
Net cash provided by (used in) investing activities	5,751	6,408
	-----	-----
Cash flows from financing activities:		
Principal payments on capital lease obligations	(53)	(53)
Proceeds from exercise of stock options	1	--
	-----	-----
Net cash provided by (used in) financing activities	(52)	(53)
	-----	-----
Net increase (decrease) in cash and cash equivalents	(3,777)	6,105
Cash and cash equivalents--beginning of period	9,593	1,834
	-----	-----
Cash and cash equivalents--end of period	\$ 5,816	\$ 7,939
	=====	=====
 SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	\$ 19	\$ 12
	=====	=====
 SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Equipment acquired under capital lease obligations	\$ --	\$ --
	=====	=====
Distribution to stockholder through the cancellation of stockholder notes receivable	\$ --	\$ --
	=====	=====

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 U.S. Securities and Exchange Commission (the "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, 1998 are not necessarily indicative of the results of operations or cash flows which may be reported for the remainder of 1998.

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, 1997, as amended by an amendment thereto on Form 10-K/A, filed with the Commission (the "Form 10-K").

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

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the computation of Basic Earnings per Share and Diluted Earnings per Share:

(In thousands except per share amounts)	Three Months Ended March 31,	
-----	1998	1997
-----	-----	-----
Net income less preferred dividends	1,636	698
Denominator:		
Average number of common shares outstanding	13,369	12,068
	-----	-----
Basic Earnings per Share	\$ .12	\$ .06
	=====	=====
Denominator:		
Average number of common shares outstanding	13,369	12,068
Common share equivalents of outstanding stock options and deferred contingent common stock awards	1,763	3,053
Total shares	15,132	15,121
	-----	-----
Diluted Earnings per Share	\$ .11	\$ .05
	=====	=====

NOTE 3 - SUBSEQUENT EVENTS

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 PBM Services Agreement (the "Sierra Agreement") with the Company. As disclosed in the Company's Form 10-K, this dispute related to the parties' divergent interpretations of certain provisions of the Sierra Agreement, which led to Sierra's non-payment of certain invoiced amounts. Under the terms of the settlement, both parties dismissed their respective claims pending in the United States District Court, District of Nevada and the American Arbitration Association. 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 the Sierra Agreement. The Company continues to provide pharmacy benefit management services to Sierra under the Sierra Agreement during this 90-day period.

Effective May 15, 1998, Mr. John H. Klein, currently the Company's Chief Executive Officer, Chairman of the Board of Directors and a director, will resign from all positions held with the Company, including Chief Executive Officer, Chairman of the Board and director. Effective on that date, Mr. Richard H. Friedman, currently the Company's Chief Operating Officer, Chief Financial Officer and a director will succeed Mr. Klein as the Company's Chief Executive Officer. Mr. Scott R. Yablon, currently a director of the Company, has joined the Company as an employee, and effective May 15, 1998, will assume the titles of Chief Financial Officer and Chief Operating Officer of the Company.

## 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 as well as the unaudited consolidated interim financial statements and the related notes to the unaudited consolidated interim financial statements included in Item 1 of this Report.

Certain statements contained in this report are not purely historical and are considered forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Company's expectations, hopes, intentions or strategies regarding the future, as well as statements which are not historical fact. Forward looking statements may include statements relating to business development activities, future capital expenditures, the effects of regulation and competition on the Company's business, future operating performance of the Company and the results and/or effect of legal proceedings or investigations and/or the resolution or settlement thereof. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. These factors include, among other things, risks associated with capitated (i.e., risk-based) contracts, increased government regulation related to the health care industry in general and more specifically, pharmacy benefit management organizations, increased competition from the Company's competitors, including competitors which are vertically integrated with pharmaceutical manufacturers, and the existence of complex laws and regulations relating to the Company's business. This Report and the Form 10-K contain information regarding important factors which 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 health plan sponsors involved in the newly instituted TennCare(R) state health program. At March 31, 1998, the Company provided pharmacy benefit management services to 46 health plan sponsors with an aggregate of approximately 1.9 million plan members. TennCare(R) represented 1.2 million members.

### Results of Operations

Three months ended March 31, 1998 compared to three months ended March 31, 1997

For the three months ended March 31, 1998, the Company recorded revenue of \$98.0 million compared with revenue of \$70.8 million for the three months ended March 31, 1997, an increase of \$27.2 million. \$17.6 million of the increase resulted from servicing 14 new plans covering approximately 490,000 lives throughout the United States as well as increased enrollment in existing commercial plans. Sierra, enrolled in October 1997, accounted for \$10.0 million of the increased commercial revenue. TennCare(R) sponsors contributed an additional \$9.6 million

increase of revenue. In the last quarter of 1997, the Company entered into new contracts with two TennCare(R) MCO's to which the Company previously provided PBM services. These new contracts increased revenues by \$17.1 million. In addition, favorable contract renegotiations and increased enrollment in other existing TennCare(R) sponsors increased revenues by \$18.4 million. These increases in TennCare(R) revenues were partially offset by a decrease of \$25.9 million from the restructuring in April 1997 of a major TennCare(R) contract (as discussed below). The contract was restructured from a risk-based (capitated) arrangement to a non-risk (fee-for-service) arrangement, although the Company continued to provide essentially the same services under the restructured contract. During the three months ended March 31, 1998, approximately 39% of the Company's revenues were generated from risk (capitated) contracts, compared to 68% during the three months ended March 31, 1997.

Cost of revenue for the quarter ended March 31, 1998 increased to \$92.4 million from \$66.8 million for the quarter ended March 31, 1997, an increase of \$25.6 million. New commercial contracts together with increased enrollment in existing commercial plans resulted in \$18.4 million of such increases in cost of revenue. Such increase includes costs of \$10.1 million resulting from the Sierra Agreement which utilized \$2.6 million of the reserve established at December 31, 1997. TennCare(R) contracts contributed \$7.2 million of increased cost of revenue. Costs relating to TennCare(R) contracts increased by \$32.7 million due to the two new TennCare(R) contracts referred to above (\$16.5 million) and eligibility increases in existing plans, increased drug prices, and increased utilization of prescription drugs (\$16.2 million). These costs were offset by the above-mentioned restructuring of a major TennCare(R) contract, which resulted in a decrease in cost of revenue of \$25.5 million. As a percentage of revenue, cost of revenue was 94.3% for the three months ended March 31, 1998 compared to 94.4% for the three months ended March 31, 1997.

Selling, general and administrative expenses were \$4.5 million for the three months ended March 31, 1998 compared to \$3.9 million for the three months ended March 31, 1997, an increase of 15%. The additional \$.6 million reflects an increase in the Company's revenue along with a continuing commitment to enhance its ability to manage efficiently pharmacy benefits by investing in additional operational and clinical personnel and information systems to support new and existing customers. In addition, the Company experienced an increase in legal fees. As a percentage of revenue, selling, general and administrative expenses decreased to 4.5% for the three months ended March 31, 1998 from 5.5% for the three months ended March 31, 1997.

For the three months ended March 31, 1998, the Company recorded interest income of \$.5 million compared with \$.6 million for the three months ended March 31, 1997, a decrease of \$.1 million. The decrease resulted from a lower level of invested funds in the first quarter of 1998 compared to the first quarter of 1997. The level of invested funds decreased due to the operating needs of the Company.

For the three months ended March 31, 1998, the Company recorded net income of \$1.6 million, or \$.12 per basic share. This compares with net income of \$.7 million, or \$.06 per basic share, for the three months ended March 31, 1997. This decrease is due largely to the above-described changes in revenue and cost of revenues.

#### Liquidity and Capital Resources

For the three months ended March 31, 1998, net cash used in operating activities totaled \$9.5 million, primarily due to increases in receivables of approximately \$11.1 million resulting from increased revenues from both the TennCare(R) and commercial contracts. Such uses were partially offset by increases in claims payables of approximately \$2.5 million. Investing activities provided \$5.8 million in cash due primarily to the proceeds from maturities of investment securities of approximately \$10.3 million, offset by the purchase of new investment securities of approximately \$4.0 million. The Company purchased \$.5 million of property and equipment, primarily to upgrade and enhance information systems necessary to strengthen and support the Company's ability to manage better its customers' pharmacy benefits programs.

At March 31, 1998, the Company had working capital of \$13.0 million, compared to \$9.3 million at December 31, 1997. Cash and cash equivalents decreased to \$5.8 million at March 31, 1998 compared with \$9.6 million at December 31, 1997. The Company had investment securities held to maturity of \$16.3 million and \$22.6 million at March 31, 1998 and December 31, 1997, respectively. With the exception of the Company's \$2.3 million preferred stock investment in Wang Healthcare Information Systems, Inc. ("WHIS"), the Company's investments are primarily corporate debt securities rated A or better and government securities. In June 1997, the Company



invested \$2.3 million in the preferred stock of WHIS, a company engaged in the development, sales and marketing of PC-based information systems for physicians and their staff, using image-based technology.

At March 31, 1998, the Company had, for tax purposes, unused net operating loss carryforwards of approximately \$18.3 million which will begin expiring in 2008. 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 in 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 its initial public offering (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 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 \$4.9 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 of equity securities of the Company.

#### Other Matters

The Company's pharmaceutical claims costs 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. Currently, non-risk contracts represented 61% of the Company's revenue for the quarter ended March 31, 1998. Under non-risk contracts, seasonally higher utilization no longer materially adversely effects the Company's gross margin.

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 increased rates.

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

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 Managed Pharmacy Services, Inc. ("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 would occur during the second quarter of 1998, there can be no assurances that the Merger will be consummated at such time or at all.

On April 14, 1998, the Company resolved its dispute with certain subsidiaries of Sierra. As disclosed in the Company's Form 10-K, this dispute related to the parties' divergent interpretations of certain provisions of the Sierra Agreement, which led to Sierra's non-payment of certain invoiced amounts. Under the terms of the settlement, both parties dismissed their respective claims pending in the United States District Court, District of

Nevada and the American Arbitration Association. 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 the Sierra Agreement. The Company continues to provide pharmacy benefit management services to Sierra under the Sierra Agreement for such 90-day period.

Effective May 15, 1998, John H. Klein, currently the Company's Chief Executive Officer, Chairman of the Board of Directors and a director, will resign from all positions held with the Company, including Chief Executive Officer, Chairman of the Board and director. Effective on that date, Richard H. Friedman, currently the Company's Chief Operating Officer, Chief Financial Officer and a director will succeed Mr. Klein as the Company's Chief Executive Officer. Scott R. Yablon, currently a director of the Company, has agreed to join the Company as an employee, and effective May 15, 1998, will assume the titles of Chief Financial Officer and Chief Operating Officer of the Company.

PART II  
OTHER INFORMATION

Item 2. Changes in Securities and Use of Proceeds

From August 14, 1996 through March 31, 1998, the \$46,788,000 net proceeds from the Offering, pursuant to a Registration Statement assigned file number 333-05327 by the Securities and Exchange Commission (the "Commission") and declared effective by the Commission on August 14, 1996, have been applied in the following approximate amounts:

Construction of plant, building and facilities.....	\$	-
Purchase and installation of machinery and equipment.....	\$	2,122,000
Purchases of real estate.....	\$	-
Acquisition of other business.....	\$	2,300,000
Repayment of indebtedness.....	\$	-
Working capital.....	\$	20,207,000
Temporary investments:		
Marketable securities.....	\$	16,343,000
Overnight cash deposits.....	\$	5,816,000

To date the Company has expended a relatively insignificant portion of the Offering proceeds on expansion of the Company's "preferred generics" business although, at the time of the Offering as disclosed in the prospectus related thereto, the Company intended to apply approximately \$18.6 million of Offering proceeds to fund such expansion. As of the date of this filing, the Company has not determined the ultimate amount or timing of application of Offering proceeds to such use.

Item 5. Other Information

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 would occur during the second quarter of 1998, there can be no assurances that the Merger will be consummated at such time or at all.

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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 the Sierra Agreement. The Company continues to provide pharmacy benefit management services to Sierra under the Sierra Agreement for such 90-day period.

Effective May 15, 1998, Mr. Klein, currently the Company's Chief Executive Officer, Chairman of the Board of Directors and a director, will resign from all positions held with the Company, including Chief Executive Officer, Chairman of the Board and director. Effective on that date, Mr. Friedman, currently the Company's Chief Operating Officer, Chief Financial Officer and a director will succeed Mr. Klein as the Company's Chief Executive Officer. Mr. Yablon, currently a director of the Company, has agreed to join the Company as an employee, and effective May 15, 1998, will assume the titles of Chief Financial Officer and Chief Operating Officer of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number -----	Description -----
3(ii).1	Amended and Restated By-Laws of MIM Corporation
10.47	Separation Agreement, dated March 31, 1998, between MIM Corporation and E. David Corvese.
10.48	Employment Agreement, dated February 1, 1998, between MIM Corporation and Larry E. Edelson-Kayne.
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, 1998

/s/ Richard H. Friedman

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

BY-LAWS

of

MIM Corporation  
(a Delaware corporation)

ARTICLE 1  
OFFICES

Section 1.01. Offices. The Corporation may have offices at such places both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the Corporation may require.

ARTICLE 2  
MEETINGS OF STOCKHOLDERS

Section 2.01. Place of Meeting. Meetings of the stockholders shall be held at such place, within the State of Delaware or elsewhere, as may be fixed from time to time by the Board of Directors. If no place is so fixed for a meeting, it shall be held at the Corporation's then principal executive office.

Section 2.02. Annual Meeting. The annual meeting of stockholders shall be held, unless the Board of Directors shall fix some other hour or date therefor, at 10:00 o'clock A.M. on the third Wednesday of May in each year, if not a legal holiday under the laws of Rhode Island, and, if a legal holiday, then on the next succeeding secular day not a legal holiday under the laws of Rhode Island, at which the stockholders shall elect by plurality vote a Board of Directors, and transact such other business as may properly be brought before the meeting.

Section 2.03. Notice of Annual Meetings. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than 10 days nor more than 60 days before the date of the meeting.

Section 2.04. List of Stockholders. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least 10 days before every meeting of stockholders, a complete list of stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, during ordinary business hours, for a period of at least 10 days prior to the meeting, either at a place within the city where the meeting is to be held, which place shall be so specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held. The list shall also be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present.

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Section 2.05. Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by statute or by the Certificate of Incorporation, may be called by the Chairman or the Vice Chairman and shall be called by the Chief Operating Officer or Secretary at the request in writing of a majority of the Board of Directors. Such request shall state the purpose or purposes of the proposed meeting. Business transacted at any special meeting of stockholders shall be limited to the purposes stated in the notice.

Section 2.06. Notice of Special Meetings. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given to each stockholder entitled to vote at such meeting not less than 10 days nor more than 60 days before the date of the meeting.

Section 2.07. Quorum; Voting. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise provided by statute or by the Certificate of Incorporation. If, however, such quorum shall not be present or represented at any meeting of the stockholders, the stockholders entitled to vote thereat, present in person or represented by proxy, shall have power to adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present or represented. At such adjourned meeting at which a quorum shall be present or

represented any business may be transacted which might have been transacted at the meeting as originally notified. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting. When a quorum is present at any meeting, except for elections of directors, which shall be decided by plurality vote, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting, unless the question is one upon which by express provision of statute or of the Certificate of Incorporation, a different vote is required, in which case such express provision shall govern and control the decision of such question. Unless otherwise provided in the Certificate of Incorporation, each stockholder shall at every meeting of stockholders be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by such stockholder, but no shares shall be voted pursuant to a proxy more than three years after the date of the proxy unless the proxy provides for a longer period.

Section 2.08. Action Without a Meeting. Unless otherwise restricted by the Certificate of Incorporation, any action required or permitted to be taken at any annual or special meeting of stockholders may be taken without a meeting, without prior notice and without a vote, if a consent or consents in writing setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted and shall be delivered to the corporation by delivery to its registered office in the State, its principal place of business, or an officer or agent of the corporation having custody of the book in which proceedings of meetings of stockholders are recorded. Delivery made to a

corporation's registered office shall be by hand or by certified or registered mail, return receipt requested. Every written consent shall bear the date of signature of each stockholder who signs the consent and no written consent shall be effective to take the corporate action referred to therein unless, within sixty days after the earliest dated consent delivered in the manner required by this Section to the corporation, written consents signed by a sufficient number of stockholders to take action are delivered in the manner required by this Section to the Corporation. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing.

Section 2.09. Nominations and Stockholder Business.

(a) Annual Meetings of Stockholders.

(1) Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) by any stockholder of the Corporation who (x) was a stockholder of record at the time of giving of notice provided for in Section 2.09(a)(2), (y) is entitled to vote at the meeting and (z) complied with the notice procedures set forth in Section 2.09(a)(2).

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of paragraph (a)(1) of this Section 2.09, the stockholder must have given timely notice thereof in writing to the secretary of the Corporation. To be timely, a stockholder's notice shall be delivered to the secretary at the principal executive offices of the Corporation not less than 60 days nor more than 90 days prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is advanced by more than 30 days or delayed by more than 60 days from such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the 90th day prior to such annual meeting and not later than the close of business on the later of the 60th day prior to such annual meeting or the tenth day following the day on which public announcement of the date of such meeting is first made. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (ii) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and of the beneficial owners, if any, on whose behalf the proposal is made; and (iii) as to the stockholder giving the notice and the beneficial owners, if any, on whose behalf the nomination or proposal is made, (x) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owners, if any, and (y) the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owners, if any.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Section 2.09 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement naming all of the nominees for director or specifying the size of the increased Board of Directors made by the Corporation at least 70 days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by paragraph (a)(2) of this Section 2.09 shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the secretary at the principal executive offices of the Corporation not later than the close of business on the tenth day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders.

(1) Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation's notice of meeting.

(2) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) pursuant to the Corporation's notice of meeting, (ii) by or at the direction of the Board of Directors or (iii) provided that the Board of Directors has determined that directors shall be elected at such special meeting, by any stockholder of the Corporation who (x) has given timely notice thereof meeting the requirements of Section 2.09(b)(3), (y) is a stockholder of record at the time of giving of such notice and (z) is entitled to vote at the meeting.

(3) To be timely, a stockholder's notice referred to in Section 2.09(b)(2) must have been delivered to the secretary of the Corporation at the principal executive offices of the Corporation not earlier than the 90th day prior to such special meeting and not later than the close of business on the later of the 60th day prior to such special meeting or the tenth day following the day on which public announcement is made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. Such stockholder's notice shall set forth (i) as to each person whom the stockholder proposes to nominate for election or reelection as a director, all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Exchange Act (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); and (ii) as to the stockholder giving the notice and the beneficial owners, if any, on whose behalf the nomination is made, (x) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owners, if any, and (y) the class and number of shares of stock of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owners, if any.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 2.09 shall be eligible to serve as directors and only such

business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Section 2.09. The presiding officer of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made in accordance with the procedures set forth in this Section 2.09 and, if any proposed nomination or business is not in compliance with this Section 2.09, to declare that such defective nomination or proposal be disregarded.

(2) For purposes of this Section 2.09, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Sections 13, 14, or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 2.09, a stockholder shall also comply with all applicable requirements of state law and of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Section 2.09. Nothing in this Section 2.09 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

### ARTICLE 3 DIRECTORS

Section 3.01. Number and Term of Office. The number of directors of the Corporation shall be such number as shall be designated from time to time by resolution of the Board of Directors and initially shall be two. The directors shall be elected at the annual meeting of the stockholders, except as provided in Section 3.02 hereof. Each director elected shall hold office for a term of one year and shall serve until his successor is elected and qualified or until his earlier death, resignation or removal. Directors need not be stockholders.

Section 3.02. Vacancies. Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled by a majority of the directors then in office, though less than a quorum, or by a sole remaining director, and the directors so chosen shall hold office until the next annual election and until their successors are duly elected and shall qualify, unless sooner displaced. If there are no directors in office, then an election of directors may be held in the manner provided by statute. If, at the time of filling any vacancy or any newly created directorship, the directors then in office shall constitute less than a majority of the whole board (as constituted immediately prior to any such increase), the Court of Chancery may, upon application of any stockholder or stockholders holding at least 10 percent of the total number of the shares at the time outstanding having the right to vote for such directors, summarily order an election to be held to fill any such vacancies or newly created directorships, or to replace the directors chosen by the directors then in office.

Section 3.03. Resignations. Any director may resign at any time by giving written notice to the Board of Directors, the Chairman, the Chief Operating Officer, the Secretary

or any Assistant Secretary. Such resignation shall take effect at the time of receipt thereof or at any later time specified therein; and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 3.04. Direction of Management. The business of the Corporation shall be managed under the direction of its Board of Directors, which may exercise all such powers of the Corporation and do all such lawful acts and things as are not by statute or by the Certificate of Incorporation or by these By-Laws directed or required to be exercised or done by the stockholders.

Section 3.05. Place of Meetings. The Board of Directors of the Corporation may hold meetings, both regular and special, either within or without the State of Delaware.

Section 3.06. Annual Meeting. Immediately after each annual election of directors, the Board of Directors shall meet for the purpose of organization, election of officers, and the transaction of other business, at the place where such election of directors was held or, if notice of such meeting is given, at the place specified in such notice. Notice of such meeting need not be given. In the absence of a quorum at said meeting, the same may be held at any other time and place which shall be specified in a notice given as hereinafter provided for special meetings of the Board of Directors, or as shall be specified in a written waiver signed by the directors, if any, not attending and participating in the meeting.

Section 3.07. Regular Meetings. Regular meetings of the Board of Directors may be held without notice at such time and place as shall from time to time be determined by the Board.

Section 3.08. Special Meetings. Special meetings of the Board of Directors may be called by the Chairman or the Vice Chairman on 2 days' notice to each director; either personally (including telephone), or in the manner specified in Section 4.01; special meetings shall be called by the Chairman, the Vice Chairman or the Secretary in like manner and on like notice on the written request of two directors.

Section 3.09. Quorum; Voting. At all meetings of the Board, a majority of the directors shall constitute a quorum for the transaction of business; and at all meetings of any committee of the Board, a majority of the members of such committee shall constitute a quorum for the transaction of business. The act of a majority of the directors present at any meeting of the Board of Directors or any committee thereof at which there is a quorum present shall be the act of the Board of Directors or such committee, as the case may be, except as may be otherwise specifically provided by statute or by the Certificate of Incorporation. If a quorum shall not be present at any meeting of the Board of Directors or committee thereof, the directors present thereat may adjourn the meeting from time to time, without notice other than announcement at the meeting, until a quorum shall be present.

Section 3.10. Action Without a Meeting. Any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without

a meeting, if all members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

Section 3.11. Participation in Meetings. One or more directors may participate in any meeting of the Board or committee thereof by means of conference telephone or similar communications equipment by which all persons participating can hear each other.

Section 3.12. Committees of Directors. The Board of Directors may, by resolution passed by a majority of the whole Board, designate one or more committees, each committee to consist of one or more of the directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee. Any such committee, to the extent provided in the resolution, shall have and may exercise all of the powers and authority of the Board of Directors and may authorize the seal of the Corporation to be affixed to all papers which may require it, but no such committee shall have the power or authority in reference to amending the Certificate of Incorporation (except that a committee may, to the extent authorized in the resolution providing for the issuance of shares of stock adopted by the Board of Directors, fix any preferences or rights of such shares relating to dividends, redemption, dissolution, any distribution of assets of the Corporation or the conversion into, or the exchange of such shares for, shares of any other class or classes or any other series of the same or any other class or classes of stock of the Corporation), adopting an agreement of merger or consolidation, recommending to the stockholders the sale, lease or exchange of all or substantially all of the Corporation's property and assets, recommending to the stockholders a dissolution of the Corporation or a revocation of a dissolution, or amending the By-Laws of the Corporation; and, unless the resolution expressly so provides, no such committee shall have the power or authority to declare a dividend, to authorize the issuance of stock, or to adopt a certificate of ownership and merger. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the Board of Directors. Each committee shall keep regular minutes of its meetings and report the same to the Board of Directors when requested.

Section 3.13. Compensation of Directors. Each director shall be entitled to receive such compensation, if any, as may from time to time be fixed by the Board of Directors. Members of special or standing committees may be allowed like compensation for attending committee meetings. Directors may also be reimbursed by the Corporation for all reasonable expenses incurred in traveling to and from the place of each meeting of the Board or of any such committee or otherwise incurred in the performance of their duties as directors. No payment referred to herein shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor.

ARTICLE 4  
NOTICES

Section 4.01. Notices. Whenever, under the provisions of law or of the Certificate of Incorporation or of these By-Laws, notice is required to be given to any director or stockholder, such requirement shall not be construed to necessitate personal notice. Such notice may in every instance be effectively given by depositing a writing in a post office or letter box, in a postpaid, sealed wrapper, or by dispatching a prepaid telegram, cable, telecopy or telex or by delivering a writing in a sealed wrapper prepaid to a courier service guaranteeing delivery within 2 business days, in each case addressed to such director or stockholder, at his address as it appears on the records of the Corporation in the case of a stockholder and at his business address (unless he shall have filed a written request with the Secretary that notices be directed to a different address) in the case of a director. Such notice shall be deemed to be given at the time it is so dispatched.

Section 4.02. Waiver of Notice. Whenever, under the provisions of law or of the Certificate of Incorporation or of these By-Laws, notice is required to be given, a waiver thereof in writing, signed by the person or persons entitled to said notice, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent thereto. Neither the business nor the purpose of any meeting need be specified in such a waiver.

ARTICLE 5  
OFFICERS

Section 5.01. Number. The officers of the Corporation shall be a Chief Executive Officer, a Secretary and a Treasurer, and may also include a Chairman, Vice Chairman, one or more Executive Vice Presidents and/or Vice Presidents, one or more Assistant Secretaries and Assistant Treasurers, and such other officers as may be elected by the Board of Directors. Any number of offices may be held by the same person.

Section 5.02. Election and Term of Office. The officers of the Corporation shall be elected by the Board of Directors. Officers shall hold office at the pleasure of the Board.

Section 5.03. Removal. Any officer may be removed at any time by the Board of Directors. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 5.04. Chairman. The Chairman, if there is one, shall preside at all meetings of the Board of Directors and shall perform such other duties, if any, as may be specified by the Board from time to time.

Section 5.05. Vice Chairman. The Vice Chairman, if there is one, shall preside at all meetings of the Board of Directors in the absence of the Chairman, and shall perform such other duties, if any, as may be specified by the Board from time to time.

Section 5.05. Chief Executive Officer. The Chief Executive Officer shall be the chief executive officer of the Corporation and shall have overall responsibility for the management of the business and operations of the Corporation and shall see that all orders and resolutions of the Board are carried into effect. In the absence of the Chairman and the Vice Chairman he shall preside over meetings of the Board of Directors. In general, he shall perform all duties incident to the office of Chief Executive Officer, and such other duties as from time to time may be assigned to him by the Board.

Section 5.06. Executive Vice Presidents and Vice Presidents. The Executive Vice Presidents and Vice Presidents shall perform such duties and have such authority as may be specified in these By-Laws or by the Board of Directors or the Chief Executive Officer.

Section 5.07. Secretary. The Secretary shall attend all meetings of the Board of Directors and all meetings of the stockholders and record all the proceedings of the meetings of the stockholders and of the Board of Directors in a book to be kept for that purpose and shall perform like duties for the standing committees when required. He shall give, or cause to be given, notice of all meetings of the stockholders and special meetings of the Board of Directors, and shall perform such other duties as may be prescribed by the Board of Directors or the President. He shall have custody of the corporate seal of the Corporation and he, or an Assistant Secretary, shall have authority to affix the same to any instrument, and when so affixed it may be attested by his signature or by the signature of such Assistant Secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his signature.

Section 5.08. Assistant Secretaries. The Assistant Secretary or Secretaries shall, in the absence or disability of the Secretary, perform the duties and exercise the authority of the Secretary and shall perform such other duties and have such other authority as the Board of Directors or the Chief Executive Officer may from time to time prescribe.

Section 5.09. Treasurer. The Treasurer shall have the custody of the corporate funds and securities and shall keep full and accurate accounts of receipts and disbursements in books belonging to the Corporation and shall deposit all monies and other valuable effects in the name and to the credit of the Corporation in such depositories as may be designated by the Board of Directors. He shall disburse the funds of the Corporation as may be ordered by the Board of Directors or the Chief Executive Officer or the Chief Financial Officer, taking proper vouchers for such disbursements, and shall render to the Board of Directors when the Board so requires, an account of all his transactions as Treasurer and of the financial condition of the Corporation.

Section 5.10. Assistant Treasurers. The Assistant Treasurer or Treasurers shall, in the absence or disability of the Treasurer, perform the duties and exercise the authority of the Treasurer and shall perform such other duties and have such other authority as the Board of Directors may from time to time prescribe.

ARTICLE 6  
INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 6.01. Indemnification. Any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such person is or was a director or officer of the Corporation, or is or was serving while a director or officer of the Corporation at the request of the Corporation as a director, officer, employee, agent, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation against expenses (including attorneys' fees), judgments, fines, excise taxes and amounts paid in settlement actually and reasonably incurred by such person in connection with such action, suit or proceeding to the full extent permissible under Delaware law.

Section 6.02. Advances. Any person claiming indemnification within the scope of Section 6.01 shall be entitled to advances from the Corporation for payment of the expenses of defending actions against such person in the manner and to the full extent permissible under Delaware law.

Section 6.03. Procedure. On the request of any person requesting indemnification under Section 6.01, the Board of Directors or a committee thereof shall determine whether such indemnification is permissible or such determination shall be made by independent legal counsel if the Board or committee so directs or if the Board or committee is not empowered by statute to make such determination.

Section 6.04. Other Rights. The indemnification and advancement of expenses provided by this Article 6 shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of expenses may be entitled under any insurance or other agreement, vote of shareholders or disinterested directors or otherwise, both as to actions in their official capacity and as to actions in another capacity while holding an office, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such person.

Section 6.05. Insurance. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the Corporation or is or was serving at the request of the Corporation as a director, officer, employee, agent, fiduciary or other representative of another corporation, partnership, joint venture, trust, employee benefit plan or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these By-laws.

Section 6.06. Modification. The duties of the Corporation to indemnify and to advance expenses to a director or officer provided in this Article 6 shall be in the nature of a contract between the Corporation and each such director or officer, and no amendment or repeal

of any provision of this Article 6 shall alter, to the detriment of such director or officer, the right of such person to the advancement of expenses or indemnification related to a claim based on an act or failure to act which took place prior to such amendment, repeal or termination.

ARTICLE 7  
CERTIFICATES OF STOCK

Section 7.01. Stock Certificates. Every holder of stock in the Corporation shall be entitled to have a certificate in the form prescribed by the Board of Directors signed on behalf of the Corporation by the Chairman or Vice Chairman or Chief Executive Officer or Chief Operating Officer or an Executive Vice President or Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the Corporation, representing the number of shares owned by him in the Corporation. Any or all signatures on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if such person were such officer, transfer agent, or registrar at the date of issue.

Section 7.02. Lost Certificates. The Board of Directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Board of Directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the Corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the Corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

Section 7.03. Transfers of Stock. Upon surrender to the Corporation or the transfer agent of the Corporation of a certificate for shares duly endorsed or accompanied by proper evidence of succession, assignment or authority to transfer, it shall be the duty of the Corporation to issue a new certificate to the person entitled thereto, cancel the old certificate and record the transaction upon its books.

Section 7.04. Fixing Record Date. The Board of Directors of the Corporation may fix a record date for the purpose of determining the stockholders entitled to notice of, or to vote at, any meeting of stockholders or any adjournment thereof, or to consent to corporate action in writing without a meeting, or to receive payment of any dividend or other distribution or allotment of any rights, or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action. Such record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors and such record date shall not be (i) in the case of such a meeting of stockholders, more than 60 nor less than 10 days before the date of the meeting of stockholders, or (ii) in the case of

consents in writing without a meeting, more than 10 days after the date upon which the resolution fixing the record date is adopted by the Board of Directors, or (iii) in other cases, more than 60 days prior to the payment or allotment or change, conversion or exchange or other action. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

Section 7.05. Registered Stockholders. The Corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of stock to receive dividends and to vote as such owner, and shall be entitled to hold liable for calls and assessments a person registered on its books as the owner of stock, and shall not be bound to recognize any equitable or other claim to, or interest in, such stock on the part of any other person, whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

#### ARTICLE 8 AMENDMENTS

Section 8.01. Amendments. These By-Laws may be altered, amended or repealed, and new By-Laws may be adopted, by the stockholders or by the Board of Directors at any regular meeting of the stockholders or of the Board of Directors or at any special meeting of the stockholders or of the Board of Directors if notice of such alteration, amendment, repeal or adoption of new By-Laws be contained in the notice of such special meeting.

## SEPARATION AGREEMENT

THIS SEPARATION AGREEMENT is being entered into as of March 31, 1998, between MIM Corporation, a Delaware corporation, with its principal place of business located at One Blue Hill Plaza, Pearl River, New York, 10965 (the "Company") and E. David Corvese, an individual, (the "Employee").

Both the Company and the Employee desire to enter into this Separation Agreement to resolve all questions of severance pay, compensation, entitlement to benefits, and certain other matters described herein.

In consideration of the mutual promises contained in this Separation Agreement, and intending to be legally bound, the parties hereto agree as follows:

1. Employee hereby resigns from his positions with the Company as an officer and an employee, and the Company hereby accepts such resignation. The termination of Employee's employment with the Company hereunder shall be effective as of the date of this Separation Agreement. In addition, the Employee hereby agrees that he will remain as a member of the Company's Board of Directors, but will not stand for re-election at the Company's next annual meeting of stockholders or at any special meeting at which directors are elected; provided, however, that the Employee may, in his discretion, resign from the Company's Board of Directors at any time on or after May 1, 1998.

2. Subject to compliance by the Employee with the Section 9 of the Employment Agreement, the Company shall pay to the Employee the sum of Three Hundred Twenty-Five Thousand Dollars (\$325,000), in twelve (12) equal monthly installments, subject to applicable withholding requirements, commencing April 1, 1998 and continuing on the first day of each successive month, by wire transfer of immediately available funds to an account to be designated by the Employee.

3. Subject to compliance by the Employee with the Section 9 of the Employment Agreement, until April 1, 1999, the Company shall continue to provide to Employee and to Employee's dependents, at the Company's sole expense, medical and dental insurance benefits as currently in effect and/or available to the Employee pursuant to the terms of Section 7 of a certain Employment Agreement, dated as of May 30, 1996, between the Company and the Employee (the "Employment Agreement").

4. (a) The Company shall promptly, but in no event more than seven (7) days, following delivery of required documentation and full payment, approve and process all option exercises by the Employee, and the Company shall promptly, but in no event more than seven (7) days, following delivery of customary documentation, approve and process all requests from the Employee, or on his behalf, to remove restrictive legends, stop-transfer instructions or other

restrictions relating to shares of the Company's stock owned by the Employee so that such shares may be sold pursuant to Rule 144(d) or Rule 144(k), as available to the Employee.

(b) The Company shall, until such time as the Employee has exercised all of his options to purchase shares of the Company's stock and sold all of the shares received upon such exercise (or any securities into which such shares are converted or exchanged), maintain the effectiveness of the registration statement on Form S-8 (as filed with the SEC (as defined below) on August 19, 1997, and as the same may be amended from time to time), and any required state securities registrations or qualifications, to the effect that the Employee is able to sell such shares without restriction.

5. Within five (5) days following the date of this Separation Agreement, the Company shall pay to Employee, by wire transfer to the account designated pursuant to Section 2 of this Separation Agreement, an amount equal to one-half (1/2) of any 1998 vacation pay accrued and not used as of the date hereof.

6. The Company shall reimburse Employee for all reasonable and customary business expenses incurred prior to December 31, 1997 by Employee in connection with Employee's performance of his duties under the Employment Agreement, in accordance with the Company's policies.

7. Except for Section 9 of the Employment Agreement or as otherwise set forth in this Separation Agreement, the Employment Agreement shall be, and is hereby, terminated, and shall be of no further legal force or effect.

8. To the fullest extent provided by the Company's Certificate of Incorporation and By-Laws and the provisions of the General Corporation Law of the State of Delaware, as all of the same are in effect as of the date hereof

and as any of the same shall be amended or restated from time to time hereafter (provided, however, that no such amendment or restatement shall decrease or reduce the protections and benefits available to the Employee as in effect on the date hereof), (i) the Employee shall have no personal liability to the Company or its stockholders for monetary damages for breach of a fiduciary duty as a director of the Company, and (ii) the Company shall indemnify, including, without limitation, the advancement of expenses in defense of any actions, the Employee, without regard to the termination of his service as a director or the termination of his employment. The Company shall use its best efforts to continue to maintain in full force and effect, for a period of at least three (3) years from the date hereof, director's and officer's liability insurance covering the Employee in an amount not less than Five Million Dollars (\$5,000,000). The Employee shall furnish such information concerning the Employee as may be reasonably requested from time to time by such insurer.

9. Except as specifically set forth herein, the agreements, arrangements, documents or transactions between the Company and the Employee set forth on Schedule A hereto shall remain in effect, without alteration or change hereunder.

10. (a) The Employee hereby exercises his rights under a certain Registration Rights Agreement-IV, dated July 31, 1996, between the Company, the Employee and other individuals (the "Registration Agreement") to demand the registration of Two Million Three Hundred Twenty-Three Thousand Fifty-Two (2,323,052) shares (the "Shares") of the Company's stock owned by the Employee (and/or affiliates of the Employee) in accordance with the provisions of Section 2(a) of the Registration Agreement; provided, however, that the Employee reserves the right to decrease the number of Shares to be registered without diminishing the rights available to the Employee pursuant to the Registration Agreement.

(b) Not later than the earlier of (i) five (5) days following the date the Company files its Registration Statement on Form S-4 (the "Form S-4") with respect to the transactions contemplated by the Agreement and Plan of Merger, dated as of January 23, 1998, among the Company, Continental Managed Pharmacy Services, Inc., and CMP Acquisition Corp. (as amended from time to time, the "Merger Agreement"), or (ii) forty-five (45) days following the date of this Separation Agreement, the Company shall file with the Securities and Exchange Commission (the "SEC") and any applicable state securities commissions, in accordance with the provisions of Section 5 of the Registration Agreement, a registration statement on Form S-1, Form S-2 or Form S-3 (if such Form S-2 or Form S-3 is then available to the Company for such registration) covering the Shares (the "Registration Statement"), and shall thereafter use its best efforts to have such registration declared and maintained effective in accordance with the provisions of Section 5 of the Registration Agreement. Notwithstanding the foregoing, no sales of Shares will be permitted pursuant to the Registration Statement prior to the earliest to occur of (i) the ninetieth (90th) day after the date hereof, (ii) five (5) calendar days after the date on which the SEC declares effective the Form S-4, and (iii) the fifth calendar day after the termination of the Merger Agreement.

(c) This Separation Agreement shall be deemed an amendment to the Registration Agreement to the extent that:

(i) the provisions of Section 2(a) of the Registration Agreement limiting the Company's obligations to effect no more than two (2) Demand Registrations (as defined therein) and to register not less than 2,000,000 Registrable Shares (as defined therein) in each Demand Registration shall not apply to the Registration Statement, and the Employee shall continue to have the right to demand two (2) additional Demand Registrations pursuant to the terms of the Registration Agreement (provided that the 2,000,000 share requirement applicable to Demand Registrations shall be reduced to 1,000,000 shares of Registrable Shares to be included therein), until the earlier of such time as all of the shares of the Company's stock beneficially owned by the Employee (and/or his affiliates) (A) have been sold pursuant to an effective registration statement or pursuant to Rule 144 or Rule 145; (B) are eligible to be sold pursuant to Rule 144(k) and the Employee (together with any affiliates) beneficially owns an aggregate of less than ten percent (10%) of the Company's then outstanding shares of stock; or (C) have been otherwise transferred and the Company has delivered new certificates or other

evidences of ownership for them not subject to any legal or other restrictions on transfer.

(ii) the provisions of Section 2(b)(1) and (2) of the Registration Agreement shall not be applicable to the Registration Statement;

(iii) the provisions of Section 2(c) of the Registration Agreement, requiring the Company to use its best efforts to cause a registration statement to remain effective for the lesser of 90 days or until all of the shares registered thereby have been sold, shall be amended to require the Company to use its best efforts to cause the Registration Statement, and any other registration statement to be filed in the future pursuant to the Registration Agreement which includes any of the Employee's shares of the Company's stock, to remain effective for the lesser of twenty-four (24) months or until all of the Employee's shares of the Company's Stock included therein have been sold;

(iv) For purposes of Section 2(f) of the Registration Agreement, the Merger shall not result in a termination of the rights granted to the Employee in the Registration Agreement; and

(v) the Registration Agreement shall be deemed to cover (as Registrable Shares thereunder) an aggregate of 4,483,052 shares of the Company's stock owned by the Employee (or his affiliates), including the Shares. All of the Employee Entities shall be bound by the obligations applicable to the Employee thereunder.

(d) Until such time as the Employee (together with any affiliates) is the beneficial owner of ten percent (10%) or less of the Company's outstanding shares (by sale or dilution), the Employee Entities shall not, without the prior consent of the Company, sell in the public market pursuant to the Registration Statement in excess of Four Hundred Thousand (400,000) Shares during any month, or One Hundred Fifty Thousand (150,000) Shares during any week.

11. The Company has timely filed with the SEC its Annual Report on Form 10-K for the fiscal year ended December 31, 1997, including the financial statements and other information or documents, included or incorporated therein (the "Annual Report"). The Annual Report did, and all other reports or documents filed (or to be filed) by the Company with the SEC, including the financial statements and other information or documents included or incorporated therein (the "Other Reports") did and will, comply with all applicable provisions of the Securities Exchange Act of 1934, as amended (the "Act"), and the rules and regulations promulgated thereunder, and did and will contain all statements required to be stated therein in accordance with the Act and such rules and regulations. None of the Annual Report or the Other Reports, taken as a whole, did or will contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading.

12. Intentionally Deleted.

13. In the event the Company breaches or otherwise fails to perform any of its obligations in this Separation Agreement, the Employee shall be entitled to the remedy of specific performance, as well as any other remedies available to the Employee at law or equity.

14. As a condition precedent to the Company's obligations hereunder, the Employee shall deliver or cause to be delivered to the Company; (i) a letter from the Rhode Island Hospital Trust National Bank releasing such bank's claim on a cash account of the Company held as collateral for a loan from such bank to the Employee and acknowledging that neither the Company nor any of its subsidiaries is a guarantor of any obligation of the Employee to such banks, and (ii) signed, notarized counterparts to this Separation Agreement on behalf of each Employee Entity (as defined below) with respect to Section 16 hereof.

15. Except as required by applicable law, rule or regulation, by court order or by the rules and regulations of the Nasdaq Stock Market, or any other national securities exchange on which the Company's shares are listed (in which event the Employee shall be provided a copy of any proposed release or other announcement or disclosure as early as possible prior to release or disclosure and an opportunity to oppose or limit such release or disclosure), the Company shall not issue any press release or other announcement or disclosure concerning this Separation Agreement or the Employee's resignation without the prior written consent of the Employee, and, except in connection with governmental or judicial proceedings or investigations, the Company and the Employee will not disparage each other or their reputations in the business community.

16. (a) The Employee and each of his affiliates listed on the signature pages hereto (collectively, including the Employee, the "Employee Entities") hereby agrees that, during the time this Agreement is in effect, at any meeting of the shareholders of the Company, however called, and in any action by consent of the shareholders of the Company, each of the Employee Entities shall vote the shares of Company stock then owned by him, her or it in favor of the Merger (as defined in the Merger Agreement), the Merger Agreement and the transactions contemplated by the Merger Agreement.

(b) In the event that any of the Employee Entities shall fail to comply with the provisions of Section 16(a) hereof, each Employee Entity agrees that such failure shall result, without any further action by any such Employee Entity, in the irrevocable appointment of Richard H. Friedman, until termination of this Section 16 pursuant to the terms hereof, as his, her or its attorney and proxy pursuant to the provisions of Section 212(c) of the General Corporation Law of the State of Delaware, with full power of substitution, to vote, and otherwise act (by written consent or otherwise) with respect to the shares of Company stock which the Employee Entity is entitled to vote at any meeting of stockholders of the Company (whether annual or special and whether or not an adjourned or postponed meeting) or consent in lieu of any such meeting or otherwise, on the matters and in the manner specified in Section

16(a) hereof. THIS PROXY AND POWER OF ATTORNEY IS IRREVOCABLE AND COUPLED WITH AN INTEREST. Each Employee Entity hereby revokes all other proxies and powers of attorney with respect to the voting of the shares of Company stock which he, she or it may have heretofore appointed or granted, and no subsequent proxy or power of attorney shall be given or written consent executed (and if given or executed, shall not be effective) by each such Employee Entity with respect thereto. All authority herein conferred or agreed to be conferred shall survive the death, incapacity, dissolution or liquidation of each such Employee Entity. The provisions of this Section 16 do not violate, conflict with or result in a breach of any provision of or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, under any of the terms, conditions or provisions of any contract or other agreement to which any Employee Entity is a party or by or to which any Employee Entity or the shares of Company stock held by any Employee Entity are bound or subject. Without limiting in any way the rights of the Employee Entities to transfer Company stock, no Employee Entity shall transfer shares of Company stock to an affiliate unless such affiliate agrees in writing for the benefit of the Company to be bound by this Section 16.

(c) Notwithstanding the foregoing, the provisions of this Section 16 shall be of no further force and effect, and the proxy contained herein shall terminate, if (i)(A) there is a material adverse change in the information relating to the Merger from that described to the Employee in a letter from the Company dated the date hereof, and (B) the Employee has notified the Company's general counsel of such material adverse change in writing (such writing to be received prior to the fifth day after the mailing to the Company's stockholders of the final proxy statement/prospectus included within the Form S-4 (or, if later, any supplement or amendment thereto), (ii) the Merger Agreement is terminated, or (iii) the Merger does not occur prior to August 31, 1998. In any such event, the proxy and power of attorney contained herein shall terminate and be of no further force and effect.

17. In consideration of, among other things, the agreements of the Company set forth herein, the Employee hereby releases on behalf of himself, his spouse, heirs, successors and assigns, the Company and each of its respective affiliates, subsidiaries and divisions and their respective successors, assigns, officers, directors, agents, employees and representatives, from and against any and all claims, demands, grievances, and causes of action, administrative, court or otherwise, known or unknown, which he has, had, or may have had against any of them through the date hereof, but only as such related to: (i) any claim arising under the Age Discrimination in Employment Act, 29 U.S.C. "621 et seq., as amended, and/or the Americans with Disabilities Act, 42 U.S.C. "12111-12117; (ii) any claim for wrongful termination or employment discrimination, whether based on a federal, state or local statute or court decision, (iii) any claim, whether statutory, common law or otherwise, arising out of the terms and conditions of the Employment Agreement; and (iv) any claim for attorneys fees, costs and/or disbursements arising out of any of the foregoing. The foregoing sentence shall not apply to claims arising under this Separation Agreement or claims arising after the date hereof under the agreements listed on Schedule A attached hereto, it being understood that all such agreements shall continue in full force and effect.

18. This Separation Agreement shall be construed under the laws of the State of Rhode Island; provided that Section 16 shall be construed under the General Corporation Law of the State of Delaware.

19. This Separation Agreement may be executed in counterparts and each counterpart shall be deemed an original. Any changes to this Separation Agreement must be in writing and signed by both parties.

MIM CORPORATION

By: /s/ Barry A. Posner

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Name: Barry A. Posner  
Title: General Counsel and  
Secretary

Dated: March 31, 1998

/s/ E. David Corvese

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E. DAVID CORVESE

Dated: March 31, 1998

Each of the following persons or entities hereby acknowledges, as of March 31, 1998, that they will comply with the provisions of Section 16 of this Separation Agreement:

/s/ Nancy P. Corvese

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NANCY P. CORVESE

The Corvese Irrevocable Trust - 1992

By: /s/ Ernest Corvese

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Ernest Corvese, Trustee

The Corvese Family Trust - 1994

By: /s/ Brian J. Corvese

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Brian J. Corvese, Trustee

The Peterson Family Trust - 1994

By: /s/ Brian J. Corvese

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Brian J. Corvese, Trustee

SCHEDULE A

to Separation Agreement

1. Non-Qualified Stock Option Agreement dated May 24, 1996, between MIM Corporation and E. David Corvese (hereinafter "EDC") -- option to purchase 1,336,950 shares from MIM Corporation at \$.0067 per share.
2. Registration Rights Agreement-IV dated July 31, 1996 among EDC, Klein, Friedman Daniels, MIM Holdings, LLC and MIM Corporation, as amended by Amendment No. 1 dated August 12, 1996.
3. Promissory Note of EDC and Nancy P. Corvese in favor of Pro-Mark Holdings, Inc. dated June 15, 1994 in the original principal amount of \$975,000, as amended by Amendment to Promissory Note dated as of June 15, 1997.
4. Promissory Note of EDC and Nancy P. Corvese in favor of Pro-Mark Holdings, Inc. dated June 15, 1994 in the original principal amount of \$3,750, as amended by Amendment to Promissory Note dated as of June 15, 1997.
5. Mortgage deed of EDC and Nancy P. Corvese in favor of Pro-Mark Holdings, Inc. dated September 9, 1994, as amended by Amendment to Mortgage dated as of June 15, 1997 -- securing the \$975,000 Promissory Note.
6. Guaranty of EDC in favor of MIM Corporation dated as of December 31, 1996 guarantying repayment of \$456,000 (original principal amount) Promissory Note dated as of December 31, 1996 of MIM Holdings, LLC in favor of MIM Corporation.
7. Promissory Note of Alchemie Properties, LLC in favor of MIM Corporation in the original principal amount of \$299,000 maturing on December 1, 2004.
8. Lease Agreement, dated December 1994, for approximately 7,200 square feet of office space leased from Alchemie Properties, LLC to MIM Corporation until December 1, 2004.

January 16, 1998

Via Airborne Express

Mr. Larry E. Edelson-Kayne  
440 East 79th Street, Apt 4F  
New York, New York 10021

Re: MIM Corporation

Dear Larry:

MIM Corporation, a Delaware corporation (the "Company"), is pleased to offer you employment as the treasurer and controller of the Company, on the terms and subject to the conditions set forth below. The terms and conditions of your employment, if you execute and deliver this letter to us on or before February 1, 1998 will be as follows:

1. POSITION AND DUTIES: Treasurer and Controller of the Company, with overall responsibility for the accounting and finance areas of the Company and its subsidiaries and affiliates including:
- (i) Preparation of, and primary responsibility for all audited and unaudited financial statements relating to the Company and its subsidiaries and affiliates.
  - (ii) the hiring of personnel in support of such group, with the prior approval of Chief Operating Officer.

In such capacity, you shall report to, and shall have such further duties as shall be assigned to you by, the Company's Chief Executive Officer, John H. Klein, and the Company's Chief Operating Officer, Richard H. Friedman.

2. TERM: Subject to the execution and delivery of this letter, a Non-Qualified Stock Option Agreement substantially in the form attached hereto as Exhibit A (the "Option Agreement"), the Confidentiality Agreement (as defined below) substantially in the form attached hereto as Exhibit B, and the Non-Competition Agreement (as defined below) substantially in the form attached hereto as Exhibit C, each between the Company and you, your employment shall commence and shall continue until terminated by you or the Company. The first year of your employment shall terminate on December 31, 1998. Each year

Mr. Larry Edelson-Kayne  
January 16, 1998  
Page 2

of your employment thereafter shall coincide with the calendar year.

3. BASE COMPENSATION: Your base salary shall be at the rate of \$125,000.00 per calendar year, payable bi-weekly, or at such other times as other employees of the Company are paid generally. Your performance and compensation shall be reviewed six (6) months after the commencement of your employment. However, any increase in your compensation shall be in the Company's sole and absolute discretion. Your compensation may not be decreased at such six-month review.
4. BONUS COMPENSATION: During your employment, you shall be eligible to receive bonus compensation under the Company's executive bonus program established for the benefit of senior executives of the Company. During your first year of employment, you will be eligible to receive any such bonus pro rata, based on the number of days you were employed by

the Company during your first year of employment.

Eligibility for the aforementioned bonuses will be premised upon your continuing employment through the end of the calendar year to which the bonus in any year of your employment relates.

All base, bonus or other compensation received shall be subject to applicable federal, state and local withholding and other taxes.

5. TRANSPORTATION  
ALLOWANCE:

During your employment, the Company will provide you with a monthly allowance of \$450 for the use of an automobile.

6. PARTICIPATION IN BENEFIT  
PLANS:

During your employment with the Company, you shall be permitted, if and to the extent eligible, to participate in all employee benefit plans, policies and practices now or hereafter maintained by or on behalf of the Company, commensurate with your position with the Company. Nothing in this agreement shall preclude the Company from terminating or amending any such plans or coverage so as to eliminate, reduce

or otherwise change any benefit payable thereunder. You shall also be entitled to receive each year an amount equal to the lesser of (i) annual premiums on a life insurance policy having a face value equal to \$1,000,000 and (ii) \$3,000.00 toward such premium if annual premiums exceed such amount.

7. EXPENSES:

Subject to such policies as may from time to time be established by the Company's Board of Directors, the Company will pay or reimburse you for all reasonable and necessary expenses actually incurred or paid by you during the term of your employment in the performance of your duties under this agreement, upon submission and approval of expense statements, vouchers or other reasonable supporting information in accordance with the then customary practices of the Company.

8. OPTIONS TO PURCHASE  
COMMON STOCK:

As further compensation hereunder, and to induce you to accept our employment offer, effective upon the later to occur of the date you commence your employment with the Company and the date to you execute the Option Agreement, the Company shall grant to you 50,000 options to purchase the common Stock, par value \$0.0001 per share, of the Company ("Common Stock"), on the terms and conditions set forth in the form of Option Agreement as aforesaid. The grant of your options to purchase Common Stock is subject, however, to approval by the Company's compensation Committee of its Board of Directors. Such options shall vest over a three year period in three equal annual installments, all as more fully set forth in the Option Agreement.

9. SEVERENCE;  
CHANGE OF CONTROL:

If, within the three-month period following a "Change of Control" (as defined below), you are terminated by the Company or a successor entity or you elect to terminate your employment after the Company or such successor entity materially reduces your duties and responsibilities, or assigns you duties materially inconsistent with your position prior to such Change of Control, then you shall be entitled to receive nine months salary and other benefits earned and accrued prior to the effective date of the termination of your employment (and reimbursement for expenses incurred prior thereto).

In addition, all outstanding unvested options held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms. In such event, you shall also 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. Thereafter you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or other triggering event, or any other rights hereunder.

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, right and convertible and exchangeable securities) representing 50% or more of the combined voting power of the Company's then outstanding 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 benefits 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).

10. RESTRICTIVE COVENANT:

Contemporaneously with the commencement of your employment, you shall execute and deliver (i) a Confidentiality and Non-Disclosure Agreement with the Company (the "Confidentiality Agreement"), whereby, among other things, you will not disclose to any third party any trade secrets or proprietary information relating to the Company, now or hereafter acquired by you, and (ii) a Non-Competition and Non-Solicitation Agreement with the Company (the "Non-Competition Agreement") whereby, among other things, you will not compete with the "Business" of the Company (as defined in such Non-Competition Agreement) during the term of your employment and for a period of two years following such termination.

11. ASSIGNABILITY; BINDING NATURE:

This agreement is binding upon, and will inure to the benefit of the parties hereto and their respective successors, heirs, administrators, executors and assigns. None of your rights or obligations under this agreement may be transferred by will or operation of law. The rights and obligation of the Company under this agreement may be assigned or transferred by operation of law in the event of a merger or consolidation in which the Company is not the continuing entity, or the sale or liquidation of all or substantially all of the assets of the Company.

12. ENTIRE AGREEMENT:

This agreement supersedes all prior agreements and, together with the Confidentiality Agreement and the Non-Competition Agreement, contains the entire agreement between the parties concerning the subject matter hereof.

13. AMENDMENTS AND WAIVERS:

This agreement may not be modified, amended, waived, discharged or terminated orally, but only by an instrument in

writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought and shall be governed by the laws of the State of New York.

14. NOTICES:

Any notice given hereunder must be in writing and will be deemed received when delivered personally or by courier, or five (5) days after being mailed, certified or registered mail, return receipt requested and duly addressed to the party concerned at the address indicated above or at such other address as such party may subsequently provide in writing.

15. GOVERNING LAW:

The agreement will be governed by, and construed and interpreted in accordance with the laws of the State of New York.

If you are in agreement with the terms and conditions of your employment pursuant to this letter agreement, kindly execute this letter agreement in the space provided below.

Sincerely yours,

MIM Corporation

By: /s/ Barry A. Posner

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Name: Barry A. Posner  
Title: General Counsel and  
Secretary

AGREED TO AND ACCEPTED BY:

/s/ Larry E. Edelson-Kayne

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Name: Mr. Larry E. Edelson-Kayne

3-MOS

	Dec-31-1998	
	Jan-01-1998	
	Mar-31-1998	
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	18,643	
	36,128	
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	56,633	
		5,654
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	97,963	
		92,384
	92,384	
	4,450	
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