UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OF

THE SECURITIES EXCHANGE ACT OF 1934

FOR THE FISCAL YEAR ENDED DECEMBER 31,
2001 COMMISSION FILE NO. 1-11993

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

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

100 CLEARBROOK ROAD, ELMSFORD, NEW YORK 10523

(914) 460-1600

(Address and telephone number of Principal Executive Offices)

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

Securities registered pursuant to Section 12(g) of the Act:
COMMON STOCK, $.0001 PAR VALUE PER SHARE
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No
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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. __

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 1, 2002, was approximately $377.0 million. (Reference is made to the fourth paragraph of Part II, Item 5 herein for a statement of the assumptions upon which this calculation is based.)

On March 15, 2002, there were outstanding 22,832,583 shares of the registrant's Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement for its 2002 Annual Meeting of Stockholders to be filed with the Commission within 120 days after the close of the registrant's fiscal year are incorporated by reference into Part III of this Form 10-K.

PART I

ITEM 1. BUSINESS

OVERVIEW

MIM Corporation (the "Company" or "MIM") is a pharmaceutical healthcare organization delivering innovative pharmacy benefit, specialty pharmaceutical distribution and other pharmacy-related healthcare solutions to Plan Sponsors, principally managed care organizations ("MCOs")and third party administrators. The Company combines its clinical expertise, sophisticated data management and therapeutic fulfillment capabilities to serve the particular needs of each of its customers and respective benefit recipients covered by the customers' pharmacy related health benefit.

The Company provides a broad array of pharmacy benefit and pharmacy products and services to individuals ("Members") receiving health benefits principally through health insurers (including MCOs) and other insurance companies, and, to a lesser extent, third party administrators, labor unions, self-funded employer groups, government agencies, and other funded health plan sponsors (collectively, "Plan Sponsors"). The Company's programs include the distribution of biotech and other high-cost prescription medications to the chronically ill and genetically impaired, the provision of pharmacy benefit management ("PBM") services to members of Plan Sponsors, and the distribution of prescription maintenance medications to Plan Sponsors' Members by mail service ("Mail Service"). All of the Company's programs include the provision of clinical pharmacy services designed to provide patients with high quality care while controlling pharmacy and overall healthcare costs. Depending on the goals and objectives of the Plan Sponsors with which the Company does business, the Company provides some or all of the following clinical services as part of its PBM and/or specialty pharmacy programs, all of which will be described below in greater detail: pharmacy case management, therapy assessment, compliance monitoring, health risk assessment, patient education, drug usage and interaction evaluation, pharmacy claims processing, Mail Service and related prescription distribution, benefit design consultation, drug utilization review, formulary management and consultation, drug data analysis, drug interaction

management, patient compliance, program management and pharmaceutical rebate administration.

Although a significant portion of the Company's revenues are now generated through the management and distribution of Specialty Pharmaceuticals to the genetically impaired and the chronically ill, the Company derives more than a majority of its revenues from the provision of PBM services. The Company believes that its future growth is directly linked to the success of its specialty pharmacy growth strategy and believes that within 24 months, a majority of the Company's revenues will be derived from the provision of specialty pharmaceutical management and distribution operations.

SPECIALTY PHARMACY MANAGEMENT AND DISTRIBUTION

Through its BioScrip(TM) specialty injectable therapy programs, the Company distributes high-cost pharmaceuticals and provides clinically focused case and disease management programs to Plan Sponsors' members afflicted with chronic illnesses or genetic impairments. The disease states or conditions for which the Company has specialty injectable programs include HIV/AIDS, oncology, hemophilia, multiple sclerosis, growth hormone deficiency, Gaucher's disease, rheumatoid arthritis, infertility, respiratory syncytial virus (RSV), hepatitis C, Crohn's disease and transplant.

The Company's specialty pharmaceutical programs are marketed principally to Plan Sponsors in order to control the high cost trends associated with medications for the chronically ill and genetically impaired. As part of a bundled offering, the Company distributes prescription products to Plan Sponsors' Member's and clinically manages each Member's condition from a pharmacoeconomic perspective. In other words, the Company attempts to maximize patient outcomes through strict adherence to the clinical guidelines or protocols for a particular prescription therapy. In adhering to the guidelines, the Company also attempts to minimize or control the costs associated with a Member's condition.

The Company also distributes high-cost injectable and infusion prescription medications and provides clinical management services to patients through its Vitality Home Infusion Services, Inc., d/b/a Vitality Pharmaceutical Services ("Vitality"), subsidiary, acquired in January 2002, located in Roslyn Heights, New York. While BioScrip is marketed exclusively to Plan Sponsors, Vitality markets its products and services to physician practice groups, hospitals, and, in some cases, directly to patients.

Through its American Disease Management Associates L.L.C. ("ADIMA") subsidiary located in Livingston, New Jersey, the Company distributes and administers high cost specialty infusion therapies to patients requiring principally immunosuppression blood products, such as IGG, parenteral nutrition products, such as TPN, and antibiotic therapies such as rocephin or vancomycin. Unlike the Company's other specialty programs, patients being serviced through ADIMA have their therapies administered by IV certified nurses.

Unlike many of the Company's competitors, which focus on particular pharmaceutical products within a limited number of chronic disease states, the Company offers numerous products within a larger number of disease states, since it is attempting to control a Plan Sponsor's overall pharmacy and medical expenditures in the most clinically appropriate manner. In contrast, many of the Company's competitors focus on increasing the market share of a particular product and increasing profitability through its relationship with the manufacturer of that particular product.

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

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

PRIOR AUTHORIZATIONS - The Company, in conjunction with the contracted Plan Sponsor, develops effective criteria and protocols for the effective management of specialty pharmaceutical care. Criteria are reviewed prior to the onset of therapy to minimize incorrect prescribing, thereby reducing unnecessary cost.

THERAPY ASSESSMENT - On-going monitoring of a Member's therapy is performed at disease specific intervals to assure adherence to therapy, desired response to therapy and any necessary interventions to enhance patient care.

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

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

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

COMPLIANCE MONITORING. The PCM Team will collectively track the patient's progress and will initiate reminders, reinforcements and non-compliance alerts to both physicians and the patient. They are the catalyst for understanding compliance risks and taking action to coordinating the support necessary to maximize the patient's treatment.

COORDINATED MEDICATION DELIVERY. BioScrip's pharmacy will provide express delivery of medications to the patient's point of service including a physician's office. Special handling techniques such as dry-ice packing are utilized in compliance with manufacturer's specified requirements. In addition to the injectable medication, BioScrip also provides Sharps containers, syringes and ancillary materials needed for administration of the product. Express delivery via overnight courier is provided without additional charge to the patient or physician.

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

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

PBM SERVICES

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

FORMULARY AND BENEFIT DESIGN. The Company offers to its clients customized, flexible formulary and benefit plan designs to meet their specific program requirements. Formulary design may assist in controlling program costs by focusing, to the extent consistent with accepted medical and pharmacy practices and applicable law, primarily on two areas: (i) generic substitution, which involves the selection of generic drugs as a cost-effective alternative to their bio-equivalent brand name drugs within a therapeutic category, and/or (ii) therapeutic interchange, which involves the selection of a lower cost brand name drug as an alternative to a higher priced brand name drug within a therapeutic category. Increased usage of generic drugs by Company-managed programs also enables the Company to obtain purchasing concessions and other financial incentives on generic drugs, which may be shared with Plan Sponsors. After a formulary has been established by a Plan Sponsor, rebates on brand name drugs are also negotiated with drug manufacturers and are often shared with plan sponsors.

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

The primary method for assuring formulary compliance on behalf of a Plan Sponsor is by controlling pharmacy reimbursement to ensure that non-formulary drugs are not dispensed to a plan member, subject to certain limited exceptions. Benefit design and formulary parameters are managed through a point-of-sale ("POS") claims processing system through which real-time electronic messages are transmitted to pharmacists to ensure compliance with specified benefit design and formulary parameters before services are rendered and prescriptions are dispensed. Over utilization of medication is monitored and managed through quantity limitations, based upon nationally recognized standards and guidelines regarding maintenance versus non-maintenance therapy. Step protocols, which are procedures requiring that preferred therapies be tried and shown ineffective before less favored therapies are covered, are also established by the Company in conjunction with the Plan Sponsors' Pharmacy and Therapeutics Committees to control improper utilization of certain high-risk or high-cost medications.

CLINICAL SERVICES. Plan Sponsors' formularies typically identify a limited number of drugs for preferred status within each therapeutic class to be the covered drugs in order to treat most medical conditions appropriately. Provision

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

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

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

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

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

PHARMACY DISPENSING FACILITY. The Company believes that program costs may also be reduced through the distribution of pharmaceutical products directly to Plan Sponsors' Members by the use of Mail Service programs through its pharmacy dispensing facility. The Company provides these Mail Service dispensing services from a new, fully automated fulfillment facility in Columbus, Ohio to Members typically receiving maintenance medications. The facility utilizes some of the industry's latest pharmacy technology currently available in the market place. This affords the Company and its Plan Sponsors the ability to reduce cost through the Company's Mail Service as compared to the more costly retail distribution of prescription products.

CAPITATED BILLING ARRANGEMENTS

In addition to traditional fee-for-service billing arrangements, the Company had historically offered capitated fee billing arrangements to its MCO customers. A capitated fee arrangement permits a Plan Sponsor to incur a fixed fee per member (a "capitated" program), which allows for cost shifting to the Company where aggregate PBM costs exceed pre-established per member amounts and a premium or greater financial benefit to the Company where costs are less than pre-established per member amounts. For 2002, the Company has remaining one material capitated arrangement with an MCO. The Company presently anticipates that capitated arrangements will represent approximately 6.8% of the Company's 2002 revenues. For the year ended December 31, 2001, approximately 21.2% of the Company's revenues were generated from capitated contracts compared to approximately 28.0% in 2000 while non-capitated business (including mail order services) represented approximately 78.8% and 72.0%, respectively.

PROVISION FOR LOSS CONTRACTS

Generally, loss contracts arise only on capitated contracts and primarily

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

SALES, MARKETING AND SERVICING

The Company offers Plan Sponsors comprehensive pharmaceutical services that manage all aspects of a Plan Sponsor's pharmaceutical needs, including the specialty pharmacy services described above. The Company believes that its ability to offer a full line of services, including its specialty pharmacy products and services, provides it a competitive edge over its competition. The Company has also been successful in contracting to provide specialty pharmaceutical services, typically on a non-exclusive or preferred basis to Plan Sponsors, clinics, hospitals and physician groups not previously contracted with the Company for non-specialty PBM services.

The Company markets its specialty pharmaceutical programs to MCO's without regard to the number of members, third party administrators, physician practice groups and hospitals. Unlike many of its competitors, the Company also markets these programs to other typically smaller pharmacy benefit managers, which do not have the same resources as the Company or which otherwise have determined not to develop independent specialty pharmacy operations.

The Company markets its PBM services to small- to mid-sized public and private health plans and MCOs, typically having 400,000 or less members, self-funded groups, small employer groups, labor unions and third party administrators representing some or all of the aforementioned groups. The Company primarily relies on its own national sales force to solicit business from Plan Sponsors, as well as third party administrators and commissioned independent agents and brokers.

As with all of the Company's products and services, the Company offers Mail Service programs in conjunction with PBM and specialty, pharmaceutical distribution programs. When offered in conjunction with its other programs, Mail Service may be subject to the target marketing focus of the PBM. When offered as a program without PBM services, the Company's Mail Service programs are offered to MCO's and other plans without regard to that Plan Sponsors size.

THE TENNCARE(R) PROGRAM.

Historically, a majority of the Company's revenues were derived from providing PBM services in the State of Tennessee to MCOs participating in the State of Tennessee's TennCare(R) program and behavioral health organizations ("BHOs") participating in the State of Tennessee's TennCare(R) Partners program. From January 1994 through December 31, 1998, the Company provided its PBM services as a subcontractor to RxCare of Tennessee, Inc. ("RxCare").

The Company and RxCare discontinued their relationship on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those under contract with RxCare at such time) prior to the expiration of that relationship. The Company's marketing efforts resulted in the Company executing agreements with all of the MCOs for the TennCare(R) lives previously managed through RxCare, as well as substantially all third party administrators ("TPAs") and employer groups previously managed through the RxCare relationship.

The TennCare(R) program operates under a demonstration waiver from The United States Center for Medicare and Medicaid Services ("CMS"). That waiver is the basis of the Company's ongoing service to those MCOs in the TennCare(R) program. The waiver expired on December 31, 2001 and was renewed without material modification through December 31, 2002. In addition, the State of Tennessee and the Federal governments have agreed to negotiate towards an additional two-year extension of the waiver through December 31, 2004. While the Company believes that pharmacy benefits will continue to be provided to Medicaid and other eligible TennCare(R) enrollees through MCOs in one form or another through at least December 31, 2004, there can be no assurances that such waiver will be renewed after December 31, 2002, that pharmacy benefits will continue under the TennCare(R) Program or that the MCO's currently being serviced by the Company will continue their respective relationships with it under the existing or a successor program or on the same or similar terms and conditions. If the waiver is not renewed and the Company is not providing PBM services and/or distributing specialty products to those lives under a successor program or arrangement, then the failure to provide such services could have a material and adverse affect on the financial position and results of operations of the Company. Moreover, should the funding sources and/or conditions for the TennCare(R) program change significantly, the TennCare(R) program's ability to pay the MCOs, and in turn the MCOs ability to pay the Company, could materially and adversely affect the Company's financial position and results of operations.

COMPETITION

The Company faces substantial competition within the pharmaceutical healthcare services industry. This industry includes a number of large, well-capitalized companies with nationwide operations, such as AdvancePCS,

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

GOVERNMENT REGULATION

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

In the second quarter of 2000, the Company entered into a global settlement agreement with the Office of Inspector General (the "OIG"), within the U.S. Department of Health and Human Services ("HHS"), and the State of Tennessee relating to certain civil and criminal charges brought against former officers of the Company's predecessor. The Company did not admit any wrongdoing in the global settlement agreement but agreed to enter into a corporate integrity agreement in order to ensure ongoing compliance with the requirements of Medicare, Medicaid and all other Federal health care programs. Under the terms of this agreement, the Company is required to, among other things, implement a corporate compliance program, conduct ongoing educational programs to inform employees regarding compliance with relevant laws and regulations and institute a formal reporting procedure to disclose possible violations to the OIG. In addition to these requirements, the Company must submit annual reports with respect to the status of its compliance activities. Although compliance with the corporate integrity agreement is designed to reduce the risk of violations of laws and regulations relevant to our business, the Company is required to report any such potential violations to the OIG and the U.S. Department of Justice. The Company is therefore subject to increased regulatory scrutiny and, if the Company commits legal or regulatory violations, it may be subject to an increased risk of sanctions or penalties, including exclusion from participation in the Medicare or Medicaid programs. The Company anticipates maintaining certain compliance related oversight procedures after the expiration of the corporate integrity agreement in June 2005.

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

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

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

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

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

The Company dispenses prescription drugs pursuant to orders received through its ScripPharmacy.com Web site, as well as other affiliated Web sites. Accordingly, the Company may be subject to laws affecting on-line pharmacies. Several states have proposed laws to regulate on-line pharmacies and require on-line pharmacies to obtain state pharmacy licenses. Additionally, federal regulation by the United States Food and Drug Administration (the "FDA"), or another federal agency, of on-line pharmacies that dispense prescription drugs has been proposed. To the extent that such state or federal regulation could apply to the Company's operations, certain of the Company's operations could be adversely affected by such licensure legislation.

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

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

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

NETWORK ACCESS LEGISLATION. A majority of states now have some form of legislation affecting the ability of the Company to limit access to a pharmacy provider network or remove network providers. Such legislation may require the Company or its client to admit any retail pharmacy willing to meet the plan's price and other terms for network participation ("any willing provider" legislation), or may prohibit the removal of a provider from a network except in compliance with certain procedures ("due process" legislation) or may prohibit days' supply limitations or co-payment differentials between mail and retail pharmacy providers. Many states have exceptions to the applicability of these statutes for managed care arrangements or other government benefit programs, including Tennessee.

LEGISLATION IMPOSING PLAN DESIGN MANDATES. Some states have enacted legislation that prohibits Plan Sponsors from implementing certain restriction design features, and many states have introduced legislation to regulate various aspects of managed care plans, including provisions relating to pharmacy benefits. For example, some states provide that members of a plan may not be required to use network providers, but that must instead be provided with benefits even if they choose to use non-network providers ("freedom of choice" legislation), or provide that a patient may sue his or her health plan if care is denied. Some states have enacted, and other states have introduced, legislation regarding plan design mandates, including legislation that prohibits

or restricts therapeutic substitution, requires coverage of all drugs approved by the FDA, or prohibits denial of coverage for non-FDA approved uses. Some states mandate coverage of certain benefits or conditions. Such legislation does not generally apply to the Company, but it may apply to certain of the Company's customers (generally, HMOs and health insurers). If such legislation were to become widespread and broad in scope, it could have the effect of limiting the economic benefits achievable through pharmacy benefit management. To the extent that such legislation is applicable and is not preempted by the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (as to plans governed by ERISA), certain operations of the Company could be adversely affected.

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

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

The federal anti-kickback law has been interpreted broadly by courts, the OIG and administrative bodies. Because of the federal statutes broad scope, federal regulations establish certain safe harbors from liability. Safe harbors exist for certain properly reported discounts received from vendors, certain investment interest, and certain properly disclosed payments made by vendors to group purchasing organizations, as well as for other transactions or relationships. In late 1999, the HHS adopted final rules revising the discount safe harbor to protect certain rebates. Because this revision is fairly recent, the guidance on how the safe harbor revision will be interpreted is not fully developed. Nonetheless, a practice that does not fall within a safe harbor is not necessarily unlawful, but may be subject to scrutiny and challenge. In the absence of an applicable exception or safe harbor, a violation of the statute may occur even if only one purpose of a payment arrangement is to induce patient referrals or purchases. Among the practices that have been identified by the OIG as potentially improper under the statute are certain "product conversion programs" in which benefits are given by drug manufacturers to pharmacists or physicians for changing a prescription (or recommending or requesting such a change) from one drug to another. Anti-kickback laws have been cited as a partial basis, along with state consumer protection laws discussed below, for investigations and multi-state settlements relating to financial incentives provided by drug manufacturers to retail pharmacies in connection with such programs.

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

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

THE STARK LAWS. The federal law known as "Stark II" became effective in 1995, and was a significant expansion of an earlier federal physician self-referral law commonly known as "Stark I". Stark II prohibits physicians from referring Medicare or Medicaid patients for "designated health services" to an entity with which the physician or an immediate family member of the physician has a financial relationship. Possible penalties for violation of the

Stark laws include denial of payment, refund of amounts collected in violation of the statute, civil monetary penalties and program exclusion. The Stark law standards contain certain exceptions for physician financial arrangements, and HCFA has released Stark II final regulations, which describe the parameters of these exceptions in more detail. The Stark II regulations are scheduled to become effective in January 2002, with the exception of one section relating to physician referrals to home health care agencies, which was scheduled to become effective in February 2001.

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

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

REIMBURSEMENT. Approximately 47% of the Company's revenue is derived directly from Medicare or Medicaid or other government-sponsored healthcare programs subject to the federal anti-kickback laws and/or the Stark laws. Also, the Company indirectly provides benefits to managed care entities that provide services to beneficiaries of Medicare, Medicaid and other government-sponsored healthcare programs. Should there be material changes to federal or state reimbursement methodologies, regulations or policies, the Company's reimbursements from government-sponsored healthcare programs could be adversely affected. In addition, certain state Medicaid programs only allow for reimbursement to pharmacies residing in the state or in a border state. While the Company believes that it can service its current Medicaid patients through existing pharmacies, there can be no assurance that additional states will not enact in-state dispensing requirements for their Medicaid programs. To the extent such requirements are enacted, certain therapeutic pharmaceutical reimbursements could be adversely affected.

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

PRIVACY AND CONFIDENTIALITY LEGISLATION. Most of the Company's activities involve the receipt or use by the Company of confidential medical, pharmacy or other health-related information concerning individual Members, including the transfer of the confidential information to the Member's health benefit plan. In addition, the Company uses aggregated and blinded (anonymous) data for research and analysis purposes. In December 2000, HHS issued final regulations regarding the privacy of individually-identifiable health information pursuant to the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). This final rule on privacy applies to a health care patient's medical information that could be used to identify the individual identity of the patient. We refer to this information as protected health information. The final rule mandates the protection of protected health information in any format, including both electronic and paper records, and imposes extensive requirements on the way in which health care providers such as us, as well as Plan Sponsors and their business associates, use and disclose protected health information. The final rule gives patients significant rights to understand and control how their protected health information is used and disclosed. Organizations subject to the rule will have

until April 14, 2003 comply with its provisions and implement appropriate policies and procedures to safeguard protected health information. HIPAA will likely increase our burden and costs of regulatory compliance with respect to our health improvement programs and other information-based products, alter our reporting to certain Plan Sponsors and may reduce the amount of information we may use if patients do not consent to such use. Sanctions for failing to comply with standards issued pursuant to HIPAA include possible jail time, criminal penalties of up to $250,000 and civil fines of up to $25,000. In addition, HHS has proposed, but not yet finalized, regulations pursuant to HIPAA that govern the security of individually-identifiable health information.

In addition to the proposed federal health information privacy regulations described above, most states have enacted patient confidentiality laws, which prohibit the disclosure of confidential medical information. It is unclear which state laws may be preempted by the final HHS rule discussed above.

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

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

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

ANTITRUST LAWS. Numerous lawsuits have been filed throughout the United States by retail pharmacies against drug manufacturers challenging certain brand drug pricing practices under various state and Federal antitrust laws. A settlement in one such suit would require defendant drug manufacturers to provide the same types of discounts on pharmaceuticals to retail pharmacies and buying groups as are provided to managed care entities to the extent that their respective abilities to affect market share are comparable, a practice which, if generally followed in the industry, could increase competition from pharmacy chains and buying groups and reduce or eliminate the availability to the Company of certain discounts, rebates and fees currently received in connection with its drug purchasing and formulary administration programs. In addition, to the extent that the Company or an associated business appears to have actual or potential market power in a relevant market, business arrangements and practices may be subject to heightened scrutiny from an anti-competitive perspective and possible challenge by state or Federal regulators or private parties. For example, RxCare, which was investigated and found by the Federal Trade Commission to have potential market power in Tennessee, entered into a consent decree in June 1996 agreeing not to enforce a policy which had required participating network pharmacies to accept reimbursement rates from RxCare as low as rates accepted by them from other pharmacy benefits payors. To date, enforcement of antitrust laws have not had any material affect on the Company's business.

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

EMPLOYEES

At January 31, 2002, the Company employed a total of 360 people, including 36 licensed pharmacists. The Company's employees are not represented by any union and, in the opinion of management, the Company's relations with its employees are good.

ITEM 2. PROPERTIES

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

ITEM 3. LEGAL PROCEEDINGS

Until settled on April 2, 2001, the Company had been engaged in commercial arbitration with Tennessee Health Partnership ("THP") over a number of commercial disputes surrounding the parties' relationship. See Note 9 of Notes to Consolidated Financial Statements.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

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

		High	Low
2000:	First Quarter.....	$ 8.63	$ 2.44
	Second Quarter.....	$ 4.38	$ 1.69
	Third Quarter.....	$ 2.75	$ 1.44
	Fourth Quarter.....	$ 2.13	$ 0.63
2001:	First Quarter.....	$ 2.56	$ 0.81
	Second Quarter.....	$ 6.65	$ 2.16
	Third Quarter.....	$ 12.58	$ 5.93
	Fourth Quarter.....	$ 18.33	$ 9.46

As of March 15, 2002, there were 100 stockholders of record in addition to approximately 9,295 stockholders whose shares were held in nominee name.

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

For purposes of calculating the aggregate market value of the shares of Common Stock held by non-affiliates, as shown on the cover page of this Annual Report on Form 10-K (the "Report"), it has been assumed that all outstanding shares of Common Stock were held by non-affiliates except for shares held by directors and executive officers of the Company and any persons disclosed as beneficial owners of greater than 10% of the Company's outstanding securities. However, this should not be deemed to constitute an admission that any or all such directors and executive officers of the Company are, in fact, affiliates of the Company, or that there are not other persons who may be deemed to be affiliates of the Company.

During the three months ended December 31, 2001, the Company did not sell any securities without registration under the Securities Act of 1933, as amended (the "Securities Act").

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data presented below should be read in conjunction with, and is qualified in its entirety by reference to, Item 7 of this Report and with the Company's Consolidated Financial Statements and the Notes thereto appearing elsewhere in this Report.

	YEAR ENDED DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
Statement of Operations Data	2001	2000	1999	1998	1997
Revenue (1)	$ 456,646	$ 338,171	$ 350,693	$ 432,609	$ 217,432
Special charges and Tenncare reserve adjustment	(2,476)(8)	-	6,029(2)	3,700(3)	-
Net income (loss) (4,5,8)	14,202	(1,823)	(3,785)	4,271	(13,497)
Net income (loss) per basic share	0.67	(0.09)	(0.20)	0.28	(1.07)
Net income (loss) per diluted share (6)	0.64	(0.09)	(0.20)	0.26	(1.07)
Weighted average shares outstanding used in computing basic income (loss) per share	21,273	19,930	18,660	15,115	12,620
Weighted average shares outstanding used in computing diluted income (loss) per share	22,289	19,930	18,660	16,324	12,620

	AS OF DECEMBER 31, (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)				
BALANCE SHEET DATA	2001	2000	1999	1998	1997
Cash and cash equivalents	$ 12,487	$ 1,290	$ 15,306	$ 4,495	$ 9,593
Investment securities	-	-	5,033	11,694	22,636
Working (deficit) capital	9,307	(11,184)	8,995	19,823	9,333
Total assets	139,819	120,401	115,683	110,106	62,727
Capital lease obligations, net of current portion	1,031	1,621	718	598	756
Long-term debt, net of current portion	-	-	2,279	6,185 (7)	-
Stockholders' equity	60,296	39,505	35,187	39,054	16,810

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(1) Beginning in 2001, as required by EITF Issue No. 00-22, the Company adopted a new method of recording rebates received from manufacturers as a reduction of cost of revenue and rebates shared with Plan Sponsors as a reduction of revenue. Prior to 2001 the Company recorded the difference between rebates billed and the rebates shared with customers as a reduction of cost of revenue. The years 1997, 1998, 1999 and 2000 have all been reclassified to give effect to this new methodology for comparative purposes.

(2) In 1999, the Company recorded $6,029 of special charges for estimated losses on contract receivables relating to Tennessee Health Partnership, Preferred Health Plans and Xantus Health Plans of Tennessee ("Xantus"), as further described in Note 9 of Notes to Consolidated Financial Statements.

(3) In 1998, the Company recorded two special charges, one for $1,500 and the other for $2,200, in connection with the negotiated termination of the RxCare relationship and amounts paid in settlement of the Federal and State of Tennessee investigation relating to the conduct of two former officers of the Company prior to the Company's initial public offering, respectively.

(4) Net income (loss) includes legal expenses advanced for the defense of two former officers for the years 2000, 1999, 1998, and 1997 in the amounts of $3,100, $1,400, $ 1,300, and $800, respectively.

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

(6) The historical loss per common share for the years 2000, 1999 and 1997 excludes the effect of common stock equivalents, as their inclusion would be antidilutive.

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

(8) In 2001, $2.5 million of adjustments were made to the Company's Tenncare(R) Reserve account. The first adjustment for $1 million occurred in the first quarter of 2001 relating to the Company's settlement on favorable terms of its commercial dispute with Tennessee Health Partnership. The second adjustment, of $1.5 million, occurred in the third quarter, related to the receipt of monies previously treated as uncollectible from Xantus. See Note

9 of Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjuction with the Company's Consolidated Financial Statements, including the Notes thereto, included elsewhere in this Report. This Report contains statements not purely historical and which may be considered forward looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Company's expectations, hopes, beliefs, intentions or strategies regarding the future. Forward looking statements may include statements relating to the Company's business development activities, sales and marketing efforts, the status of material contractual arrangements, including the negotiation or re-negotiation of such arrangements, future capital expenditures, the effects of regulation and competition on the Company's business, future operating performance of the Company and the results, benefits and risks associated with integration of acquired companies. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, that actual results may differ materially from those possible results discussed in the forward looking statements as a result of various factors. These factors include, among other things, risks associated with risk-based or "capitated" contracts, increased government regulation related to the health care and insurance industries in general and more specifically, pharmacy benefit management and specialty pharmaceutical distribution organizations, the existence of complex laws and regulations relating to the Company's business, increased competition from the Company's competitors, including competitors with greater financial, technical, marketing and other resources. This Report contains information regarding important factors that could cause such differences. The Company does not undertake any obligation to supplement these forward-looking statements to reflect any future events and circumstances.

OVERVIEW

The Company is a pharmaceutical healthcare organization delivering innovative pharmacy benefit, special pharmaceutical distribution and other pharmacy-related healthcare solutions. The Company combines its clinical expertise, sophisticated data management and therapeutic fulfillment capabilities to serve the particular needs of each of its customers and respective benefit recipients covered by the customers' pharmacy related health benefit.

The Company provides a broad array of pharmacy benefit and pharmacy products and services to individuals ("Members") receiving health benefits principally through health insurers (including managed care organizations ("MCOs") and other insurance companies, and, to a lesser extent, third party administrators, labor unions, self-funded employer groups, government agencies, and other funded plan sponsors (collectively, "Plan Sponsors"). The Company's programs include the distribution of biotech and other prescription medications to the chronically ill and genetically impaired, the provision of pharmacy benefit management ("PBM") services to Members of Plan Sponsors, and the distribution of prescription maintenance medications to Plan Sponsors' Members by Mail Service. Depending on the goals and objectives of Plan Sponsors with which the Company does business, the Company provides some or all of the following clinical services as part of its PBM and specialty pharmacy programs: pharmacy case management, therapy assessment, compliance monitoring, health risk assessment, patient education and drug usage and interaction evaluation, pharmacy claims processing, Mail Service and related prescription distribution, benefit design consultation, drug utilization review, formulary management and consultation, drug data analysis, drug interaction management, patient compliance, program management and pharmaceutical rebate administration.

BUSINESS

In 2001, the Company primarily derived its revenues from agreements to provide PBM services, which includes prescription Mail Service to the Members of Plan Sponsors in the United States. The Company also provided specialty pharmacy services to chronically ill or genetically impaired patients that require injection and infusion therapies, as well as infusion therapies and home healthcare services to patients recently discharged from hospitals. The Company believes that its future growth is directly linked to the success of its specialty pharmacy growth strategy and believes that within 24 months, a majority of the Company's revenues will be derived from the provision of specialty pharmaceutical management and distribution operations.

RECENT DEVELOPMENT

On March 14, 2002, the Justice Department charged our independent auditor, Arthur Andersen LLP, with a single felony count of obstruction of justice for destruction of documents related to its audit of Enron Corp. In response to this indictment, the Securities and Exchange Commission publicly announced that it has requested and received assurances from Andersen that it will continue to audit financial statements in accordance with generally accepted accounting standards and applicable professional and firm standards, including quality control standards. The Commission also stated that it has been advised by Andersen that if it becomes unable to provide these assurances, it would advise the Commission immediately. The Commission further stated that as long as Andersen continues to be in a position to provide these assurances, the Commission would continue to accept financial statements audited by Andersen in public filings. We obtained from Andersen certain representations concerning audit quality controls, including representations regarding the continuity of Andersen personnel working on our audit and the availability of national office consultation. Investors can call a hotline set up by the Commission, 1-800-SEC-0330, or e-mail the Commission at help@sec.gov, with any questions.

SIGNIFICANT ACCOUNTING POLICIES

We rely on the use of estimates and make assumptions that impact our financial condition and results. These estimates and assumptions are based on historical results and trends as well as our forecasts as to how these might change in the future. Our significant accounting policies that impact our results are included in Note 2 of the Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

YEAR ENDED DECEMBER 31, 2001 COMPARED TO YEAR ENDED DECEMBER 31, 2000

For the year ended December 31, 2001, the Company recorded revenues of $456.6 million compared with 2000 revenues of $338.2 million, an increase of $118.4 million. The increase in revenues was the result of continued growth in all of the Company's businesses. Revenue from the Company's specialty pharmaceutical services approximated $41.5 million for 2001, compared to $17.9 million in 2000. The principal reasons for the increase are the development and growth of the Company's BioScrip injectable distribution services offerings and the inclusion of ADIMA's revenues for all of 2001. In 2000, ADIMA's results were included for five months (from August 4, 2000, the date of acquisition). For the year ended December 31, 2001, approximately 21.2% of the Company's revenue was generated from capitated contracts compared to approximately 28% in 2000. Based upon its present contractual arrangements, the Company anticipates that less than 7% of its revenues in 2002 will be derived from capitated contracts.

Cost of revenue for 2001 increased to $403.2 million from $303.0 million for 2000, an increase of $100.2 million commensurate with the increases in revenue discussed above. Cost of revenue with respect to contracts with Plan Sponsors participating in the TennCare(R) program decreased $1.6 million from 2000 to 2001. Cost of revenue from commercial business increased $64.1 million, which includes an increase of $9.9 million from the inclusion of the full year of ADIMA's operating results. For the year ended December 31, 2001, gross profit increased $18.2 million to $53.4 million, from $35.2 million at December 31, 2000. Gross profit as a percentage of revenue increased to 11.7% in 2001 from 10.4% for the prior year. Gross margins were positively impacted in 2001 as a result of the increase in the Company's specialty pharmaceutical distribution services, which have higher associated gross profit margins than the Company's PBM and Mail Service businesses, as well as lower pharmaceutical utilization in the Company's capitated PBM contracts. Additionally, margins were positively impacted by a full year of ADIMA's operating results.

In the first quarter of 2001, the Company adopted a new method of recording pharmaceutical manufacturers' rebates that are shared with the Company's PBM customers. As a result, the Company has recorded rebates shared with its customers as a reduction of revenue, and rebates billed to manufacturers as a reduction to cost of revenue. Prior to this, the Company recorded the net difference between rebates billed and rebates shared with customers as a reduction of cost of revenue. For comparative purposes, revenue and cost of revenue for the years ended December 31, 2000 and 1999 have been reclassified to reflect this change.

General and administrative expenses increased $4.6 million to $38.5 million in 2001 from $33.9 million in 2000, an increase of 13.6%. This increase was primarily the result of the inclusion of ADIMA's operating expenses for all of 2001 and increases related to the Company's general growth, including the hiring of additional key management in support of the Company's specialty pharmaceutical, PBM and Mail Service businesses net of legal expenditures incurred in 2000 arising out of the Company's obligation to advance legal fees to two former officers. As a percentage of revenue, general and administrative expenses decreased to 8.4% in 2001 from 9.1% in 2000.

On May 4, 2000, the Company reached a negotiated settlement with Preferred Health Plans ("PHP"), pursuant to which, among other things, the Company retained rebates that would have otherwise been due and owing PHP. PHP paid the Company an additional $0.9 million and each party released the other from any and all liability with respect to past or future claims. This agreement did not have a material effect on the Company's results of operations or financial position.

In 1999, the Company recorded special charges of $3.3 million for estimated future losses related to this dispute and another TennCare(R) provider. Early in 2001, the Company reached an agreement in principle with Tennessee Health Partnership ("THP") pursuant to which the Company paid THP $1.3 million in satisfaction of all claims between the parties. The terms of the settlement were favorable to the Company and $1 million of excess reserves no longer required were credited to income during the first quarter of 2001. In addition, approximately $1.5 million resulting from the collection of receivables from Xantus and the adjustment of related reserves provided for in prior years was credited to income in the third quarter of 2001. See Note 9 of Notes to Consolidated Financial Statements.

For the year ended December 31, 2001, the Company recorded amortization of goodwill and other intangibles of $2.2 million compared to $1.5 million in 2000. This increase is due to inclusion of a full year of goodwill amortization for ADIMA.

For the year ended December 31, 2001, the Company recorded net interest expense of $0.06 million compared to net interest income of $0.8 million for the year ended December 31, 2000, a net decrease of $0.86 million, primarily due to lower cash balances after the Company's then cash on hand in 2000 was used to purchase ADIMA.

For the year ended December 31, 2001, the Company recorded a net profit of $14.2 million, or $0.64 per diluted share, which included one-time special gains totaling $2.5 million before taxes. This compares with a net loss of $1.8 million, or $0.09 per share, for the year ended December 31, 2000, which included special one-time charges of $5.4 million relating to the legal defense costs of two former officers and the write off of a non-operating investment.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was $22.3 million for the year ended December 31, 2001, which include one time special gains of $2.5 million, compared to EBITDA of $4.8 million for the year ended December 31, 2000. EBITDA for the year ended December 31, 2000 was approximately $8.0 million, excluding the Company's legal defense costs of two former officers.

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

For the year ended December 31, 2000, the Company recorded revenues of $338.2 million compared with 1999 revenues of $350.7 million, a decrease of $12.5 million. Contracts with Plan Sponsors participating in the TennCare(R) program accounted for decreased revenues of $43.3 million, principally as a result of the State of Tennessee assuming financial responsibility for the TennCare(R) dual eligible Members and the decrease in the number of TennCare(R) contracts managed by the Company, partially offset by an increase in revenue of $1.4 million related to a settlement of fees associated with 1998 services. Revenue increases as a result of the acquisition of ADIMA and an increase in commercial PBM and Mail Service revenues from both new and existing accounts increased revenue by $34.3 million. For the years ended December 31, 2000, approximately 28% of the Company's revenue was generated from capitated contracts compared to approximately 32% in 1999.

Cost of revenue for 2000 decreased to $303.0 million from $320.4 million for 1999, a decrease of $17.4 million, commensurate with the decrease in revenue discussed above. Cost of revenue with respect to contracts with Plan Sponsors participating in the TennCare(R) program decreased $49.7 million from 1999 to 2000. Cost of revenue from commercial business increased $37.2 million, which includes an increase of $4.9 million from the purchase of ADIMA. For the year ended December 31, 2000, gross profit increased $4.9 million to $35.2 million, from $30.3 million at December 31, 1999. Gross profit increases of $6.4 million in TennCare(R) business resulted primarily from lower pharmaceutical utilization on TennCare(R) capitated agreements, as well as $1.4 million related to a settlement of fees associated with 1998 that was recorded in 2000. Gross profit increases in TennCare(R) business were offset by decreases in gross profit of $5.3 million in commercial and mail order business, and increases of $3.8 million contributed by the Company's acquisition of ADIMA.

General and administrative expenses increased $5.9 million to $33.9 million in 2000 from $28.0 million in 1999, an increase of 21%. $1.7 million of this increase is a result of increased legal expenditures primarily arising out of the Company's obligations to advance legal fees to former officers. In addition, the acquisition of ADIMA contributed $1.3 million of the increase and the remainder was attributable to severance obligations to two executives, higher levels of depreciation due to capital improvements in our fulfillment facility, and increased costs associated with a larger sales force in 2000. As a percentage of revenue, general and administrative expenses increased to 10.0% in 2000 from 8.0% in 1999.

In 1999, the Company incurred one-time special charges of $6.0 million for Xantus PHP and THP, as discussed below. See Note 9 of Notes to Consolidated Financial Statements.

On May 4, 2000, the Company reached a negotiated settlement with PHP, under which, among other things, the Company retained rebates that would have otherwise been due and owing PHP. PHP paid the Company an additional $0.9 million and the respective parties released each other from any and all liability with respect to past or future claims. This agreement did not have a material effect on the Company's results of operations or financial positions.

For the year ended December 31, 2000, the Company recorded amortization of goodwill and other intangibles of $1.5 million compared to $1.1 million in 1999. This increase is primarily due to the goodwill amortization for ADIMA.

For the year ended December 31, 2000, the Company recorded interest income of $0.8 million compared to $1.0 million for the year ended December 31, 1999, a decrease of $0.2 million, primarily due to lower cash balances after the purchase of ADIMA.

Earnings before interest, taxes, depreciation and amortization ("EBITDA") was $4.8 million for the year ended December 31, 2000, compared to negative $1.4 million EBITDA for the year ended December 31, 1999. EBITDA for the year ended December 31, 2000 was approximately $8.0 million, excluding the Company's advances of legal defense costs of two former officers.

For the year ended December 31, 2000, the Company recorded a net loss of $1.8 million or $0.09 per share. This includes a one time, non-operating provision for $2.3 million relating to the Company's loss on its investment in Wang Healthcare Information Systems ("WHIS"). This compares with a net loss of $3.8 million, or $0.20 per share, for the year ended December 31, 1999. In 1997, the Company purchased 1,150,000 shares of the Series B Convertible Preferred Stock of WHIS, par value $0.01 per share, for an aggregate purchase price equal to $2.3 million. Due to changes in the financial situation at WHIS and its ability to access capital, the Company recorded a provision for loss on this investment in December 2000.

LIQUIDITY AND CAPITAL RESOURCES

The Company utilizes both funds generated from operations and available credit under its credit facility for acquisitions, capital expenditures and its general working capital needs. For the year ended December 31, 2001, net cash provided to the Company from operating activities totaled $11.0 million primarily due to increased business.

Cash used in investing activities was $3.7 million primarily due to the acquisition costs of $1.5 million for Community Prescription Service, Inc. ("CPS") in May 2001, and the earnouts for other acquisitions which together used cash of $2.2 million. The Company also purchased $2.6 million of equipment in support of the Company's Mail Service and fulfillment facility located in Columbus, Ohio.

Net cash provided by financing activities in the year ended December 31, 2001 was $3.9 million. Stock options exercised for $7.3 million were partially offset by the Company's purchase of treasury stock of $2.6 million.

At December 31, 2001, the Company had working capital of $9.3 million compared to a working capital deficit of $11.2 million at December 31, 2000. This is primarily due to increased cash on hand of $11.2 million, and an increase of $9.7 million in receivables due to increased business. Increased cash on hand was partially offset by an increase in claims payable of $8.7 million. Working capital was also impacted by a decrease in payables to Plan Sponsors as a result of payment acceleration.

On November 1, 2000 the Company entered into a $45 million secured revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"). The Facility is, and will continue to be, used for working capital purposes and future acquisitions in support of the Company's business plan. The Facility has a three-year term, provides for borrowing of up to $45 million at the London InterBank Offered Rate (LIBOR) plus 2.1% and is secured by receivables of the Company's principal operating subsidiaries. The facility contains various covenants that, among other things, require the Company to maintain certain financial ratios as defined in the agreement governing the Facility. As of March 15, 2002, there was outstanding $9.2 million under the Facility as a result of the Company's acquisition of Vitality in January 2002.

As the Company continues to grow, it anticipates that its working capital needs will also continue to increase. The Company believes that it has sufficient cash on hand and available credit to fund the Company's anticipated working capital and other operational cash needs for at least the next 12 months.

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

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

At December 31, 2001, the Company had unused Federal net operating loss carryforwards of $40.3 million, which will begin expiring in 2009. In the opinion of management, as the Company has not had a history of consistent profitability, it is uncertain whether the Company will realize the benefit from its deferred tax assets and has provided a valuation allowance.

As of December 31, 2001, certain of the company's Federal net operating loss carryforwards are subject to limitation and may be utilized in a future year upon release of the limitation. If Federal net operating loss carryforwards are not utilized in the year they are available they may be utilized in a future year to the extent they have not expired.

OTHER MATTERS

In 1998, the Company recorded a $2.2 million special charge against earnings in as a result of an agreement in principle with respect to a civil settlement of a Federal and State of Tennessee investigation in connection with conduct involving, among others, two former officers of the Company occurring prior to the Company's August 1996 initial public offering. The definitive agreement covering that settlement was executed on June 15, 2000, and required payment of $775,000 in 2000, payment of $900,000 in 2001, and payment of $525,000 in 2002. At December 31, 2001, $525,000 is outstanding and included in accrued expenses.

The TennCare(R) program operates under a demonstration waiver from The United States Center for Medicare and Medicaid Services ("CMS"). That waiver is the basis of the Company's ongoing service to those MCOs in the TennCare(R) program. The waiver expired on December 31, 2001 and was renewed without material modification through December 31, 2002. In addition, the State of Tennessee and the Federal governments have agreed to negotiate towards an additional two-year extension of the waiver through December 31, 2004. While the Company believes that pharmacy benefits will continue to be provided to Medicaid and other eligible TennCare(R) enrollees through MCOs in one form or another through at least December 31, 2004, there can be no assurances that such waiver will be renewed

after December 31, 2002, that pharmacy benefits will continue under the TennCare(R) Program or that the MCO's currently being serviced by the Company will continue their respective relationships with it under the existing or a successor program or on the same or similar terms and conditions. If the waiver is not renewed and the Company is not providing PBM and/or distributing specialty products to those lives under a successor program or arrangement, then the failure to provide such services could have a material and adverse affect on the financial position and results of operations of the Company. Moreover, should the funding sources and/or conditions for the TennCare(R) program change significantly, the TennCare(R) program's ability to pay the MCOs, and in turn the MCOs ability to pay the Company, could materially and adversely affect the Company's financial position and results of operations.

Historically, as a result of providing capitated PBM services to certain TennCare(R) MCOs, the Company's pharmaceutical claims costs had been subject to significant increases from October through February, which the Company believes is due to the need for increased medical attention to, and intervention with, MCOs' Members during the colder months. The resulting increase in pharmaceutical costs impacted the profitability of capitated contracts. Currently, the Company has no capitated PBM arrangements with MCOs participating in the TennCare(R) program. Fee for service arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under capitated contracts, as higher utilization positively impacts profitability. The Company presently anticipates that less than 7% of its revenues for 2002 will be derived from capitated arrangements.

Generally, loss contracts arise only on capitated or other risk-based contracts and primarily result from higher than expected pharmacy utilization rates, higher than expected inflation in drug costs and the inability of the Company to restrict its MCO clients' formularies to the extent anticipated by the Company at the time contracted PBM services are implemented, thereby resulting in higher than expected drug costs. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. There are currently no loss contracts and management does not believe that there is an overall trend towards losses on its existing capitated contracts.

In the first quarter of 2001, the Company commenced a stock repurchase program under which it was authorized to repurchase up to $5 million of the Company's Common Stock from time to time on the open market or in private transactions. In February 2001, the Company repurchased 1,298,183 shares of Common Stock at a price of $2.00 per share in private transactions. See "Certain Relationships and Related Transactions" below. Since that date, the Company has not repurchased any additional shares of its Common Stock.

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

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's exposure to market risk for changes in interest rates relates primarily to the Company's debt. At December 31, 2001 the Company did not have any long term debt. The Company does not invest in or otherwise use derivative financial instruments.

At December 31, 2001, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable, payables to Plan Sponsors and others, and debt approximate fair value due to their short-term nature.

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

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Stockholders of MIM Corporation and Subsidiaries:

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

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

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

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

ARTHUR ANDERSEN LLP

Roseland, New Jersey
February 16, 2002

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

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 12,487	$ 1,290
Receivables, less allowance for doubtful accounts of $5,543 and $8,333 at December 31, 2001 and 2000, respectively	70,089	60,808
Inventory	3,726	2,612
Prepaid expenses and other current assets	1,439	1,680
Total current assets	87,741	66,390
Property and equipment, net	9,287	10,813
Due from officer	2,132	2,012
Other assets, net	1,650	2,163
Intangible assets, net	39,009	39,023
TOTAL ASSETS	$ 139,819	$ 120,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current portion of capital lease obligations	$ 594	$ 592
Current portion of long-term debt	-	165
Accounts payable	4,468	2,964
Claims payable	46,564	39,337
Payables to Plan Sponsors	21,063	29,040
Accrued expenses and other current liabilities	5,745	5,476
Total current liabilities	78,434	77,574
Capital lease obligations, net of current portion	1,031	1,621
Other non-current liabilities	58	589
Minority interest	-	1,112
TOTAL LIABILITIES	79,523	80,896
Commitments and contingencies		
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, 22,004,101 and 21,547,312 shares issued and outstanding at December 31, 2001 and 2000, respectively	2	2
Additional paid-in capital	105,424	97,010
Accumulated deficit	(42,196)	(56,398)
Treasury stock, 1,398,183 and 100,000 shares at cost at December 31, 2001 and 2000, respectively	(2,934)	(338)
Stockholder notes receivable	-	(771)
Total stockholders' equity	60,296	39,505
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 139,819	$ 120,401

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

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31,
(IN THOUSANDS, EXCEPT FOR PER SHARE AMOUNTS)

	2001	2000	1999
Revenue	$ 456,646	$ 338,171	$ 350,693
Cost of revenue	403,243	302,991	320,388
Gross profit	53,403	35,180	30,305
General and administrative expenses	38,489	30,811	26,656
Legal fees due to indemnification responsibility	-	3,098	1,353
Amortization of goodwill and other intangibles	2,200	1,450	1,064
TennCare reserve adjustment	(2,476)	-	6,029
Income (loss) from operations	15,190	(179)	(4,797)
Interest (expense) income, net	(56)	766	1,012
Provision for loss on investment	-	2,300	-
Income (loss) before provision for income taxes	15,134	(1,713)	(3,785)
Provision for income taxes	932	110	-
Net income (loss)	$ 14,202	$ (1,823)	$ (3,785)
Basic income (loss) per common share	$ 0.67	$ (0.09)	$ (0.20)
Diluted income (loss) per common share	$ 0.64	$ (0.09)	$ (0.20)
Weighted average common shares used in computing basic income (loss) per common share	21,273	19,930	18,660
Weighted average common shares used in computing diluted income (loss) per common share	22,289	19,930	18,660

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

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK	TREASURY STOCK	ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	STOCKHOLDER NOTES RECEIVABLE	TOTAL STOCKHOLDERS EQUITY
Balance December 31, 1998	$ 2	$ -	$ 91,603	$(50,790)	$ (1,761)	$ 39,054
Payments of stockholder loans	-	-	-	-	245	245
Exercise of stock options	-	-	5	-	-	5
Non-employee stock option compensation expense	-	-	6	-	-	6
Purchase of treasury stock	-	(338)	-	-	-	(338)
Net loss	-	-	-	(3,785)	-	(3,785)
Balance December 31, 1999	$ 2	$ (338)	$ 91,614	$(54,575)	$ (1,516)	$ 35,187
Payments of stockholder loans	-	-	-	-	745	745
Exercise of stock options	-	-	333	-	-	333
Shares issued in connection with ADIMA acquisition	-	-	5,034	-	-	5,034
Non-employee stock option compensation expense	-	-	29	-	-	29
Net loss	-	-	-	(1,823)	-	(1,823)
Balance December 31, 2000	$ 2	$ (338)	$ 97,010	$(56,398)	$ (771)	$ 39,505
Reclassification of stockholders loans to other assets	-	-	-	-	771	771
Exercise of stock options	-	-	7,274	-	-	7,274
Issuance of common stock to employees	-	-	28	-	-	28
Dissolution of MIM Strategic	-	-	1,112	-	-	1,112
Purchase of treasury stock	-	(2,596)	-	-	-	(2,596)
Net income	-	-	-	14,202	-	14,202
Balance December 31, 2001	$ 2	$ (2,934)	$105,424	$(42,196)	-	$ 60,296

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

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
SOURCE (USE) OF CASH
YEARS ENDED DECEMBER 31,
(IN THOUSANDS)

	2001	2000	1999
Cash flows from operating activities:			
Net income (loss)	$ 14,202	$ (1,823)	$ (3,785)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities net of acquisitions:			
Depreciation and amortization	6,358	4,876	3,220
Loss on investment	-	2,300	-
TennCare reserve adjustment	(2,476)	-	-
Issuance of stock to non-employees	-	29	6
Issuance of stock to employees	28	-	-
Provision for losses on receivables and due from affiliates	1,383	571	6,537
Changes in assets and liabilities, net of acquisitions			
Receivables, net	(9,684)	8,989	(4,709)
Inventory	(1,114)	(1,013)	410
Prepaid expenses and other current assets	241	(297)	(490)
Accounts payable	1,504	(2,236)	(1,887)
Claims payable	8,723	(4,364)	6,847
Payables to Plan Sponsors and others	(7,977)	4,869	7,681
Accrued expenses	269	(1,067)	(934)
Non-current liabilities	(531)	500	-
Net cash provided by operating activities	10,926	11,334	12,896
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,632)	(6,634)	(2,180)
Purchases of investment securities	-	(4,000)	(7,070)
Maturities of investment securities	-	9,033	13,731
Costs of acquisitions, net of cash acquired	(2,186)	(19,638)	(669)
Purchases of other investments	-	-	(36)
Repayments of stockholder notes	504	745	245
Due from affiliates, net	(120)	(163)	(1,815)
Decrease (increase) in other assets	780	(1,905)	361
Net cash (used in) provided by investing activities	(3,654)	(22,562)	2,567
CASH FLOWS FROM FINANCING ACTIVITIES:			
Principal payments on capital lease obligations	(588)	(514)	(699)
Decrease in debt	(165)	(2,607)	(3,620)
Proceeds from exercise of stock options	7,274	333	5
Purchase of treasury stock	(2,596)	-	(338)
Net cash provided by (used in) financing activities	3,925	(2,788)	(4,652)
Net increase (decrease) in cash and cash equivalents	11,197	(14,016)	10,811
CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD	1,290	15,306	4,495
CASH AND CASH EQUIVALENTS--END OF PERIOD	$ 12,487	$ 1,290	$ 15,306

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

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,
(IN THOUSANDS)

SUPPLEMENTAL DISCLOSURES:

The Company paid $465, $657 and $277 of interest for each of the years ended December 31, 2001, 2000, and 1999, respectively.

Capital lease obligations of $0, $1,495 and $807 were incurred to acquire equipment for each of the years ended December 31, 2001, 2000, and 1999, respectively.

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

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

In 2001, the Company reclassified stockholder notes receivable of $771 to other assets. During 2001, the stockholder repaid $504 of the notes outstanding. As of December 31, 2001, $267 of the stockholder notes are outstanding and included in other assets.

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

(IN THOUSANDS, EXCEPT FOR SHARE AND PER SHARE AMOUNTS)

NOTE 1--NATURE OF BUSINESS

CORPORATE ORGANIZATION

MIM Corporation (the "Company" or "MIM") is a pharmaceutical healthcare organization delivering innovative pharmacy benefit, special pharmaceutical distribution and other pharmacy-related healthcare solutions to Plan Sponsors, principally managed care organizations and third party administrators. The Company combines its clinical expertise, sophisticated data management and therapeutic fulfillment capabilities to serve the particular needs of each of its customers and respective benefit recipients covered by the customers' pharmacy related health benefit.

The Company provides a broad array of pharmacy benefit and pharmacy products and services to individuals ("Members") receiving health benefits principally through health insurers (including managed care organizations ("MCOs") and other insurance companies, and, to a lesser extent, third party administrators, labor unions, self-funded employer groups, government agencies, and other funded Plan Sponsors ("Plan Sponsors"). The Company's programs include the distribution of biotech and other high-cost prescription medications to the chronically ill and genetically impaired, the provision of pharmacy benefit management ("PBM") services to members of Plan Sponsors, and the distribution of prescription maintenance medications to Plan Sponsors' Members through mail service ("Mail Service"). All of the Company's programs include the provision of clinical pharmacy services, designed to provide patients with high quality care while controlling pharmacy and overall health care costs. Depending on the goals and objectives of the Plan Sponsors with which the Company does business, the Company provides some or all of the following clinical services as part of its PBM and/or Specialty Pharmacy Programs, all of which will be described below in greater detail: pharmacy case management, therapy assessment, compliance monitoring, health risk assessment, patient education, drug usage and interaction evaluation, pharmacy claims processing, Mail Service and related prescription distribution, benefit design consultation, drug utilization review, formulary management and consultation, drug data analysis, drug interaction management, patient compliance, program management and pharmaceutical rebate administration.

BUSINESS

In 2001, the Company primarily derived its revenues from agreements to provide PBM services, which includes prescription Mail Service to the Members of Plan Sponsors in the United States. The Company also provided specialty pharmacy services to chronically ill or genetically impaired patients that require injection and infusion therapies, as well as infusion therapies and home healthcare services to patients recently discharged from hospitals.

A portion of the Company's revenues have been derived from providing PBM services in the State of Tennessee to managed care organizations ("MCOs") participating in the State of Tennessee's TennCare(R) program.

Through its BioScrip(TM) specialty injectable therapy programs, the Company distributes high-cost pharmaceuticals and provides clinically focused case and disease management programs to Plan Sponsors' members afflicted with chronic illnesses or genetic impairments. The disease states or conditions for which the Company has injectable specialty programs include HIV/AIDS, oncology, hemophilia, multiple sclerosis, growth hormone deficiency, Gaucher's disease, rheumatoid arthritis, infertility, respiratory syncytial virus (RSV), hepatitis C, Crohn's disease and transplant.

The Company also distributes prescription medications and provides clinical management services to patients through its Vitality Pharmaceutical Services ("Vitality") subsidiary located in Roslyn Heights, New York, acquired in January 2002. While BioScrip is marketed exclusively to Plan Sponsors, Vitality also markets its products and services to physician practice groups, hospitals, and, in some cases, directly to patients.

On August 4, 2000, the Company acquired all of the issued and outstanding membership interest of ADIMA. The aggregate purchase price approximated $24,000, and included $19,000 in cash and 2.7 million shares of MIM common stock valued at that time at $5,000. ADIMA, located in Livingston, New Jersey, distributes and administers high cost specialty infusion therapy to patients requiring principally immunosuppression blood products, such as IGG, parenteral nutrition products, such as TPN, and antibiotic therapies such as rocephin or vancomycin. Unlike the Company's other specialty programs, patients being serviced through ADIMA have their therapies administered by IV certified nurses. The consolidated financial statements include the results of ADIMA from the date of acquisition.

On May 1, 2001, the Company acquired Community Prescription Service, Inc. ("CPS") for $1,500, plus acquisition costs. The acquisition was treated as a purchase for financial reporting purposes. Based on a final appraisal, the Company has recorded intangible assets in connection with that acquisition which will be amortized over three to seven years. Operating results of CPS, which are included in the accompanying statements of operations from the date of acquisition, were not material to the results of operations for the twelve months ended December 31, 2001.

The following unaudited consolidated pro forma financial information has been prepared assuming ADIMA was acquired as of January 1, 1999, with pro forma adjustments for amortization of goodwill and interest income. The pro forma financial information is presented for informational purposes only and is not indicative of the results that would have been realized had the acquisition been made on January 1, 1999. The Company's statement of operations for the year ended December 31, 2001 include ADIMA's results of operations for the entire period. In addition, this pro forma financial information for the year ended December 31, 1999 and 2000 is not intended to be a projection of future operating results.

	YEAR ENDED DECEMBER 31	
	2000	1999
Revenues	$ 380,032	$388,611
Net loss	$ (85)	$ (1,933)
Basic loss per share	(0.00)	(.09)
Diluted loss per share	(0.00)	(.09)

The pro forma amounts above include $10,328 and $11,191 of revenues from the operations of ADIMA for the period from January 1, 2000 and 1999 respectively through the acquisition date.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATION

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

USE OF ESTIMATES

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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include demand deposits, overnight investments and money market accounts.

RECEIVABLES

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

INVENTORY

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

PROPERTY AND EQUIPMENT

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

ASSET	USEFUL LIFE
Computer and office equipment	3-5 years
Furniture and fixtures	5-7 years

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

DEFERRED FINANCING COSTS

Deferred financing costs, which are included in other assets, represent fees incurred in connection with obtaining debt financing and are amortized over the life of the related debt.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets represent the cost in excess of the fair market value of the tangible net assets acquired in connection with acquisitions. Amortization expense for the years ended December 31, 2001, 2000 and 1999, was $2,200, $1,450 and $1,064, respectively. Goodwill is amortized over periods ranging from twenty to twenty-five years and other intangible assets are amortized over four to six years.

Intangible assets comprised the following as of December 31:

	2001	2000
Goodwill	$41,415	$40,607
Other intangibles	2,636	1,258
Total	44,051	41,865
Less: Amortization of goodwill and other intangibles	5,042	2,842
Net intangible assets	$39,009	$39,023

LONG-LIVED ASSETS

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

CLAIMS PAYABLE

The Company is responsible for all covered prescriptions provided to plan members during the contract period. At December 31, 2001 and 2000, certain prescriptions were dispensed to members for whom the related claims had not yet been presented to the Company for payment. Estimates of $124 and $693 at December 31, 2001 and 2000, respectively, for these claims are included in claims payable.

PAYABLES TO PLAN SPONSORS

Payables to Plan Sponsors represent the sharing of pharmaceutical manufacturers' rebates with the Plan Sponsors, as well as profit sharing plans with certain capitated contracts.

REVENUE RECOGNITION

CAPITATED AGREEMENTS. The Company's capitated contracts with Plan Sponsors require the Company to provide covered pharmacy services to Plan Sponsor members in return for a fixed fee per member per month paid by the Plan Sponsor. Capitated contracts generally have a one-year term or, if longer, provide for adjustment of the capitated rate each year. These contracts are subject to rate adjustment or termination upon the occurrence of certain events.

Payments under capitated contracts are based upon the latest eligible member data provided to the Company by the Plan Sponsor. On a monthly basis, the Company recognizes revenue for those members eligible for the current month, plus or minus capitation amounts for those members determined to be retroactively eligible or ineligible for prior months under the contract. The amount accrued for net retroactive eligibility capitation payments are based upon management's estimates.

Generally, loss contracts arise only on capitated contracts and primarily result from higher than expected pharmacy utilization rates, higher than expected inflation in drug costs and the inability to restrict formularies,

resulting in higher than expected drug costs. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. There are currently no expected loss contracts and management does not believe that there is an overall trend towards losses on its existing capitated contracts.

All revenue is recorded net of the rebate share payable to Plan Sponsors.

FEE-FOR-SERVICE AGREEMENTS. Under fee-for-service PBM contracts, revenues from orders dispensed by the Company's pharmacy networks are recognized when the pharmacy services are reported to the Company by the dispensing pharmacist, through the on line claims processing systems. The Company assumes financial risk through having independent contractual arrangements with its Plan Sponsors and retail network pharmacy providers.

PRESCRIPTION SERVICES. The Company's integrated pharmacy benefit services include the delivery of pharmaceutical services and products. Such services and products may be provided by the Company's pharmacy dispensing facility, by ADIMA, or by one of its network pharmacies. Such products must be provided and dispensed before the total pharmacy benefit service is billed under the fee for services agreements described above.

COST OF REVENUE

Cost of revenue includes pharmacy claims, fees paid to pharmacists and other direct costs associated with pharmacy management, claims processing operations and mail order services, offset by volume rebates received from pharmaceutical manufacturers. For the years ended December 31, 2001, 2000 and 1999, gross rebates earned on rebate sharing arrangements on pharmacy benefit management contracts were $38,572, $45,230 and $43,611, respectively.

INCOME TAXES

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

EARNINGS PER SHARE

Basic earnings (loss) per common share are based on the weighted average number of shares outstanding and diluted earnings per share are based on the weighted average number of shares outstanding, including common stock equivalents. For the years ended December 31, 2000 and 1999, diluted loss per share is the same as basic loss per share because the inclusion of common stock equivalents would be anti-dilutive.

	YEARS ENDED DECEMBER 31,		
	2001	2000	1999
Numerator:			
Net Income (loss)	$ 14,202	$ (1,823)	$ (3,785)
Denominator - Basic:			
Weighted average number of common shares outstanding	21,273,000	19,930,000	18,660,000
Basic income (loss) per common share	$ 0.67	$ (0.09)	$ (0.20)
Denominator - Diluted:			
Weighted average number of common shares outstanding	21,273,000	19,930,000	18,660,000
Common share equivalents of outstanding stock options	1,016	0	0
Total shares outstanding	22,289,000	19,930,000	18,660,000
Diluted income (loss) per common share	$ 0.64	$ (0.09)	$ (0.20)

INDUSTRY SEGMENTS

The Company operates in one industry segment.

DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

ACCOUNTING FOR STOCK-BASED COMPENSATION

The Company accounts for employee stock based compensation plans and non-employee director stock incentive plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Stock options granted to non-employees are accounted for in accordance with SFAS No. 123, "Accounting for Stock-Based Compensation" (See Note 11).

RECENT ACCOUNTING PRONOUNCEMENTS

In January 2001, the Company adopted Emerging Issues Task Force Issue No. 00-22 ("EITF 00-22"), "Accounting for `Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future". EITF 00-22, states, among other things, that rebates received from pharmaceutical manufacturers should be recognized as a reduction of cost of revenue and rebates shared with Plan Sponsors as a reduction of revenue. Prior to adoption of EITF 00-22, the Company recorded the difference between the rebates received and the rebates shared with customers as a reduction of cost of revenue. The adoption of EITF 00-22 required the Company to classify $27,401 and reclassify $31,623 and $26,727 of rebates shared as reductions of revenue for years ended December 31, 2001, 2000, and 1999, respectively.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets," which establishes accounting and reporting standards governing business combinations, goodwill and intangible assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. SFAS No. 142 states that goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value based test. Under the new rules, an acquired intangible asset should be separately recognized and amortized over its useful life unless an indefinite life) if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged regardless of the acquirer's intent to do so. The Company is required to adopt these standards on January 1, 2002. During the year ended December 31, 2001 the Company continued to amortize its existing goodwill and intangible assets. The Company expects that a substantial amount of its goodwill will no longer be amortized upon adoption.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS No. 143 addresses financial accounting and reporting obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. SFAS No. 143 is effective for fiscal years beginning after June 14, 2002. The Company does not expect that the adoption of SFAS No. 143, which is effective for the Company as of January 1, 2003, will have any effect on its results of operations, financial position or cash flows.

In August 2001, the Financial Accounting Standards Board issued SFAS No. 144, "Accounting for the Impairment of Disposal of Ling-Lived Assets", which is effective for fiscal years beginning after December 15, 2001, and addresses financial accounting and reporting for the impairment of disposal of ling-lived assets. This statement supersedes SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of," and the accounting and reporting provisions of Accounting Principles Board Opinion No. 30, "Reporting the Results of Operations - Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions," for the disposal of segment of a business. The company plans to adopt the standard at the beginning of 2002, and does not expect that the adoption of SFAS No. 144 will have any effect on its results of operations, financial position or cash flows.

RECLASSIFICATIONS

Certain amounts in the 2000 and 1999 financial statements have been reclassified to conform to current year presentation.

NOTE 3--INVESTMENT

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

NOTE 4--RELATED PARTY TRANSACTIONS

The Company leases one of its facilities from Alchemie Properties, LLC ("Alchemie") pursuant to a ten-year agreement. Alchemie is controlled by Mr. E. David Corvese, a stockholder and a former officer and director of the Company (the "Founder"). Rent expense was approximately $56, $51 and $56 for the years ended December 31, 2001, 2000, and 1999.

STOCKHOLDER NOTES RECEIVABLE

On March 23, 2002, Mr. Richard Friedman, the Company's Chairman and Chief Executive Officer, repaid in full a $1,700 loan, together with all accrued and unpaid interest thereon, totalling approximately $2,100. Interest income on the note was $121, $161 and $101 for the years ended December 31, 2001, 2000 and 1999, respectively.

The Company had a $502 note receivable outstanding with the Founder as of December 31, 2000. The note was repaid in 2001. Interest income on the note was $41 for the year ended December 31, 2001, and $46 for the years ended December 31, 2000 and 1999, respectively.

The Company has a $267 and $269 note receivable from Alchemie outstanding as of December 31, 2001 and 2000, respectively. The note bears interest at a rate of 10% per annum with principal due and payable on December 1, 2004. Interest income was $29, $27 and $29 for the years ended December 31, 2001, 2000 and 1999. This note was paid in full on January 31, 2002.

The Company had a $780 note receivable from the Founder outstanding as of December 31, 1999. The note was fully repaid in 2000. Interest income on the notes was $27 and $56 for the years ended December 31, 2000 and 1999, respectively.

In 2001, the Company reclassified the then outstanding stockholder notes receivable from the Founder of approximately $771 from a reduction of stockholders' equity to other assets. Although the loans did not originate from the issuance of, or were otherwise collateralized by, the Company's equity securities, the Company initially classified the promissory notes in equity due to the nature of the borrowers' relationship to the Company at the time of the notes' origination. At that time, the Founder was the President and majority stockholder of the Company. As such, the borrowers and the Company were entities under common control at that time and the promissory notes were therefore treated as equity. The Founder is no longer an officer, director or majority stockholder of the Company and accordingly, the borrowers and the Company are no longer considered to be entities under common control. As of December 31, 2001, only the remaining note receivable from Alchemie is outstanding and included in other assets.

INDEMNIFICATION

Under certain circumstances, the Company was obligated to indemnify and advance defense costs to two former officers (one of which is a former director and still principal stockholder of the Company) of a subsidiary of the Company in connection with their involvement in the Federal and State of Tennessee investigation of which they are the subject. During 2001, 2000 and 1999, the Company advanced and expensed $0, $3,098 and $1,353, respectively, for the former officers' legal costs in this matter.

NOTE 5--PROPERTY AND EQUIPMENT

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

	2001	2000
Computer and office equipment, including equipment acquired under capital leases	$ 18,000	$ 15,483
Furniture and fixtures	1,149	1,095
Leasehold improvements	1,117	1,056
	20,266	17,634
Less: Accumulated depreciation	(10,979)	(6,821)
Property and equipment, net	$ 9,287	$ 10,813

NOTE 6--LONG TERM DEBT

On November 1, 2000 the Company entered into a $45,000 revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"), to be used for working capital purposes and future acquisitions. The Facility has a three-year term and is secured by the Company's receivables. Interest is payable monthly and provides for borrowing up to $45,000 at the London Inter-Bank Offered Rate (LIBOR) plus 2.1% (4.25% as of December 2001). A 0.5% fee is incurred monthly when the line is not utilized. In connection with the issuance of the Facility, the Company incurred financing costs of $1,642, which are included in other assets and are being amortized over the term of the agreement. The facility contains various covenants that, among other things, require the Company to maintain certain financial ratios, as defined in the agreement governing the Facility. As of December 31, 2001 and 2000, the Company had no amounts outstanding under the revolving credit facility.

NOTE 7 - MINORITY INTEREST

On June 28, 2001, the Company dissolved MIM Strategic Marketing, LLC ("Strategic"), a joint venture of which the Company was the majority investor. The Company does not have any repayment obligation to the minority interest

investor under Strategic's operating agreement or under the laws of the state of its formation. As a result of this dissolution, the minority interest balance of $1,112 has been reclassified to additional paid in capital.

NOTE 8 -TREASURY STOCK

In February 2001, the Company repurchased 1,298,183 shares of the Company's common stock for $2,596, at a price of $2.00 per share.

NOTE 9--COMMITMENTS AND CONTINGENCIES

LEGAL PROCEEDINGS

The Company has previously disputed several improper reductions of payments by Tennessee Health Partnership ("THP"). In addition, there existed a dispute over whether or not certain items should have been included under the Company's respective capitated arrangements with THP and Preferred Health Plans ("PHP"). In 1999, the Company recorded a special charge of $3,300 for estimated future losses related to these disputes.

In early 2001, the Company reached an agreement in principle with THP. The Company paid THP $1,300 in satisfaction of all claims between the parties. The terms of the settlement were favorable to the Company and $1 million of excess reserves no longer required were credited to income during the first quarter of 2001.

On May 4, 2000, the Company reached a negotiated settlement with PHP, under which, among other things, the Company retained rebates that would have otherwise been due and owing PHP. PHP paid the Company an additional $900 and the respective parties released each other from any and all liability with respect to past or future claims. This agreement did not have a material effect on the Company's results of operations or financial positions.

On March 31, 1999, the State of Tennessee, (the "State"), and Xantus Healthplans of Tennessee, Inc. ("Xantus"), entered into a consent decree under which Xantus was placed in receivership under the laws of the State of Tennessee. On September 2, 1999, the Commissioner of the Tennessee Department of Commerce and Insurance (the "Commissioner"), acting as receiver of Xantus, filed a proposed plan of rehabilitation (the "Plan"), as opposed to a liquidation of Xantus. A rehabilitation under receivership, similar to reorganization under federal bankruptcy laws, was approved by the Chancery Court (the "Court") of the State of Tennessee, and allows Xantus to remain operating as a TennCare(R) MCO, providing full health care related services to its enrollees. Under the Plan, the State, among other things, agreed to loan to Xantus approximately $30,000 to be used solely to repay pre-petition claims of providers, which claims aggregate approximately $80,000. Under the Plan, the Company received $4,200, including $600 of unpaid rebates to Xantus, which the Company was allowed to retain under the terms of the preliminary rehabilitation plan for Xantus. The Company recorded a special charge in 1999 of $2,700 for the estimated loss to the Company due to the Plan. A plan for the payment of the remaining amounts has not been finalized and the recovery of any additional amounts is uncertain. In 2001, the Company recorded a $1.5 million adjustment to the TennCare reserve resulting from the collection of receivables from Xantus and the adjustment of related reserves provided for in prior years.

In 1998, the Company recorded a $2,200 special charge against earnings in connection with an agreement in principle with respect to a civil settlement of the Federal and State of Tennessee investigation in connection with the conduct of two former officers of the Company, prior to the Company's initial public offering. The definitive agreement covering this settlement was executed on June 15, 2000, and required payment of $775 in 2000, $900 in 2001 and $525 to be paid in 2002.

GOVERNMENT REGULATION

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

The Company entered into a corporate integrity agreement with the Office of Inspector General (the "OIG") within the Department of Health and Human Services ("HHS") in connection with the Global Settlement Agreement entered into with the OIG and the State of Tennessee in June 2000. In order to assist the Company in maintaining compliance with laws and regulations and the corporate integrity agreement the Company implemented its corporate compliance program in August of 2000. This program includes educational training for all employees on compliance with laws and regulations relevant to the Company's business and operations and a formal program of reporting and resolution of possible violations of laws or regulations, as well as increased oversight by the OIG. Should the oversight procedures reveal credible evidence of any violation of federal law, the Company is required to report such potential violations to the OIG and the Department of Justice ("DOJ"). The Company is therefore subject to increased regulatory scrutiny and, if the Company commits legal or regulatory violations, they may be subject to an increased risk of sanctions or penalties, including exclusion from participation in the Medicare or Medicaid programs. The Company anticipates maintaining certain compliance related oversight procedures after the expiration of the corporate integrity agreement in June 2005.

EMPLOYMENT AGREEMENTS

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

2002	$1,002
2003	921
2004	49
Total	$1,972

OPERATING LEASES

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

2002	$1,275
2003	1,181
2004	1,046
2005	915
2006	931
Thereafter	2,345
Total	$7,693

Rent expense for non-related party leased facilities and equipment was approximately $1,439, $1,292 and $995 for the years ended December 31, 2001, 2000 and 1999, respectively.

CAPITAL LEASES

The Company leases certain equipment under various capital leases. Future minimum lease payments under the capital lease agreements at December 31, 2001 are as follows:

2002	$ 720
2003	670
2004	420
2005	35
Total minimum lease payments	1,845
Less: Amount representing interest	220
Obligations under leases	1,625
Less: Current portion of lease obligations	594
	$1,031

NOTE 10--INCOME TAXES

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

	2001	2000
Deferred tax assets (liabilities):	$ 2,181	$ 4,063
Reserves not currently deductible	(596)	(273)
Goodwill and intangibles	4,944	8,123
Federal net operating loss carryforwards generated from operations	9,145	7,453
Federal net operating loss carryforwards generated from stock options	140	220
Property basis differences	15,814	19,586
Subtotal	(15,814)	(19,586)
Less: valuation allowance		
Net deferred taxes	$ -	$ -

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

	2001	2000	1999
Tax provision (benefit) at statutory rate	$ 5,297	$ (582)	$(1,286)
State tax provision (benefit) , net of Federal taxes	629	110	(250)
Change in the valuation allowance relating to deferred tax assets/liabilities generated from operations	(5,464)	357	1,088
Amortization of goodwill and other intangibles	359	361	431
Other	111	(136)	17
Provision for income taxes	$ 932	$ 110	$ -

At December 31, 2001, the Company had unused Federal net operating loss carryforwards of $40,253, which will begin expiring in 2009. In the opinion of management, as the Company has not had history of consistent profitability, it is uncertain whether the Company will realize the benefit from its deferred tax assets and has provided a valuation allowance.

As of December 31, 2001, certain of the company's Federal net operating loss carryforwards are subject to limitation and may be utilized in a future year upon release of the limitation. If Federal net operating loss carryforwards are not utilized in the year they are available they may be utilized in a future year to the extent they have not expired. The following table lists the Company's available Federal net operating loss carryforwards in future years:

	Generated From Operations	Generated From Stock Options	Total
2002	$14,127	$ 2,518	$16,645
2003	-	4,780	4,780
2004	-	2,700	2,700
2005	-	2,700	2,700
2006	-	2,700	2,700
Thereafter	-	10,728	10,728
Total unused Federal net operating loss carryforwards	$14,127	$26,126	$40,253

NOTE 11--STOCKHOLDERS' EQUITY

STOCK OPTIONS

The 1996 Incentive Stock Plan (the "1996 Plan") provided for the granting of incentive stock options ("ISOs") and non-qualified stock options ("NQSOs") to employees, directors and consultants of the Company. Under the 1996 Plan there were 5,200,450 shares authorized for issuance. In 2001, the stockholders approved the Company's 2001 Incentive Stock Plan (the "2001 Plan," collectively with the 1996 Plan, the "Plans"). Under the 2001 Plan an additional 950,000 shares were authorized for issuance. As of December 31, 2001, 19,193 shares and 74,000 shares remained available for grant under the 1996 Plan and the 2001 Plan, respectively.

Options granted under the Plans vest over a three-year period and, in certain limited instances, fully vest upon a change in control of the Company. In addition, such options generally are exercisable for 10 years after the date of grant, subject in some cases, to earlier termination in certain circumstances. The exercise price of ISOs granted under the Plans will not be less than 100% of the fair market value on the date of grant (110% for ISOs granted to more than a 10% stockholder). If NQSOs are granted at an exercise price less than fair market value on the grant date, the amount by which fair market value exceeds the exercise price will be charged to compensation expense over the period the options vest.

As of December 31, 2001 and 2000, the exercisable portion of outstanding options was 874,699 shares and 924,879 shares, respectively. Stock option activity under the Plans through December 31, 2001 is as follows:

	Options	Average Price
Balance, December 31, 1998	2,084,009	$ 4.1132
Granted	969,000	$ 1.8207
Canceled	(292,202)	$ 5.8581
Exercised	(738,450)	$ 0.0067
Balance, December 31, 1999	2,022,357	$ 4.2621
Granted	615,000	$ 2.1960
Canceled	(360,027)	$ 1.3852
Exercised	(105,167)	$ 3.1657
Balance, December 31, 2000	2,172,163	$ 4.2070
Granted	1,107,000	$ 8.1885
Canceled	(215,999)	$ 3.4262
Exercised	(510,831)	$ 4.2416
Balance, December 31, 2001	1,656,333	$ 5.7929

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

The 1996 Directors Stock Incentive Plan, (the "Directors Plan") was adopted to attract and retain qualified individuals to serve as non-employee directors of the Company ("Outside Directors"), to provide incentives and rewards to such directors and to associate more closely the interests of such directors with those of the Company's stockholders. The Directors Plan provides for the automatic granting of non-qualified stock options to Outside Directors joining the Company. Each such Outside Director receives an option to purchase 20,000 shares of Common Stock upon his or her initial appointment or election to the Board of Directors. The exercise price of such options is equal to the fair market value of the Common Stock on the date of grant. Options granted under the Directors Plan vest over three years. 300,000 shares are authorized under the Directors Plan. During 2001, options to purchase 20,000 shares at an exercise price of $13.00 were canceled. As of December 31, 2001, options to purchase 60,000 shares are outstanding at an average exercise price of $5.80. At December 31, 2001, 86,667 shares under the Directors Plan were exercisable.

ACCOUNTING FOR STOCK-BASED COMPENSATION

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

	2001		2000		1999	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net income (loss)	$ 14,202	$ 12,258	$ (1,823)	$ (4,051)	$ (3,785)	$ (6,019)
Basic income (loss) per common share	$ 0.67	$ 0.58	$ (0.09)	$ (0.20)	$ (0.20)	$ (0.32)
Diluted income (loss) per common share	$ 0.64	$ 0.55	$ (0.09)	$ (0.20)	$ (0.20)	$ (0.32)

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

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

	2001	2000	1999
Volatility	104.4%	106.6%	95.5%
Risk-free interest rate	1.25%	6.25%	6.00%
Expected life of options	4 years	4 years	4 years

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

PERFORMANCE SHARES

Under the Plans, the Company's Board of Directors may grant stock to key employees. The Board of Directors may make the issuance of common stock subject to the satisfaction of one or more employment, performance, purchase or other conditions. As of December 31, 2001, the Company has granted 230,000 restricted stock grants (the "Performance Shares") that vest 8 years from the date of grant, or earlier if the Company exceeds certain earnings per share levels in 2001 and 2002. During 2001, the Company did not meet the earnings per share levels to accelerate vesting of the Performance Shares. The Company has recorded cumulative compensation expense of $217 related to these Performance Shares through December 31, 2001 based on the fair market value at the date of grant.

PERFORMANCE UNITS

Under the Plans, performance units may be granted by the Company's Board of Directors to key employees. The terms and conditions of the performance units including the performance goals, the performance period and the value for each performance unit are established by the Company's Board of Directors. If the performance goals are satisfied, the Company shall pay the key employee an amount in cash equal to the value of each performance unit at the time of payment. In no event shall a key employee receive an amount in excess of $1,000 in respect of performance units for any given year. During 2001 and 2000, performance goals were not satisfied, thus there were no amounts paid to employees related to performance. As of December 31, 2001, there are 241,500 performance units outstanding. If the Company exceeds $30,000, $37,500 or $45,000,000 net after tax earnings levels during the year ending December 31, 2002, the Company would have to pay the performance unit value of $10.00, $25.00 or $40.00, respectively, multiplied by the number of units held by each employee.

NOTE 12--CONCENTRATION OF CREDIT RISK

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

	Plan Sponsor				
	A	B	C	D	E
Year ended December 31, 1999					
% of total revenue	13%	*	14%	12%	12%
% of total accounts receivable at period end	*	*	20%	*	10%
Year ended December 31, 2000					
% of total revenue	22%	12%	12%	*	*
% of total accounts receivable at period end	*	14%	18%	*	*
Year ended December 31, 2001					
% of total revenue	14%	14%	11%	*	*
% of total accounts receivable at period end	*	23%	17%	*	*

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

NOTE 13--PROFIT SHARING PLAN

The Company maintains a deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer up to 15% of their salary, subject to Internal Revenue Service limits. The Company may make a discretionary matching contribution. The Company recorded matching contributions of $86, $65 and $50 for the years ended December 31, 2001, 2000, and 1999, respectively.

NOTE 14--SUBSEQUENT EVENT

In January 2002, MIM acquired Vitality Home Infusion Services, Inc., d/b/a Vitality Pharmaceutical Services, a national specialty pharmaceutical provider, based in Roslyn Heights, New York, for $45 million, which was paid, $35 million in cash and $10 million in MIM common stock. The cash portion of the purchase price was funded with proceeds from the primary lender under the existing credit facility.

On March 23, 2002, Mr. Richard Friedman, the Company's Chairman and Chief Executive Officer, repaid in full a $1,700 loan, together with all accrued and unpaid interest thereon totalling approximately $2,100.

NOTE 15--SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of quarterly financial information for fiscal 2001 and 2000 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2001:				
Revenues	$ 106,036	$ 106,851	$ 119,886	$ 123,873
Net income	$ 3,483	$ 3,210	$ 4,321	$ 3,189
Basic earnings per share	$ 0.17	$ 0.16	$ 0.20	$ 0.15
Diluted earnings per share	$ 0.17	$ 0.15	$ 0.19	$ 0.14
2000:				
Revenues	$ 80,517	$ 89,107	$ 76,919	$ 91,629
Net income (loss)	$ 725	$ 1,082	$ 183	$ (3,813)
Basic earnings (loss) per share	$ 0.04	$ 0.06	$ 0.01	$ (0.18)
Diluted earnings (loss) per share	$ 0.04	$ 0.06	$ 0.01	$ (0.18)

The net loss for the fourth quarter of 2000 includes a provision for loss of $2,300 related to the Company's investment in WHIS and $2,270 related to legal defense costs for two former officers. Due to changes in the financial situation at WHIS and its ability to access capital, the Company recorded the provision for loss on this investment in December 2000.

MIM Corporation and Subsidiaries
Schedule II - Valuation and Qualifying Accounts

For the years ended December 31, 2001, 2000 and 1999
(In thousands)

	Balance at Beginning of Period	Charges to Receivables	Charged to Costs and Expenses	Other Charges	Balance at End of Period
Year ended December 31, 1999					
Accounts receivable	$ 2,039	$ -	$ 6,537	$ -	$ 8,576
Accounts receivable, other	$ 403	$ -	$ -	$ -	$ 403
Year ended December 31, 2000					
Accounts receivable	$ 8,576	$ (814)	$ 571	$ -	$ 8,333
Accounts receivable, other	$ 403	$ (403)	$ -	$ -	$ -
Year ended December 31, 2001					
Accounts receivable	$ 8,333	$(3,193)	$ 403(1)	$ -	$ 5,543
Accounts receivable, other	$ -	$ -	$ -	$ -	$ -

(1) Net in this amount is approximately $1,000 of reserves credited to the Tenncare reserve adjustment for the year ended December 2001, on the statement of operations, upon settlement with THP.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

Part III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is incorporated by reference from the information contained under the captions entitled "Election of Directors," "Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our definitive proxy statement to be filed with the SEC in connection with our 2002 Annual Meeting of Stockholders.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference from the information contained under the captions entitled "Executive Compensation," "Summary Compensation Table," "Compensation Committee Interlocks and Insider Participation," "Compensation of Directors," "Compensation Committee Report on Executive Compensation," "Employment Agreements," "Option Grant Table," "Long Term Incentive Plan - Awards in Last Fiscal Year," "Aggregated Options Exercised in Last Fiscal Year and Fiscal Year-End Option Values" and "Stockholder Return Performance Graph" in our definitive proxy statement to be filed with the SEC in connection with our 2002 Annual Meeting of Stockholders.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is incorporated by reference from the information contained under the caption entitled "Common Stock Ownership by Certain Beneficial Owners and Management" in our definitive proxy statement to be filed with the SEC in connection with our 2002 Annual Meeting of Stockholders.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is incorporated by reference from the information contained under the caption entitled "Certain Relationships and Related Transactions" in our definitive proxy statement to be filed with the SEC in connection with our 2002 Annual Meeting of Stockholders.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(A.) Documents Filed as a Part of this Report

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

3. Exhibits:

Exhibit

Number	Description	Location
2.1	Agreement and Plan of Merger by and Among MIM Corporation, CMP Acquisition Corp., Continental Managed Pharmacy Services, Inc. and Principal Shareholders dated as of January 27, 1998	(4) (Exh. 2.1)
2.2	Purchase Agreement, dated as of August 3, 2000, among American Disease Management Associates, LLC its Members and Certain Related Parties, MIM Health Plans, Inc., and MIM Corporation	(11) (Exh. 2.1)
3.1	Amended and Restated Certificate of Incorporation of MIM Corporation	(1) (Exh. 3.1)
3.2	Amended and Restated By-Laws of MIM Corporation	(5) (Exh. 3(ii))
4.1	Specimen Common Stock Certificate	(4) (Exh. 4.1)
10.1	Drug Benefit Program Services Agreement between Pro-Mark Holdings, Inc. and RxCare of Tennessee, Inc., dated as of March 1, 1994, as amended January 1, 1995	(1) (Exh. 10.1)
10.2	Amendment No. 3 to Drug Benefit Program Services Agreement dated October 1, 1998	(7) (Exh.10.2)
10.3	Software Licensing and Support Agreement between ComCoTec, Inc. and Pro-Mark Holdings, Inc. dated November 21, 1994	(1) (Exh. 10.6)
10.4	Indemnity letter from MIM Holdings, LLC dated August 5, 1996	(1) (Exh. 10.36)
10.5	Employment Agreement between MIM Corporation and Richard H. Friedman dated as of December 1, 1998	(7) (Exh.10.14)
10.6	Amendment No. 1 to Employment Agreement dated as of May 15, 1998 between MIM Corporation and Barry A. Posner	(6) (Exh. 10.50)
10.7	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 1, 1999	(7) (Exh.10.17)
10.8	Registration Rights Agreement-I between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 29, 1996	(1) (Exh. 10.30)
10.9	Registration Rights Agreement-II between MIM Corporation and John H. Klein, Richard H. Friedman and Leslie B. Daniels dated July 29, 1996	(1) (Exh. 10.31)

10.10	Registration Rights Agreement-III between MIM Corporation and John H. Klein and E. David Corvese dated July 29, 1996	(1) (Exh. 10.32)
10.11	Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996	(1) (Exh. 10.34)
10.12	Registration Rights Agreement-V between MIM Corporation and Richard H. Friedman and Leslie B. Daniels dated July 31, 1996	(1) (Exh. 10.35)
10.13	Amendment No. 1 dated August 12, 1996 to Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996	(2) (Exh.10.29)
10.14	Amendment No. 2 dated June 16, 1998 to Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996	(7) (Exh.10.31)
10.15	MIM Corporation 1996 Stock Incentive Plan, as Amended December 9, 1996	(2) (Exh. 10.32)
10.16	MIM Corporation 1996 Amended and Restated Stock Incentive Plan, as amended December 2, 1998	(7) (Exh.10.33)
10.17	MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan*	(1) (Exh. 10.29)
10.18	Lease between Alchemie Properties, LLC and Pro-Mark Holdings, Inc., dated as of December 1, 1994	(1) (Exh. 10.27)
10.19	Lease Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated April 23, 1997	(3) (Exh.10.41)
10.20	Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated as of April 23, 1997	(3) (Exh.10.42)
10.21	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated December 10, 1997	(3) (Exh.10.43)
10.22	Lease Amendment and Extension Agreement-II between Mutual Properties Stonedale L.P. and MIM Corporation dated March 27, 1998	(3) (Exh.10.44)
10.23	Lease Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc., dated December 23, 1997	(3) (Exh.10.45)

10.24	Amended and Restated 1996 Non-Employee Directors Stock Incentive Plan (effective as of March 1, 1999)	(8) (Exh.10.60)
10.25	Amendment No. 1 to Employment Agreement, dated as of October 11, 1999 between MIM Corporation an Richard H. Friedman	(9) (Exh.10.60)
10.26	Form of Performance Shares Agreement	(9) (Exh.10.61)
10.27	Form of Performance Units Agreement	(9) (Exh.10.62)
10.28	Form of Non-Qualified Stock Option Agreement*	(9) (Exh.10.63)
10.29	Corporate Integrity Agreement between the Office of the Inspector General of the Department of Health and Human Services and MIM Corporation, dated as of June 15, 2000	(10) (Exh. 10.2)
10.30	Loan and Security Agreement, dated November 1, 2000, between MIM Funding LLC and HFG Healthco-4 LLC	(12) (Exh. 10.1)
10.31	Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, among MIM Health Plans, Inc., Continental Pharmacy, Inc., American Disease Management Associates LLC and MIM Funding LLC	(12) (Exh. 10.2)
10.32	Lease Agreement, dated as of February 24, 2000, by and between American Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc	(13) (Exh. 10.68)
10.33	First Lease Amendment, dated as of February 24, 2000, by and between Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc	(13) (Exh. 10.69)
10.34	Lease Agreement, dated as of July 22, 1996, by and between American Disease Management Associates, LLC ("ADIMA") and Regent Park Associates	(13) (Exh. 10.70)
10.35	First Amendment of Agreement of Lease, dated as of June 15, 1999, by and between ADIMA and Five Regent Park Associates	(13) (Exh. 10.71)
10.36	Second Amendment of Agreement of Lease, dated as of February 11, 2000, by and between ADIMA and Five Regent Park Associates	(13) (Exh. 10.72)

10.37	Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar .....(13) (Exh. 10.73)
10.38	Asset Purchase Agreement, dated April 4, 2001 among Continental Managed Pharmacy Services Inc., Community Prescription Service, Inc., and its Stockholders.....(14) (Exh. 10.74)
10.39	Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1, File No. 333-05327).....(15) (Exh. 3.1)
10.40	Amended and Restated By-Laws of the Registrant (incorporated by reference to Exhibit 3(ii) to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 1998).....(15) (Exh. 3.2)
10.41	Amended and Restated Rights Agreement dated as of May 20, 1999, between the Registrant and American Stock Transfer and Trust Company (incorporated by reference to Exhibit 4.1 to Post-Effective Amendment No. 2 to the Registrant's Form 8-A/A dated May 20, 1999).....(15) (Exh. 4.1)
10.42	Purchase Agreement among American Disease Management Associates, L.L.C., its Members and Certain Related Partners, MIM Health Plans, Inc. and the Registrant, dated as of August 3, 2000 (incorporated by reference to Exhibit 2.1 to the Registrant's Current Report on Form 8-K filed August 10, 2000).....(15) (Exh. 4.2)
10.43	Registration Rights Agreement between the Registrant and Livingston Group LLC dated as of August 3, 2000 (incorporated by reference to Exhibit 4.1 to the Registrant's Current Report on Form 8-K filed August 10, 2000).....(15) (Exh. 4.3)
10.44	Consent of Arthur Andersen LLP.....(15) (Exh. 23.2)
10.45	Employment letter, dated as of June 21, 2001, between MIM Corporation and Donald Foscato .....(16) (Exh. 10.75)
10.46	Employment letter, dated as of June 18, 2001, between MIM Health Plans, Inc. and Donald Dindak .....(16) (Exh. 10.76)
10.47	Employment letter, dated as of June 19, 2001, between MIM Health Plans, Inc and Michael Sicilian .....(16) (Exh. 10.77)
10.48	Purchase Agreement, dated as of January 9, 2002, among Vitality Home Infusion Services, Inc., Marc Wiener, Barbara Kammerer and MIM Corporation.....(17) (Exh. 2.1)
10.49	Lease Agreement, dated as of January 31, 2002, between Bar-Marc Realty, LLC, as landlord, and Vitality Home Infusion Services, Inc., as Tenant
10.50	Guaranty of Lease Agreement, dated January 31, 2002, made by the Company in favor of Bar-Marc Realty, LLC

10.51	Employment Letter, dated October 15, 2001, between the Company and Russel J. Corvese
10.52	Amendment, dated October 15, 2001, to Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar
21	Subsidiaries of the Company
99.1	Letter to SEC pursuant to Temporary Note 3T

- ---

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

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

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

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

(5) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1998.

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

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

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

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

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

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

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

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

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

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

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

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

(B) Reports on Form 8-K

NONE

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2001.

MIM CORPORATION

/s/ Donald A. Foscato

Donald A. Foscato
Chief Financial Officer

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

Signature	Title(s)	Date
/s/ Richard H. Friedman Richard H. Friedman	Chairman and Chief Executive Officer (principal executive officer)	March 29, 2002
/s/ Donald A. Foscato Donald A. Foscato	Chief Financial Officer and Treasurer (principal financial officer)	March 29, 2002
/s/ Louis DiFazio, PhD Louis DiFazio, PhD	Director	March 29, 2002
/s/ Louis A. Luzzi, Ph.D. Louis A. Luzzi, Ph.D.	Director	March 29, 2002
/s/ Richard A. Cirillo Richard A. Cirillo	Director	March 29, 2002
/s/ Michael Kooper Michael Kooper	Director	March 29, 2002
/s/ Ronald Shelp Ronald Shelp	Director	March 29, 2002
/s/ Harold Ford Harold Ford	Director	March 29, 2002

EXHIBIT INDEX

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

10.49	Lease Agreement, dated as of January 31, 2002, between Bar-Marc Realty, LLC, as landlord, and Vitality Home Infusion Services, Inc., as Tenant
10.50	Guaranty of Lease Agreement, dated January 31, 2002, made by the Company in favor of Bar-Marc Realty, LLC
10.51	Employment Letter, dated October 15, 2001, between the Company and Russel J. Corvese
10.52	Amendment, dated October 15, 2001, to Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar
21	Subsidiaries of the Company
99.1	Letter to SEC pursuant to Temporary Note 3T

Exhibit 10.49

EXECUTION COPY

BAR-MARC REALTY, LLC,

Landlord,

and

VITALITY HOME INFUSION SERVICES, INC.,

Tenant.

NET
LEASE

Dated as of January 31, 2002

Property
- --------

10 Powerhouse Road
Roslyn Heights, New York

TABLE OF CONTENTS

AGREEMENT OF LEASE made as of January 31, 2002, between BAR-MARC REALTY, LLC, a New York limited liability company, having an address at c/o Marc Wiener, 2 Madison Place, Jericho, New York 11753 ("Landlord"), and VITALITY HOME INFUSION SERVICES, INC., a New York corporation, having an address at 10 Powerhouse Road, Roslyn Heights, New York 11577 ("Tenant").

Landlord and Tenant hereby agree as follows:

Article 1. Demised Premises and Term. Landlord hereby demises and lets unto Tenant, and Tenant hereby hires and leases from Landlord, the premises described in Schedule A attached hereto and made a part hereof, and the building and improvements consisting of three floors and basement space comprising approximately 7,200 square feet (collectively, the "Building") located on such land (such land and the Building being hereinafter collectively referred to as the "Demised Premises");

TO HAVE AND TO HOLD the Demised Premises unto Tenant, its permitted successors and assigns, upon and subject to all of the terms, covenants, conditions, conditional limitations and agreements contained in this Lease for a term of approximately seven (7) years commencing on the date of this Lease (the "Commencement Date") and ending on the last day of the month in which occurs the seventh (7th) anniversary of the Commencement Date (the "Expiration Date"), or until the term is sooner terminated pursuant to any of the conditional limitations or other provisions of this Lease, or, if applicable, until the end of the term as extended pursuant to Article 51 of this Lease.

Article 2. Rent.

2.1 Tenant shall pay to Landlord fixed annual rent (sometimes referred to as "rent" or "fixed annual rent")for the period from the Commencement Date through and including the last day of the month in which occurs the seventh (7th) anniversary of the Commencement Date, the sum of $126,000.00 per annum at the rate of $10,500.00 per month payable on the first day of each month.

2.2 The fixed annual rent shall be adjusted in the manner set forth in this Section 2.2.

(a) For the purposes of this Article 2, the following definitions shall apply:

(i) The term "Consumer Price Index" shall mean the Revised Consumer Price Index for "All Urban Consumers" published by the Bureau of Labor Statistics of the U.S. Department of Labor, for New York-Northern New Jersey-Long Island, NY-NJ-CT, All Items (1982-84=100), or the successor to such Index should publication thereof be discontinued.

(ii) The term "Prior Consumer Price Index" shall mean with respect to any rent adjustment occurring as of the first Adjustment Date (as defined below) the Consumer Price Index for the month in which the Commencement Date occurs and with respect to any rent adjustment occurring as of each Adjustment after the first Adjustment Date, the Consumer Price Index for the month preceding the Adjustment Date that is immediately preceding the Adjustment Date in question.

(b) Effective as of the first anniversary of the Commencement Date and as of each anniversary thereafter during the term of this Lease (each such day being herein referred to as an "Adjustment Date"), there shall be made a cost of living adjustment of the fixed annual rent then in effect. The adjustment shall be based on the percentage difference between the Consumer Price Index for the month preceding the Adjustment Date in question and the Prior Consumer Price Index. In the event the Consumer Price Index for the month immediately preceding any Adjustment Date reflects an increase over the Prior Consumer Price Index, the fixed annual rent for the year preceding the Adjustment Date shall be multiplied by the percentage difference between the Consumer Price Index for the month immediately preceding the Adjustment Date in question and the Prior Consumer Price Index and the resulting product shall be added to the fixed annual rent for the year preceding the Adjustment Date effective as of the Adjustment Date in question.

The following illustrates the intention of Landlord and Tenant as to the computation of the cost of living adjustment in the fixed annual rent payable under this Section 2.2:

Assuming that the Prior Consumer Price Index was 100.0 and that the Consumer Price Index for the month immediately preceding the Adjustment Date in question was 103.0 and that the fixed annual rent was $600,000, then $600,000 would be multiplied by the percentage increase thus reflected, i.e. 3% (103.0-100.0=3; 3/100=3%), and the fixed annual rent would be increased by $18,000.00 per annum effective as of the Adjustment Date in question and equal $618,000.

(c) In the event that the Consumer Price Index ceases to use 1982-84=100 as the basis of calculation, or if a substantial change is made in the terms or number of items contained in the Consumer Price Index, then the Consumer Price Index shall be adjusted to the figure that would have been arrived at had the manner of computing the Consumer Price Index in effect at the date of this Lease not been altered. In the event such Consumer Price Index (or a successor or substitute index) is not available, a reliable governmental or other non-partisan publication mutually acceptable to the parties hereto providing the information theretofore used in determining the Consumer Price Index shall be used.

(d) No adjustments or recomputations, retroactive or otherwise, shall be made due to any revision which may later be made in the first published figure of the Consumer Price Index for any month.

(e) Until Landlord gives notice to Tenant after each Adjustment Date that the Consumer Price Index for the month preceding the Adjustment Date and the increased fixed annual rent in question has been determined, Tenant shall pay the fixed annual rent at the rate payable immediately prior to the Adjustment Date and, within thirty (30) days after Landlord's notice to Tenant as aforesaid, Landlord and Tenant shall adjust for any underpayment by Tenant from the Adjustment Date to the date of Tenant's next due monthly payment of fixed annual rent.

(f) In no event shall the fixed annual rent provided to be paid under this Lease (i) be adjusted downward; or (ii) be less than the fixed annual rent in the last year prior to the adjustment; and in no event shall the fixed annual rent increases be more than six percent (6%) per annum over the prior year's fixed annual rent, as adjusted pursuant to this Section.

2.3 Fixed annual rent shall be payable by Tenant as provided below in this Article 2, without prior demand and without deduction, setoff or abatement except as otherwise provided in this Lease, in equal monthly installments on or before the first day of each calendar month. If this Lease commences on a date other than the first day of a calendar month or if the expiration date occurs on a day other than the last day of a calendar month, then the rent shall be prorated on a daily basis for such month.

2.4 Tenant shall pay to Landlord the first monthly installment of fixed annual rent payable to Landlord under the terms of this Article 2 upon the execution and delivery of this Lease.

2.5 The rights and obligations of Landlord and Tenant under the provisions of this Article 2 with respect to rent shall survive the expiration or other termination of this Lease, provided, however, that nothing in this subsection shall be deemed to expand the remedies available to Landlord pursuant to Article 23 of this Lease upon a default by Tenant hereunder.

2.6 All sums (other than fixed annual rent), charges, costs and expenses which shall be payable by Tenant under this Lease shall be deemed to be "additional rent" hereunder and Landlord shall have all of the remedies upon a default in payment of the additional rent as are available to Landlord for a default in fixed annual rent.

Article 3. Triple Net Lease.

3.1 This is an absolutely triple net lease and Landlord shall not be required to provide any services or to do any act or thing with respect to the Demised Premises or the appurtenances thereto, and the fixed annual rent shall be paid to Landlord without any claim on the part of Tenant for diminution, reduction, setoff or abatement and nothing shall suspend, abate or reduce any rent to be paid hereunder, except as otherwise specifically provided in this Lease.

3.2 It is the intent of Landlord and Tenant that Tenant shall pay each and every item of expense of every kind and nature whatsoever accruing during the term of this Lease, for the payment of which Landlord is, shall or may be or become liable by reason of its estate or interest in the Demised Premises and/or the Building, or by reason of any rights or interest of Landlord in or under this Lease, or by reason of or in any manner connected with or arising from the ownership, leasing, operation, management, maintenance, repair, rebuilding, remodeling, renovation, use or occupancy of the Demised Premises and/or the Building, except for (a) payments due with respect to liens and encumbrances placed on the Demised Premises by Landlord or any third party other than liens or encumbrances arising from Tenant's failure to perform its obligations hereunder, and (b) payments due with respect to the Demised Premises accruing either prior to the Commencement Date of this Lease or after the expiration of the term hereof, or as otherwise expressly set forth in this Lease.

Article 4. Construction. Landlord shall not be obligated to do any construction or work of any kind in order to prepare the Demised Premises for occupancy by Tenant.

Article 5. Title to Improvements.

5.1 All fixtures, improvements, alterations, installations, additions, paneling, partitions, doors, railings and like installations installed in the Demised Premises at any time, by Tenant or others on Tenant's behalf in accordance with the terms of this Lease (collectively, the "Leasehold Improvements") shall remain on the Demised Premises following the expiration of this Lease. Notwithstanding the foregoing, nothing contained in this Section 5.1 shall be construed to give Landlord title to, or to prevent Tenant's removal of, the furniture, furnishings, trade fixtures, equipment and other movable property referred to in Section 5.2 below upon the expiration of the term of this Lease.

5.2 All furniture, furnishings and trade fixtures, including without limitation, business machines and equipment, counters, screens, hoods, vents, partitions, tables, chairs, desks, refrigerators, and any other movable property placed on the Demised Premises by Tenant shall remain the property of Tenant and Tenant may at its option remove all or any part thereof at any time prior to the expiration or other termination of the term of this Lease. In case Tenant shall decide not to remove any part of such property, Tenant shall notify Landlord in writing not less than sixty (60) days prior to the expiration of the term of this Lease, specifying the items of property that it has decided not to remove. If, within thirty (30)days after the receipt by Landlord of such notice, Landlord shall request Tenant to remove any of such property, Tenant shall at its expense remove such property in accordance with such request. As to such property that Landlord does not request Tenant to remove, such property shall be, if left by Tenant, deemed abandoned by Tenant and thereupon such property shall become the property of Landlord.

5.3 If any property that Tenant shall have the right to remove or be requested by Landlord to remove as provided in Section 5.2 above (referred to in this Section 5.3 as the "property") is not removed on or prior to the expiration or within five (5) days following the earlier termination of the term of this Lease, Landlord shall have the right to remove the property and to dispose of the property without accountability to Tenant and at the sole cost and expense of Tenant. In case of any damage to the Demised Premises or the Building resulting from the removal of the property (whether such removal is performed by Landlord or by Tenant), Tenant shall repair such damage within fifteen (15) days after Tenant's receipt of written demand or, in default thereof, shall reimburse Landlord for Landlord's actual cost in repairing such damage within thirty (30) days after written demand by Landlord with interest, from the date paid by Landlord to an including the date Tenant so repays Landlord, at the Interest Rate (as hereinafter defined). Tenant's obligations under this Article 5 shall survive the expiration or other termination of this Lease.

5.4 All Leasehold Improvements hereafter constructed on the Demised Premises shall become the property of Landlord immediately upon their affixation to the Demised Premises.

Article 6. Taxes.

6.1 Tenant will, at Tenant's own cost and expense, bear, pay and discharge, on or before the later of thirty (30) days after Tenant's receipt of the tax bill and the fifteenth (15th) day prior to the last day upon which they may be paid without interest or penalty for the late payment thereof, all taxes,

assessments, sewer rents, water rents and charges, duties, impositions, license and permit fees, charges for public utilities of any kind, payments and other charges of every kind and nature whatsoever, ordinary and extraordinary, foreseen or unforeseen, general or special (all of which are collectively referred to as "Impositions"), which, pursuant to present or future law or otherwise, cover a period during the term of this Lease with respect to, (i) the Demised Premises or any part thereof, or the appurtenances thereto, or (ii) the rents received by Landlord hereunder or received by Tenant from subtenants of the Demised Premises or any part thereof, or any use or occupation of the premises; it being the intention of the parties that the fixed annual rent and additional rent shall be received and enjoyed by Landlord as a net sum free from all of such Impositions, except income taxes assessed against Landlord, franchise, estate, succession, inheritance or transfer taxes of Landlord and special assessments related to the initial construction of the Demised Premises or additional capital improvements to the Demised Premises made by Landlord prior to the Commencement Date; provided, however, that if at any time during the term of this Lease the then prevailing method of taxation or assessment shall be changed so that the whole or any part of the Impositions theretofore payable by Tenant as above provided, shall instead be levied, charged, assessed or imposed wholly or partially on the rents received by Landlord from the Demised Premises, or shall otherwise be imposed against Landlord in the form of a franchise tax or otherwise, then, to the extent such new charges are in substitution of any Impositions, Tenant shall pay all such levies, charges, assessments, impositions, taxes and other substituted charges, on or before the later of thirty (30) days after Tenant's receipt of the tax bill and the fifteenth (15th) day prior to the last day upon which they may be paid without interest or penalty for late payment; provided further, however, that if the amount or rate of such substituted levy, charge, assessment or imposition, so levied, charged, assessed or imposed against the rents or income received by Landlord from the Demised Premises as a substitute in whole or in part for any of the Impositions theretofore payable by Tenant as provided above, shall be increased by reason of rents or income received by Landlord from property other than the Demised Premises, then Tenant shall be obligated to pay only such proportion of such levies, charges, assessments or impositions as shall be just and fair in the circumstances then prevailing.

Within thirty (30) days after the date when any Imposition is payable pursuant to any provisions of this Article 6, Tenant shall deliver to Landlord official receipts of the appropriate taxing authority, copies of the tax bills and Tenant's cancelled check or other reasonable evidence of payment thereof.

6.2 Tenant shall pay all interest and penalties imposed upon the late payment of any Impositions which Tenant is obligated to pay hereunder. Impositions shall be apportioned between Tenant and Landlord as of the Commencement Date and as of the date of expiration or termination of the term of this Lease. Any payments due Landlord or Tenant shall be made within thirty (30) days after written demand, accompanied by a copy of the bill from the taxing authority or other reasonable supporting documentation.

6.3 Landlord shall permit Tenant to take the benefit of the provisions of any law or regulations permitting any tax or assessment imposed more than one year prior to the date of expiration of the term of this Lease to be paid in installments; provided, however, that the amount of all installments of any such assessment which are to become due and payable after the expiration of the term of this Lease and covering a period during the term of this Lease shall be paid by Tenant on or before the expiration date of this Lease.

6.4 If Tenant shall fail to pay any Imposition, which Tenant is not contesting in accordance with this Article 6, on or before the last day upon which the same may be paid in accordance with the above provisions, then Landlord may pay such Imposition with all interest and penalties lawfully imposed upon the late payment thereof and the amounts so paid by Landlord shall thereupon be and become immediately due and payable by Tenant to Landlord, with interest from the date paid by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate.

6.5 An official certificate or statement issued or given by any sovereign or municipal authority, or any agency thereof, or any public utility, showing the existence of any Imposition, or interest or penalties thereon, the payment of which is the obligation of Tenant as herein provided, shall be prima facie evidence for all purposes of this Lease of the existence, amount and validity of such Imposition.

6.6 Upon the termination of this Lease by reason of Tenant's default hereunder, all right, title and interest of Tenant in all refunds or rebates of Impositions, whether paid or to be paid, are hereby assigned to Landlord and Landlord shall apply such refunds or rebates against the amounts due from Tenant hereunder.

6.7 Tenant shall have the right to institute certiorari or other similar proceedings challenging the real estate tax assessment for the Demised Premises. Tenant shall provide Landlord with copies of all pleadings and other documents and materials filed with the court or served by Tenant in connection with such proceeding promptly after the same are filed or served by Tenant. Landlord, at Tenant's sole cost and expense, shall cooperate reasonably with Tenant in connection with such proceedings. Upon the expiration or termination of this Lease, Tenant shall withdraw as the party to any such proceeding that may be pending and Landlord shall be substituted for Tenant. Tenant agrees to execute any documents that may be necessary to effect such substitution.

Article 7. Repairs.

7.1 Tenant shall, at all times during the term of this Lease, at Tenant's sole cost and expense, keep the Demised Premises and all facilities and equipment thereon, and all sidewalks and curbs adjoining the Demised Premises, and all appurtenances to the Demised Premises, in first class operating condition and repair and free of all vermin and insects, and in such condition as may be required by law and by the terms of the insurance policies furnished pursuant to Articles 15, 16 and 17 hereof, whether or not such repair shall be interior or exterior, extraordinary or ordinary, and whether or not the same can be said to be within the present contemplation of the parties hereto, except that Landlord shall be responsible to make Structural Repairs (as hereinafter defined) to the Demised Premises.

Tenant shall at all times during the term of this Lease, at Tenant's own cost and expense, keep the sidewalks and curbs adjoining the Demised Premises free from snow, ice and any other obstructions.

7.2 Except as otherwise provided in Articles 5 and 10 of this Lease, Tenant shall not remove, demolish or alter any building or improvement comprising the Demised Premises in the course of making repairs without the prior written consent of Landlord, which Landlord may grant or withhold in its sole discretion. When used in this Article, the term "repair" shall include replacements or renewals when necessary, and any repairs made by Tenant shall be at least equal in quality and class to the original work.

7.3 During the term of this Lease, Landlord shall, make all Structural Repairs to the Demised Premises and Tenant shall be responsible for the Annual Amortized Cost (as hereinafter defined) of any Structural Repairs during the term of this Lease. For the purposes, hereof, Structural Repairs shall mean all necessary repairs to the roof, footings and foundations and the structural steel columns and girders forming a part of the Demised Premises or any other capital repairs or replacements of the HVAC systems, plumbing, electrical or other operating systems servicing the Demised Premises which should be properly treated as a capital expenditure in accordance with generally applied real

estate accounting practice. In the event that any Structural Repairs are performed by Landlord during the term of this Lease, Landlord shall deliver annual statements to Tenant, reflecting the Annual Amortized Cost (as hereinafter defined) of such Structural Repairs. Tenant shall pay to Landlord the amount set forth on such statement on or before the date that is thirty (30) days from the receipt of such statement throughout the remainder of the term of this Lease. Landlord shall be responsible for the remainder of any Annual Amortized Cost occurring after the expiration of this Lease. In the event that the Tenant fails to timely pay such amount, such amounts shall bear interest from the date paid by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate. Annual Amortized Cost shall mean the payment amount determined as an annuity in arrears using the cost actually incurred by Landlord for such Structural Repair, amortized on a straight-line basis over the shorter of: (A) the useful life of the Structural Repair; or (B) ten (10) years, with an interest rate equal to the prime rate of major commercial banks (as published in the Wall Street Journal) as in effect on the date of such annual statement. Notwithstanding Landlord's obligations with respect to Structural Repairs as set forth herein, Tenant shall be responsible for routine maintenance and repairs with respect to the roof, HVAC systems, plumbing, electrical or other operating systems servicing the Demised Premises

Article 8. Utilities. During the term of this Lease, Tenant will make arrangements with the appropriate suppliers to be billed directly for all water, gas, oil, steam, electricity, light, heat, telephone, power, and other utilities used by Tenant on or in the Demised Premises during the term of this Lease and shall pay the same on or before the date such utility charges are due. At Landlord's request, Tenant will, within ten (10) days, provide Landlord with evidence of its payment of such utility charges.

Tenant will be responsible to maintain during the term of this Lease, without cost to Landlord, any and all necessary permits, licenses, or other authorizations required for the lawful and proper installation and maintenance upon the Demised Premises of wires, pipes, conduits, tubes, and other equipment and appliances for use in supplying any such service to and upon the Demised Premises. Landlord, upon request of Tenant, and at the sole expense and liability of Tenant, will join with Tenant in any application required for obtaining or continuing any such services.

Article 9. Compliance with Law.

9.1 Tenant shall at all times during the term of this Lease, at Tenant's sole cost and expense, perform and comply with all laws, rules, orders, ordinances, regulations and requirements now or hereafter enacted or promulgated, of every government and municipality having jurisdiction over the Demised Premises and of any agency thereof, and all applicable requirements and regulations of all fire underwriters boards and rating organizations (collectively, "Requirements"), relating to the Demised Premises, or the facilities or equipment therein, or the streets, sidewalks, curbs and gutters adjoining the Demised Premises or the appurtenances to the Demised Premises, which shall impose any violation, order or duty upon Landlord or Tenant except that this Section shall not require or permit the Tenant to make any Structural Repairs to the Demised Premises that may be required by the Requirements.

9.2 Tenant shall also, at all times during the term of this Lease, at Tenant's sole cost and expense, perform and comply with all Requirements that require alterations to the Demised Premises (other than Structural Repairs) arising out of (i) Tenant's use of the Demised Premises, (ii) any breach by Tenant of any term, covenant or condition of this Lease, or (iii) any cause or condition arising out of or in connection with any alteration performed by Tenant or on Tenant's behalf.

9.3 Tenant agrees, at Tenant's sole cost and expense, to comply at all times with all Requirements governing the use, generation, storage, treatment and/or disposal of any Hazardous Materials (as defined below), the presence of which was placed, stored or generated on the Demised Premises by Tenant or Tenant's employees, agents, contractors, invitees or licensees (collectively, "Persons Within Tenant's Control") or the breach of this Lease by Tenant or Persons Within Tenant's Control. The term "Hazardous Materials" shall mean any biologically or chemically active or other toxic or hazardous wastes, pollutants or substances, including, without limitation, asbestos, PCBs, petroleum products and by-products, substances defined or listed as "hazardous substances" or "toxic substances" or similarly identified in or pursuant to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. 9601, et seq., and as hazardous wastes under the Resource Conservation and Recovery Act, 42 U.S.C. 6010, et seq., any chemical substance or mixture regulated under the Toxic Substance Control Act of 1976, as amended, 15 U.S.C. 2601, et seq., any "toxic pollutant" under the Clean Water Act, 33 U.S.C. 466, et seq., as amended, any hazardous air pollutant under the Clean Air Act, 42 U.S.C. 7401, et seq., hazardous materials identified in or pursuant to the Hazardous Materials Transportation Act, 49 U.S.C. 1802, et seq., and any hazardous or toxic substances or pollutant regulated under any other Requirements. Tenant shall

agree to execute, from time to time, at Landlord's request, affidavits, representations and the like concerning Tenant's best knowledge and belief regarding the presence of Hazardous Materials in, on, under or about the Premises, the Building or the Land. Tenant shall indemnify and hold harmless Landlord, Landlord's agents and employees from and against any loss, cost, damage, liability or expense (including reasonable attorneys' fees and disbursements) arising by reason of any clean up, removal, remediation, detoxification action or any other activity required or recommended of any of Landlord, Landlord's agents and employees by any government agency by reason of the presence in or about the Building or the Premises of any Hazardous Materials, placed, stored or generated on the Demised Premises by Tenant or Persons Within Tenant's Control or the breach of this Lease by Tenant or Persons Within Tenant's Control. The foregoing covenants and indemnity shall survive the expiration or any termination of this Lease.

9.4 Tenant shall have the right, provided it does so with due diligence and dispatch, to contest by appropriate legal proceedings, without cost or expense to Landlord, the validity of any Requirements of the nature referred to in this Article 9. Tenant may postpone compliance with such Requirements until the final determination of such proceedings only so long as such postponement of compliance will not subject Landlord to any criminal prosecution, and on condition that, in the event of each such postponement of compliance by Tenant, Tenant shall, on written demand of Landlord, deposit and thereafter maintain with Landlord an amount of money and/or other security (including a policy of indemnity insurance, if reasonably required by Landlord) reasonably satisfactory to Landlord sufficient to pay for the costs of compliance with such Requirements so postponed and to pay any lien, charge and other liability of any kind against the reversion of the Demised Premises or any buildings and improvements thereon which may arise by reason of postponement or failure of compliance with such Requirements and also sufficient to indemnify and hold Landlord harmless from and against any loss, cost, damage, liability, interest, reasonable attorneys' fees and disbursements and other expenses arising by reason of such postponement or failure of compliance, which amount of money and other security shall be held by Landlord and shall be applied, to the extent thereof, to the payment of such costs of compliance if and when such costs are incurred by Tenant or Landlord, and to the payment of any such lien, charge, liability, loss, cost, damage, interest, attorneys' fees and disbursements and other expenses if and when they arise. To the extent that the amount of money and other security so deposited with Landlord shall be insufficient to pay such costs of compliance in full and fully to satisfy and discharge any such lien, charge, liability, loss, cost, damage, interest, attorneys' fees and disbursements and expenses which shall

have arisen by reason of such postponement or failure of compliance, Landlord may pay the same and the deficiency so paid by Landlord shall be due and payable by Tenant to Landlord within fifteen (15) days after written demand by Landlord, with interest from the date of demand by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate. Upon the final determination of such proceedings and compliance by Tenant with any such Requirements so contested (to the extent, if any, that compliance is required after the termination of such proceedings), any moneys so deposited with Landlord and then remaining on deposit with Landlord shall be returned to Tenant within fifteen (15) days if Tenant shall not then be in default hereunder.

No provision of this Lease shall be construed so as to permit Tenant to postpone compliance with any such law, rule, order, ordinance, regulation or requirement if any sovereign, municipal or other governmental authority shall threaten to carry out any work to so comply or to foreclose or sell any lien affecting all or any part of the Demised Premises which shall have arisen by reason of such postponement or failure of compliance.

Article 10. Alterations.

10.1 Tenant may make purely decorative changes to the Demised Premises such as painting and carpeting without Landlord's prior consent, but upon prior written notice to Landlord. Tenant may, at Tenant's sole cost and expense, from time to time during the term of this Lease, make such alterations or additions to the Demised Premises, excluding structural changes, as Tenant may reasonably consider necessary for the conduct of its business therein, upon and subject to the following conditions:

(a) such alterations or additions shall not adversely affect the value of the Demised Premises;

(b) the strength of the Building, the outside appearance of the Building or of any of its structural parts shall not be adversely affected;

(c) the proper functioning of any of the elevators or sprinkler, mechanical, electrical, plumbing, heating, ventilating, sanitary or other service systems of the Building shall not be adversely affected;

(d) in performing the alteration, Tenant shall observe and be bound by all of the conditions and covenants contained in this Article 10; and

(e) before proceeding with any alteration which costs more than Twenty Thousand ($20,000.00) Dollars, Tenant shall submit to Landlord, for Landlord's approval, detailed architectural, mechanical and structural plans and specifications for the work to be performed, prepared by a reputable architect licensed and registered to practice in New York State. Except with respect to work that does not satisfy the conditions set forth in subdivisions (a)-(d) of this Section, Landlord shall not unreasonably withhold or delay its approval of Tenant's plans and specifications.

10.2 Landlord may, as a condition to its consent, require Tenant to make reasonable revisions in and to the plans and specifications. Promptly after the completion of any alteration that affects the structure of the Building or the elevators, sprinkler, mechanical, electrical, plumbing, ventilating, sanitary or any other service system of the Building, Tenant shall deliver to Landlord a complete set of as-built plans in connection with such alteration.

10.3 All work performed by Tenant in the Demised Premises shall be performed only by contractors or mechanics approved by Landlord, which approval shall not be unreasonably withheld or delayed. All such work shall be done at Tenant's sole expense.

10.4 Prior to commencing any work pursuant to the provisions of this Lease, Tenant shall, at its expense, obtain all necessary governmental permits and certificates (and furnish copies thereof to Landlord) for the commencement and prosecution of Tenant's work and, upon completion, for final approval thereof, and shall cause Tenant's work to be performed in compliance with such permits and certificates, as well as with all applicable laws and requirements of public authorities and all applicable requirements of insurance bodies having jurisdiction over the Demised Premises, in a good and workmanlike manner, using materials and equipment of comparable quality to the original construction of the Demised Premises. Tenant shall, at its expense, carry or cause to be carried, the insurance coverage set forth in Articles 15, 16 and 17 of this Lease.

Article 11. Use of Demised Premises. Tenant will use and occupy the Demised Premises for a retail and wholesale specialty pharmacy business including general office and storage uses in connection with the operation of such business, and for no other purpose.

Tenant shall not (i) suffer or permit any Hazardous Substances to be brought on the Demised Premises, except as permitted by, and in accordance with, applicable law, or (ii) use or permit the use of the Demised Premises or any part thereof in any way that would violate any of the covenants, agreements, terms, provisions and conditions of this Lease or for any unlawful purposes or in any unlawful manner or in violation of any certificate of occupancy for the Building or the use set forth above.

Article 12. Protection Against Claims by Public. During the term of this Lease if any portion of the Demised Premises shall be unenclosed by any walled structure, fence or gate, such portion shall be subject to such reasonable directions as Landlord may from time to time make or give to Tenant in writing with respect to the use thereof so long as the same does not interfere with Tenant's intended use and access to the Demised Premises, for the purpose of Landlord's protection against possible claim or claims of the public (although Tenant's vendors and customers shall have access to the Demised Premises for the purpose of conducting business with Tenant), as such. Tenant hereby acknowledges that Landlord does not hereby consent, expressly or by implication, to the unrestricted use or possession of the whole or any portion of the Demised Premises by the public, as such, and Tenant agrees that all such reasonable directions so given in writing shall be deemed to be and become incorporated in this Lease by reference and shall be fully and promptly performed and enforced by Tenant at Tenant's own cost and expense. Tenant shall not suffer or permit Landlord's title to any part of the Demised Premises to become impaired in any manner whatsoever by Tenant's failure to comply fully and promptly with such directions, subject to the limitations set forth herein.

Article 13. Independence of Demised Premises. Tenant shall not by act or omission permit any building or other improvement on premises not demised hereunder to rely on the Demised Premises or any part thereof or any interest therein to fulfill any municipal or governmental requirement, and no building or other improvement on the Demised Premises shall rely on any premises not demised hereunder or any interest therein to fulfill any governmental or municipal requirement. Tenant shall not by act or omission impair the integrity of the Demised Premises as a single zoning lot separate and apart from all other premises. Any act or omission by Tenant which would result in a violation of any of the provisions of this Article shall be void.

Article 14. Mechanics' Liens. Landlord shall not be liable for any work performed or to be performed on or in the Demised Premises for Tenant or any subtenant, or for any materials furnished or to be furnished at the Demised Premises or any building or improvement thereon for Tenant or any subtenant or assignee, and that no mechanic's or other lien for such work or materials shall attach to the reversionary or other interest of Landlord. If, in connection with any work being performed by Tenant or any subtenant or assignee or in connection with any materials being furnished to Tenant or any subtenant or assignee, any

mechanic's lien or other lien or charge shall be filed or made against the Demised Premises or any building or improvement thereon or any part thereof, or if any such lien or charge shall be filed or made against Landlord as owner, then Tenant, at Tenant's sole cost and expense, within thirty (30) days after written notice of such lien or charge shall have been given to Tenant, shall cause such lien or charge to be cancelled and discharged of record by payment thereof or filing a bond or otherwise, and shall also defend any action, suit or proceeding which may be brought for the enforcement of such lien or charge, and shall pay any damages, costs and expenses, including reasonable attorneys' fees and disbursements, actually suffered or incurred therein by Landlord, and shall satisfy and discharge any judgment entered therein within thirty (30) days from the entering of such judgment by payment thereof or filing of a bond or otherwise. In the event of the failure of Tenant to discharge within such thirty (30) day period any lien, charge or judgment required to be discharged by Tenant, Landlord may pay such items or discharge such liability by payment or bond or both, and Tenant shall repay to Landlord, within fifteen (15) days after written demand by Landlord, any and all amounts paid by Landlord therefor or by reason of any liability on any such bond, and also pay any and all incidental expenses, including reasonable attorneys' fees and disbursements, actually incurred by Landlord in connection therewith with interest, from the date paid by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate.

Article 15. Liability Insurance.

15.1 At all times during the term of this Lease, Tenant shall, at Tenant's sole cost and expense, provide and keep in force for the benefit of Tenant and Landlord comprehensive general liability policy (including a "broad form" coverage endorsement), protecting Landlord and Tenant against any and all liability occasioned by negligence, occurrence, accident, or disaster in or about the Demised Premises or the buildings and improvements thereon or the streets or sidewalks adjacent thereto, such policies to be written by a company or companies licensed to do business in the State of New York, insuring against such risks of injuries to persons, death and damage to property with a combined single limit of no less than $5,000,000 for each occurrence. The insurance to be available for any liability arising from or associated with the Demised Premises and operations of Tenant shall not be reduced by liability associated with other premises or operations of Tenant or any affiliate of Tenant.

15.2 Valid certificates of insurance evidencing the existence of all such policies of insurance, together with receipts showing payment of the premiums thereon, shall be delivered to Landlord prior to the Commencement Date and at least fifteen (15) days prior to the expiration of any policy. Such insurance coverage, as well as any insurance to be obtained by Tenant pursuant to Articles 16 or 17 hereof, may be effected pursuant to blanket coverage insurance policies which cover losses in addition to those required to be insured against hereunder, provided that the amount of coverage for the losses required to be insured against hereunder shall be separately stated, either in such blanket coverage policies or in a separate certificate issued by the insurer, and provided further that such insurance gives to Landlord no less protection than that which would be afforded by separate policies.

15.3 If at any time or times Tenant shall neglect or fail so to provide and keep in force the insurance policies required by this Lease, or shall fail or refuse so to deliver to Landlord any of such insurance policies or certificates, as required by this Lease, Landlord may obtain such insurance as the agent of Tenant, by taking out a policy or policies with a company or companies satisfactory to Landlord, and the amount of the premium or premiums paid for such insurance by Landlord shall be repaid by Tenant to Landlord within fifteen (15) days after written demand by Landlord, with interest, from the date paid by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate; and with respect to any insurance Tenant is required to carry hereunder, Landlord shall not be limited in the proof of any damages which Landlord may claim against Tenant arising out of or resulting from Tenant's failure to provide and keep in force insurance policies as required by this Lease, to the amount of the insurance premium or premiums not paid or incurred by Tenant which would have been payable upon such insurance, but shall also be entitled to recover from Tenant as damages for such breach, the uninsured amount of any loss, liability, damage, claims, costs and expenses of suit, judgments and interest, suffered or incurred by Landlord.

15.4 Landlord shall obtain and maintain during the term of this Lease comprehensive general liability insurance (including contractual liability)covering Landlord's ownership of and activities at the Demised Premises with a combined single limit of no less than $1,000,000.00 per occurrence.

Article 16. Indemnity.

16.1 Tenant shall indemnify and hold harmless Landlord and Landlord's employees and agents from and against any and all liability, loss, damages, expenses (including reasonable attorneys' fees and disbursements actually incurred and any reasonable attorneys' fees and disbursements actually incurred in establishing liability and in collecting amounts payable hereunder), costs of actions, proceedings, suits, interest, fines, penalties, claims and judgments

(to the extent that the same are not paid out of the proceeds of any insurance policy furnished by Tenant to Landlord pursuant to Article 15 hereof) arising out of or resulting from injury, or claim of injury, during the term of this Lease to person or property of any and every nature, and from any matter or thing arising out of or resulting from the occupation, possession, use, management, improvement, construction, alteration, repair, maintenance or control of the Demised Premises, the buildings and improvements now or hereafter located thereon, the facilities and equipment thereon, the streets, sidewalks, curbs and gutters adjoining the Demised Premises, the appurtenances to the Demised Premises or the franchises and privileges connected therewith by Tenant or any subtenant or assignee, except if caused by Landlord or Landlord's agents', employees' contractors' or invitees' negligence or willful misconduct or arising out of Tenant's failure to perform, fully and promptly, or Tenant's postponement of compliance with, each and every term, covenant, condition and agreement to be performed by Tenant under this Lease. Tenant, at Tenant's sole cost and expense, shall defend by counsel reasonably approved by Landlord, any and all suits that may be brought, and claims which may be made, against Landlord, or in which Landlord may be impleaded with others, whether Landlord shall be liable or not, upon any such liability, loss, damages, expenses, costs of actions, suits, interest, fines, penalties, claims and judgments and shall satisfy, pay and discharge any and all judgments that may be recovered against Landlord in any actions or proceedings in which Landlord may be a party defendant, or that may be filed against the Demised Premises, the buildings and improvements thereon, or the appurtenances, or any interest therein. In the event of the failure of Tenant to pay the sum or sums for which Tenant shall become liable, then Landlord may pay such sum or sums, with all interest and charges which may have accrued thereon, and the amount so paid by Landlord shall be payable by Tenant to Landlord within fifteen (15) days after written demand by Landlord, with interest, from the date paid by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate.

16.2 At all times during the term of this Lease, Tenant shall, at Tenant's sole cost and expense, provide and keep in force a policy or policies of insurance as provided in Article 15 hereof insuring Tenant against all liability of Tenant under this Article 16, which policies shall be in such form as shall reasonably be required by Landlord. Such policies shall be written by a company or companies licensed to do business in the State of New York, with limits of not less than $5,000,000.00 per occurrence. Valid certificates of insurance evidencing the existence of all such policies of insurance, together with receipts showing payment of the premiums thereon, shall be delivered to Landlord prior to the Commencement Date and at least fifteen (15) days prior to the expiration of any policy. If at any time or times Tenant shall neglect or fail so to provide and keep in force such insurance policies, or shall fail or refuse so to deliver to Landlord such insurance policies, as required by this Lease, Landlord shall have all of the rights set forth in Section 15.3 hereof.

16.3 Landlord and Tenant acknowledge that the parties' agreements and understandings relating to the indemnification of Tenant for environmental matters existing prior to the Commencement Date are solely as set forth in that certain Stock Purchase Agreement dated January 9, 2002, by and among Tenant, Mark Wiener, Barbara Kammerer and MIM Corporation.

16.4 Landlord shall indemnify and hold harmless Tenant and Tenant's employees and agents from and against any and all liability, loss, damages, expenses (including reasonable attorneys' fees and disbursements actually incurred and any reasonable attorneys' fees and disbursements actually incurred in establishing liability and in collecting amounts payable hereunder), costs of actions, proceedings, suits, interest, fines, penalties, claims and judgments (to the extent that the same are not paid out of the proceeds of any insurance policy furnished by either party pursuant to Article 15 hereof) arising out of or resulting from injury, or claim of injury, during the term of this Lease to person or property of any and every nature, and from any matter or thing arising out of or resulting from Landlord's negligence, willful misconduct or entry onto the Demised Premises to conduct Structural Repairs or to show the Demised Premises to prospective purchasers, mortgagees and others pursuant to Article 35 hereof, except if caused by Tenant's negligence or willful misconduct or arising out of Tenant's failure to perform, fully and with applicable notice and cure periods, each and every term, covenant, condition and agreement to be performed by Tenant under this Lease.

Article 17. Hazard Insurance.

17.1 At all times during the term of this Lease, Tenant shall, at Tenant's sole cost and expense, keep the Demised Premises, as well as the appurtenances thereto, insured against loss or damage due to all risks of physical loss, including fire, lightening, tornado, windstorm, hail, smoke, explosion, riot, damage from vehicles, aircraft, boilers and machinery, smoke damage, (when and to the extent available) and such other insurable risks, casualties and hazards as Landlord may from time to time reasonably specify and which are insured by standard policies by owners of comparable buildings, in an amount at least equal to the full replacement value thereof, without deduction for depreciation, and containing a standard replacement cost endorsement with agreed amount coverage and with deductibles not to exceed $25,000. In addition, Tenant shall, at Tenant's sole cost and expense, keep the rental value of the Demised Premises, as well as the appurtenances, insured against loss or damage from such insurable risks, casualties and hazards as Landlord may from time to time reasonably specify and which are insured against by owners of comparable buildings, in an amount to be reasonably designated by Landlord from time to time during the term of this Lease.

17.2 During the period of the performance of any alteration made by Tenant, Tenant shall, at Tenant's sole cost and expense, maintain, in addition to all other insurance coverage required under this Lease, (a) workers' compensation insurance covering all persons employed in connection with such alteration in such amounts as may be required by law, (b) a completed operations endorsement to the liability insurance policies required under Article 15 of this Lease, (c) builder's risk insurance, completed value form, in an amount and including such endorsements as may be reasonably required by Landlord or Landlord's mortgagee(s), and (d) such other insurance as Landlord may deem reasonably necessary and insuring against risks which are insured against by owners of comparable buildings.

17.3 All insurance to be furnished by Tenant under this Article 17 shall be written by a company or companies licensed to do business in the State of New York, and by policies which shall name as an insured Landlord, Tenant and any mortgagees, as their interests may appear, shall include a mortgagee clause in standard form if there is a mortgagee or mortgagees. Such policies may be blanket coverage insurance policies as provided in Article 15 hereof. Valid certificates of insurance evidencing the existence of all such insurance policies, together with receipts showing payment of the premiums thereon, shall be delivered to Landlord prior to the Commencement Date and at least fifteen (15) days prior to the expiration of any policy. All insurance proceeds received by Landlord (other than rent insurance proceeds for which provision is made in Article 18 hereof) shall be made available in accordance with Article 20 hereof, for application to the cost of demolition, restoration, repair, replacement and rebuilding of the damage which occasioned the payment of such proceeds. All losses payable with respect to all insurance furnished by Tenant shall be adjusted with the insurance company by mutual consent of Landlord and Tenant.

17.4 All insurance maintained by Tenant pursuant to this Lease shall be issued by reputable insurance companies rated by Best's Insurance Guide or any successor thereto as having a rating of at least "A 10."

17.5 With respect to risks as to which either party is insured for or is required to provide insurance for hereunder, the party required to maintain

such insurance shall obtain a clause, in each such casualty insurance policy expressly waiving any right of recovery, by reason of subrogation to such parties' rights or otherwise, the respective insurer might otherwise have or obtain against the other party. Each party hereby waives any right of recovery against the other party for any and all damages for property losses and property damages which are actually insured by either party, but only to the extent of the proceeds of any applicable insurance policy (without adjustment for any deductible amount set forth therein) actually received by such party for such respective loss or damage. The waiver set forth in this subsection 17.5 shall not apply with respect to liability insurance policies.

Article 18. Fire and Other Casualty.

18.1 If the Demised Premises (or any portion thereof) shall be damaged or destroyed by fire or other casualty, then, irrespective of the cause and whether or not such damage or destruction shall have been insured, Tenant shall give prompt written notice thereof to Landlord, and shall, except as hereafter provided in this Articles 18 and 20, proceed with reasonable diligence to carry out any necessary demolition and to restore, repair, replace and rebuild at Tenant's sole cost and expense to the extent the loss is or should have been insured by Tenant pursuant to this Lease. Such demolition, restoration, repair, replacement and rebuilding shall be performed by Tenant in accordance with and subject to the provisions of Article 20 hereof.

If at any time Tenant shall be required pursuant to Article 20, but shall fail to commence or prosecute such work of demolition, restoration, repair, replacement or rebuilding with reasonable diligence and promptness, then Landlord may give to Tenant written notice of such failure, and if such failure continues for thirty (30) days after such notice, then Landlord, in addition to all other rights that Landlord may have, may enter upon the Demised Premises, provide labor and/or materials, cause the performance of any contract and/or do such other acts and things as Landlord may deem advisable to prosecute such work, in which event Landlord shall be entitled to reimbursement of its costs and expenses out of any insurance proceeds and any other moneys held for application to the cost of such work, in accordance with Article 20 hereof.

18.2 Rent shall not abate hereunder by reason of any damage to or destruction of the Demised Premises, or to the appurtenances thereto, and Tenant shall continue to perform and fulfill all of Tenant's obligations, covenants and agreements hereunder notwithstanding any such damage or destruction. Any rent insurance proceeds paid by the insurer and received by Landlord or its mortgagee

by reason of such damage or destruction shall be applied by Landlord to the payment of the fixed annual rent payable under Article 2 hereof, Impositions required to be paid by Tenant under Article 6 hereof and premiums for any insurance required to be maintained by Tenant under this Lease, but this shall not relieve Tenant of its obligations to pay punctually all such rents, Impositions and insurance premiums in the event rent insurance proceeds paid by the insurer and received by Landlord or its mortgagee are insufficient to pay the same. If and when Tenant shall complete all demolition, restoration, repair, replacement and rebuilding which Tenant is required to carry out under this Article 18, and shall not be in default under this Lease, then any balance of rent insurance proceeds then held by Landlord shall be paid over to Tenant free of trust.

Article 19. Condemnation.

19.1 If at any time during the term of this Lease all or substantially all of the Demised Premises and the buildings and improvements thereon shall be taken in the exercise of the power of eminent domain by any sovereign, municipality or other public or private authority, then this Lease shall terminate on the date of vesting of title in such taking and any prepaid rent shall be apportioned as of such date. Substantially all of the Demised Premises shall be deemed to have been taken if the remaining portion of the Demised Premises shall not be of sufficient size to permit the construction and operation of a building thereon substantially similar to the current building and parking lot for the uses set forth for the Demised Premises in this Lease. If the parties hereto do not agree on whether all or substantially all of the Demised Premises shall have been taken, within the meaning of this Lease, then their dispute shall be settled by arbitration, and the question to be determined by the arbitrators shall be: "Has all or substantially all of the Demised Premises been taken within the meaning of this Lease?" The entire award or awards for any such taking of all or substantially all of the Demised Premises shall be paid to Landlord and Landlord shall apply such award or awards in the following order of priority:

FIRST: There shall be retained by Landlord an amount equal to the costs and expenses (including, but not limited to, reasonable attorneys' fees and expenses) actually incurred by Landlord in prosecuting the claim for the condemnation award.

SECOND: There shall be retained by Landlord an amount equal to the greater of (a) the aggregate amount of all mortgages affecting Landlord's interest in the Demised Premises, or (b) the fair market value of the land and building comprising the Demised Premises immediately prior to the taking, valued as encumbered by this Lease but excluding the unamortized value of the cost to Tenant of all improvements to the Demised Premises made and paid for by Tenant. Such unamortized cost shall be determined in accordance with a straight line method of amortization and the life expectancy of such improvements used by Tenant for federal income tax purposes.

THIRD: There shall be paid to Tenant an amount equal to the unamortized value of the cost to Tenant of all improvements to the Demised Premises made and paid for by Tenant together with the value of Tenant's installed trade fixtures and equipment and ordinary and reasonable moving and relocation expenses. Such unamortized cost shall be determined in accordance with a straight line method of amortization and the life expectancy of such improvements used by Tenant for federal income tax purposes.

FOURTH: The remainder, if any, of such award or awards shall be retained by Landlord.

19.2 If less than all or substantially all of the Demised Premises and the buildings and improvements thereon shall be taken in the exercise of the power of eminent domain by any sovereign, municipality or other public or private authority, then this Lease shall continue in force and effect and subject to Article 20 hereof, Tenant shall proceed with reasonable diligence to carry out any necessary repair and restoration so that the remaining portion of the Demised Premises and appurtenances thereto shall constitute a complete structural unit or units which can be operated on an economically feasible basis under this Lease. All of such repair and restoration shall be carried out by Tenant in accordance with Article 20 hereof, and if, pursuant to clause THIRD of this Section 19.2, Landlord shall hold any condemnation award or awards which are to be applied to the cost of such repair or restoration, then Tenant shall be entitled to such award or awards to the extent and at the time or times provided in Article 20 hereof. If Tenant shall fail to supply a reasonable number of workers or sufficient materials of proper quality, or shall fail in any other respect to prosecute such work of repair or restoration with reasonable diligence and promptness for any reason other than Force Majeure (as defined in Section 30.3), then Landlord may give Tenant written notice of such failure, and if such failure continues for twenty (20) days after such notice, then Landlord, in addition to all rights which Landlord may have, may enter upon the Demised Premises and any building or improvement thereon, provide labor and/or materials, cause the performance of any contract and/or do such other acts and things as Landlord may deem advisable to prosecute such work, in which event Landlord shall be entitled to reimbursement of its costs and expenses out of any condemnation award or awards and any other moneys held by Landlord for application to the cost of such work, in accordance with Article 20 hereof.

The entire award or awards for any partial taking shall be paid to Landlord and Landlord shall apply and/or pay out such award or awards in the following manner and in the following order of priority:

FIRST: There shall be retained by Landlord an amount equal to the costs and expenses (including, but not limited to, reasonable attorneys' fees and expenses)incurred by Landlord in prosecuting the claim for the condemnation award.

SECOND: There shall be retained by Landlord that part of the award or awards which represents compensation for the taking of land, exclusive of improvements, plus that portion of the award or awards which represents compensation for consequential damage to land, exclusive of improvements, forming a part of the Demised Premises but not taken.

THIRD: That portion of the award or awards which represents compensation for consequential damage to improvements on land demised hereunder but not taken, plus that portion of the award or awards which is equal to the value, immediately prior to such taking, of Tenant's leasehold interest in and to that portion of the Demised Premises, with the buildings and improvements thereon and appurtenances thereto, which shall have been taken, shall be held by Landlord and applied, in accordance with Article 20 hereof, to the cost of repair and restoration required to be carried out by Tenant pursuant to this Section 19.2, and after completion by Tenant of such repair and restoration in accordance with this Lease or in lieu of completion thereof if the Lease is terminated under Article 20 below, the balance of any amounts then held by Landlord under this clause THIRD, after payment to Landlord of all outstanding amounts due from Tenant hereunder, shall be paid out to Tenant.

FOURTH: The remainder, if any, of such award or awards shall be paid to Landlord.

Fixed annual rent payable pursuant to Article 2 hereof shall, as of the date of vesting of title in such taking, be decreased by an amount equal to that proportion of such rent which the rentable square foot area of the portion of the Demised Premises so taken shall bear to the rentable square foot area of the entire Demised Premises immediately prior to such taking.

19.3 If the temporary use of the whole or any part of the Demised Premises or the appurtenances thereto shall be taken at any time during the term of this Lease in the exercise of the power of eminent domain by any sovereign, municipality or other authority, the term of this Lease shall not be reduced or affected in any way and Tenant shall continue to pay in full the rent and other sums of money and charges required under this Lease and provided to be paid by Tenant, and the entire award for such taking shall be paid to Landlord, to be applied and disposed of as provided in this Section 19.3.

Provided Tenant is not then in default in the payment of any sum payable by Tenant under this Lease, or in the performance of any other obligation of Tenant under this Lease beyond the applicable grace period, then Landlord shall pay to Tenant that portion of such award paid for use and occupancy of the Demised Premises during any period prior to the expiration of the term of this Lease and Landlord shall retain any portion of such award paid for use and occupancy of the Demised Premises following termination of this Lease. That portion of such award which represents physical damage to the Demised Premises or any buildings or improvements thereon or appurtenances thereto occasioned by such taking shall be held by Landlord in trust, and used to reimburse Tenant for the cost of restoration and repair of the buildings, improvements and appurtenances so damaged. Tenant shall perform all of such restoration and repair in accordance with Article 20 hereof.

19.4 Interest upon any award paid for a taking of the type referred to in this Article 19 shall be paid to Landlord, and shall be paid out to those persons entitled to the award upon which such interest shall have been paid, in proportion to the respective amounts received by, or applied for the account of such persons.

19.5 Any award or part of an award paid as compensation for the taking of personal property owned by Tenant or a subtenant or for moving expenses of Tenant or a subtenant, shall be payable to Tenant, or such subtenant, as the case may be.

19.6 In any instance when the respective portions of any award which are to be paid out in accordance with this Article 19 shall not be fixed in the taking proceedings which give rise to such award and if the parties hereto shall not agree in writing on such respective portions within thirty (30) days after the date of final determination of the amount of such award, or if the parties hereto do not agree in writing on the amount of any decrease in rent under Section 19.2 of this Article 19 within thirty (30) days after the date of vesting of title in the taking authority, then their dispute shall be settled by arbitration in accordance with Article 32 hereof. Any allocation of an award by the arbitrators shall be in accordance with the priorities and categories herein provided and the arbitrators shall have no power to alter said priorities or categories.

Article 20. Restoration after Fire or Condemnation.

20.1 Whenever Tenant shall be required to carry out any work of demolition, restoration, repair, replacement or rebuilding pursuant to Article 18 or Section 19.2 or Section 19.3, Tenant, prior to the commencement of such work, shall comply with the following requirements to the extent of the insurance proceeds or condemnation award which are paid to Tenant (or to a third party upon the direction of Tenant) or, with respect to insurance proceeds, which should have been available if Tenant had maintained the insurance coverages required hereunder unless this Lease is terminated as set forth below (except when such work is of a minor nature, as that term is defined below):

1. Tenant shall bear the expense of furnishing to Landlord complete plans and specifications for such work, for Landlord's approval, which approval shall not be unreasonably withheld or delayed. Such plans and specifications shall bear the signed approval thereof by an architect licensed to do business in the State of New York (hereafter in this Article 20 referred to as "the Architect"), and shall be accompanied by the Architect's signed estimate of the entire cost of completing the work encompassed by such plans and specifications. Tenant shall not commence any demolition, restoration, repair, replacement or rebuilding until Tenant shall have obtained Landlord's written approval of such plans and specifications and such cost estimate.

2. Tenant shall bear the expense of and furnish to Landlord certified or photostatic copies of all permits and approvals required by law in connection with the commencement and conduct of such work, and upon completion of such work, a permanent certificate of occupancy or equivalent governmental approval showing that the Demised Premises may be lawfully occupied for the purposes stated in Article 11 of this Lease.

3. If the amount of fire insurance proceeds or condemnation award or awards held by Landlord to be applied to pay for the cost of such work pursuant to this Article 20 shall be less than the Architect's estimate of the cost of completion of such work, as approved by Landlord, then Tenant shall furnish to Landlord, prior to the commencement of such work, a surety bond for, or guaranty of completion of, any payment for such work provided for in such plans and specifications, which bond or guaranty shall be in form satisfactory to Landlord and shall be signed by a surety or sureties, or guarantor or guarantors, as the case may be, who are acceptable to Landlord, and in an amount not less than 110% of the excess of such estimated and approved cost of completion of the work over the insurance proceeds or condemnation award or awards held by Landlord. In lieu of furnishing such a bond, guaranty, security or other assurances, Tenant may deposit with Landlord a sum of money equal to 100% of the excess of such estimated and approved cost of completion of the work over the insurance proceeds or condemnation award or awards held by Landlord, which money shall be applied by Landlord to the cost of such work pursuant to this Article 20.

20.2 Tenant shall not commence any of such demolition, restoration, repair, replacement or rebuilding work until Tenant shall have complied with such requirements of this Article 20, and thereafter Tenant shall carry out such work with reasonable diligence and in good faith in accordance with the plans and specifications referred to in subdivision 1 above.

20.3 In any instance other than in the case of work of a minor nature, as that term is defined below in this Article 20, if, pursuant to Article 17, or Sections 19.2 or 19.3 or subdivision 3 of Section 20.1, Landlord shall hold insurance proceeds, condemnation awards or other moneys which are to be applied to the cost of carrying out demolition, restoration, repair, replacement or rebuilding, and if such work shall be carried out by Tenant in accordance with this Lease, then Landlord shall disburse such insurance proceeds, condemnation award or awards and/or other moneys to Tenant from time to time during the course of such work in accordance with this Article 20. Landlord shall not be required to make disbursements more often than at thirty (30) day intervals. Tenant shall make written request for each disbursement at least seven (7) days in advance, and Landlord shall disburse the requested funds within seven (7) days after its receipt of Tenant's request, provided that Tenant shall comply with the following requirements in connection with each disbursement:

(a) Tenant shall deliver to Landlord, at the time of request for a disbursement, a certificate of the Architect, dated not more than ten (10) days prior to the application for withdrawal of funds, setting forth the following:

(i) That the sum then requested to be withdrawn either has been paid by Tenant and/or is justly due to contractors, subcontractors, materialmen, engineers, architects or other persons (whose names and addresses shall be stated) who have rendered or furnished certain services or materials for the work and giving a brief description of such services and materials and the principal subdivisions or categories thereof and the respective amounts so paid or due to each of such persons in respect thereof and stating the progress of the work up to the date of such certificate;

(ii) That the sum then requested to be withdrawn, plus all sums previously withdrawn, does not exceed the cost of the work actually completed up to the date of such certificate;

(iii) That the remainder of the moneys held by Landlord will be sufficient to pay in full for the completion of the work;

(iv) That no part of the cost of the services and materials described in the foregoing paragraph (i) of this clause has been or is being made the basis of the withdrawal of any funds in any previous or then pending application;

(v) That, except for the amounts, if any, specified in the foregoing paragraph (i) to be due for services or materials, there is no outstanding indebtedness known, after due inquiry, which is then due and payable for work, labor, services or materials in connection with the work which, if unpaid, might become the basis of a vendor's, mechanic's, laborer's or materialman's statutory or other similar lien upon the Demised Premises or any part thereof; and

(vi) That Tenant has delivered to Landlord waivers of lien from all contractors and subcontractors who performed any portion of the work.

(b) Tenant shall deliver to Landlord a survey of the Demised Premises dated as of a date within ten (10) days prior to the making of the advance (or revised to a date within ten (10) days prior to the advance) showing no encroachments other than those, if any, acceptable to Landlord. Said surveys need not be furnished if the work being carried out does not touch or extend beyond the perimeter of the Demised Premises or the perimeter of any building within the Demised Premises and is otherwise of such a nature so that such work would not affect any facts shown on a survey of the Demised Premises.

(c) There shall be no default by Tenant under this Lease.

(d) Tenant shall deliver a certificate stating that except for the amounts, if any, specified in Section 20.3(a) to be due for services or materials, there is no outstanding indebtedness known, after reasonable inquiry, which is then due and payable for work, labor, services or materials in connection with the work which, if unpaid, might become the basis of a vendor's, mechanic's, laborer's or materialman's statutory or other similar lien upon the Demised Premises or any part thereof.

Upon compliance with the foregoing provisions of this Article 20, Landlord shall, out of the moneys so held by it for such purpose, within ten (10) days after its receipt of the foregoing certificates, pay or cause to be paid to the persons named in the certificate furnished pursuant to Section 20.3(a), the respective amounts stated in such certificate to be due them, and shall pay to Tenant the amounts stated in such certificate to have been paid by Tenant. If, after all of such work shall be completed in accordance with this Lease, and all municipal and governmental approvals required on completion of such work shall have been obtained, there shall be moneys held by Landlord for application to the cost of such work over and above the amounts withdrawn pursuant to the provisions of this Article 20, and if Tenant shall not be in default under this Lease after expiration of applicable notice and cure periods, then such moneys shall be paid over to Tenant free of trust.

20.4 If (a) Tenant shall fail to commence restoration in accordance with this Article 20 or thereafter shall fail to diligently and continuously prosecute such restoration, and such failure shall continue for a period of twenty (20) consecutive days after notice from Landlord to Tenant for any reason other than Force Majuere, and (b) Landlord determines, in its sole discretion, to carry out any of such work, then Landlord shall be entitled to apply the moneys which it holds for such purpose to the cost of such work. In withdrawing such moneys, Landlord need not comply with any of the requirements set forth above in this Article 20, and need comply only with those requirements hereafter set forth in this paragraph. At the time of each application of funds, Landlord shall obtain a certificate of either the Architect or another reputable architect selected by Landlord licensed to do business in the State of New York, stating that the sum then applied either has been paid by Landlord, and/or is justly due, to contractors, subcontractors, materialmen, engineers, architects or other persons (whose names and addresses shall be stated) who have rendered or furnished certain services or materials for the work and giving a brief description of such services and materials and the respective amounts so paid or due to each of such persons in respect thereof. Such certificate shall also state that no part of the cost of the services or materials described in such certificate has been or is being made the basis of the withdrawal of any funds in any previous or then pending application of Landlord.

20.5 If the above-mentioned work shall be of a minor nature, as that term is defined below, then the requirements set forth above in this Article 20 shall not be applicable, except that Tenant shall obtain and furnish to Landlord all permits and approvals required by law in connection with the commencement

and carrying out of such work. Within ten (10) days after receipt by Landlord, Landlord shall pay over the insurance proceeds or condemnation award or awards, as the case may be, which are held by it for application to the cost of such work, to Tenant, or to Landlord, if Landlord shall have completed such work following a default by Tenant. Such work shall be deemed to be of a minor nature only if in one continuous project the aggregate cost of such work is less than Seventy Five Thousand Dollars ($75,000).

20.6 So long as Tenant has maintained in all respects the insurance coverages required under this Lease, notwithstanding anything in this Lease to the contrary, in the event the Demised Premises shall be damaged or destroyed by fire or other casualty during the last year of the term of this Lease (or the last year of any extension thereof) such that more than 50% of the total area of the Demised Premises shall be rendered unusable, then Tenant may elect to terminate this Lease effective upon the delivery of written notice of termination to Landlord given within thirty (30) days after the date of the casualty. In such event, Landlord shall be entitled to receive and keep the insurance proceeds (except for rent loss insurance proceeds for periods prior to the effective date of termination which proceeds shall be applied to Tenant's rental obligations hereunder.

Article 21. Assignment; Subletting.

21.1 Tenant shall not by operation of law or otherwise (a) assign or otherwise transfer this Lease or the term and estate hereby granted, (b) sublet the Demised Premises or any part thereof or allow the same to be used or occupied by others, (c) mortgage, pledge or encumber this Lease or the Demised Premises or any part thereof in any manner by reason of any act or omission on the part of Tenant, or (d) advertise, or authorize a broker to advertise, for a subtenant or an assignee, without, in each instance, obtaining the prior written consent of Landlord, except as otherwise expressly provided in this Article 21. For purposes of this Article 21, (i) the transfer of a majority of the issued and outstanding capital stock of any corporate tenant, or of a corporate subtenant, or the transfer of a majority of the total interest in any partnership tenant or subtenant, or the transfer of control in any general or limited partnership tenant or subtenant, or the transfer of a majority of the issued and outstanding membership interests in a limited liability company tenant or subtenant, however accomplished, whether in a single transaction or in a series of related or unrelated transactions, shall be deemed an assignment of this Lease, or of such sublease, as the case may be, except as set forth in Section 21.2 below and except that the transfer of the outstanding capital stock of any corporate tenant, or subtenant, shall be deemed not to include the sale of such stock by persons or parties, other than those deemed "affiliates" of

Tenant within the meaning of Rule 144 promulgated under the Securities Act of 1933, as amended, through the "over-the-counter market" or through any recognized stock exchange, (ii) a takeover agreement shall be deemed a transfer of this Lease, (iii) any person or legal representative of Tenant, to whom Tenant's interest under this Lease passes by operation of law, or otherwise, shall be bound by the provisions of this Article 21, and (iv) a modification, amendment or extension of a sublease shall be deemed a sublease.

21.2 Subject to the following sentence, the provisions of clauses (a) and (b) of Section 21.1 shall not apply to transactions with a corporation, partnership or limited liability company into or with which Tenant is merged or consolidated or with an entity to which substantially all of Tenant's assets or stock are transferred (provided such merger, consolidation or transfer of assets or stock is for a good business purpose and not principally for the purpose of transferring the leasehold estate created hereby, and provided further, that the assignee has a net worth at least equal to or in excess of the net worth of Tenant as of the date of this Lease or, if Tenant is a general or limited partnership or limited liability company, with a successor partnership or limited liability company, nor shall the provisions of clauses (a) and (b) of Section 21.1 apply to transactions with an entity that controls or is controlled by Tenant or is under common control with Tenant. Nothing in this Section 21.2 shall permit Tenant or any successor to use or occupy the Demised Premises for any purpose other than the purposes stated in Article 11 of this Lease.

The term "control" as used in this Lease (A) in the case of a corporation shall mean ownership of more than fifty (50%) percent of the outstanding capital stock of that corporation, (B) in the case of a general partnership, shall mean ownership of more than fifty (50%) percent of the general partnership interests of the partnership, (C) in the case of a limited partnership, shall mean ownership of more than fifty (50%) percent of the general partnership interests of such limited partnership, and (D) in the case of a limited liability company, shall mean ownership of more than fifty (50%) percent of the membership or equity interests of such limited liability company.

21.3 Any assignment or transfer (other than a sublease), whether made with Landlord's consent as required by Section 21.1 or without Landlord's consent pursuant to Section 21.2, shall be made only if, and shall not be effective until, the assignee shall execute, acknowledge and deliver to Landlord an agreement, in form and substance reasonably satisfactory to Landlord, whereby the assignee shall assume the obligations and performance of this Lease and shall agree to be bound by all of the covenants, agreements, terms, provisions

and conditions hereof on the part of Tenant to be performed or observed and whereby the assignee shall agree that the provisions of Section 21.1 hereof shall, notwithstanding such an assignment or transfer, continue to be binding upon it in the future. Tenant agrees that, notwithstanding any assignment or transfer, whether or not in violation of this Lease, and notwithstanding the acceptance of rent by Landlord from an assignee or transferee or any other party, Tenant shall remain fully and primarily liable for the payment of the rent due and to become due under this Lease and for the performance of all of the covenants, agreements, terms, provisions and conditions of this Lease on the part of Tenant to be performed or observed and the Guaranty (as defined below) from MIM Corporation shall remain in full force and effect.

21.4 The liability of Tenant, and the due performance by Tenant of the obligations on its part to be performed under this Lease shall not be discharged, released or impaired in any respect by an agreement or stipulation made by Landlord or any grantee or assignee of Landlord, by way of mortgage, or otherwise, extending the time of, or modifying any of the obligations contained in this Lease (unless Landlord and Tenant agree so in writing), or by any waiver or failure of Landlord to enforce any of the obligations on Tenant's part to be performed under this Lease, and Tenant shall continue to be liable hereunder. If any such agreement or modification operates to increase the obligations of a tenant under this Lease, the liability under this Section 21.4 of Tenant named in this Lease or any of its successors in interest (unless such party shall have expressly consented in writing to such agreement or modification) shall continue to be no greater than if such agreement or modification had not been made.

21.5 Landlord shall not unreasonably withhold or delay its consent to an assignment of this Lease or a subletting of the whole or a part of the Demised Premises, provided:

(a) Tenant shall furnish Landlord with the name and business address of the proposed subtenant or assignee, information with respect to the nature and character of the proposed subtenant's or assignee's business, or activities, such references and current financial information with respect to net worth, credit and financial responsibility as are reasonably satisfactory to Landlord, and an executed counterpart of the sublease or assignment agreement;

(b) The proposed subtenant or assignee is a reputable party whose financial net worth, credit and financial responsibility is, considering the responsibilities involved, reasonably satisfactory to Landlord;

(c) The nature and character of the proposed subtenant or assignee, its business or activities and intended use of the Demised Premises is, in Landlord's reasonable judgment, in keeping with the standards of the Building;

(d) All costs incurred with respect to providing reasonably appropriate means of ingress and egress from the sublet space or to separate the sublet space from the remainder of the Demised Premises shall, subject to the provisions of Article 10 with respect to alterations, installations, additions or improvements, be borne by Tenant;

(e) Each sublease shall state specifically that (i) it is subject to all of the terms, covenants, agreements, provisions and conditions of this Lease, (ii) the subtenant or assignee, as the case may be, will not have the right to a further assignment thereof or sublease or assignment thereunder, or to allow the Demised Premises to be used by others, without the consent of Landlord in each instance in accordance with Article 21, (iii) a consent by Landlord thereto shall not be deemed or construed to modify, amend or affect the terms and provisions of this Lease unless explicitly stated in the consent to the contrary, or Tenant's obligations hereunder, which shall continue to apply to the premises involved, and the occupants thereof, as if the sublease or assignments had not been made, (iv) if Tenant defaults in the payment of any rent, Landlord is authorized to collect any rents due or accruing from any subtenant or other occupant of the Demised Premises and to apply the amounts collected (after payment of any costs and expenses actually incurred by Landlord in the collection of such amounts) to the rent and other charges reserved herein, (v) the receipt by Landlord of any amounts from an assignee or subtenant or other occupant of any part of the Demised Premises shall not be deemed or construed as releasing Tenant from Tenant's obligations hereunder or the acceptance of that party as a direct tenant;

(f) Tenant, together with requesting Landlord's consent hereunder, shall have paid Landlord any reasonable costs actually incurred by Landlord to review the requested consent, including any reasonable attorneys' fees actually incurred by Landlord;

(g) The proposed subtenant or assignee is not a government or any subdivision or agency thereof; and

(h) In the case of a subletting of a portion of the Demised Premises, the portion so sublet shall be regular in shape and suitable for normal renting purposes.

21.6 If the Landlord shall give its consent to any assignment of this Lease or to any sublease, Tenant, in consideration therefor, shall pay the following to Landlord, as additional rent:

(a) in the case of an assignment, an amount equal to 50% of all sums and other consideration paid to Tenant by the assignee for or by reason of such assignment (including, but not limited to, sums paid for the sale of Tenant's fixtures, leasehold improvements, equipment, furniture, furnishings or other personal property, less, in the case of a sale thereof, the then net unamortized or undepreciated cost thereof to Tenant determined on the basis of Tenant's federal income tax returns), less the actual out-of-pocket expenses reasonably and actually incurred and paid by Tenant and any lease concessions actually granted by Tenant ("Expenses") on account of such assignment, including, without limitation, reasonable legal fees paid for preparing the documents, brokerage commissions and the cost of improvements or leasehold allowances to prepare the Demised Premises for the new entity, amortized on a straight line basis over the balance of the Lease term, free rent and moving allowances; and

(b) in the case of a sublease, an amount equal to 50% of any rents, additional charges and other consideration payable under the sublease to Tenant by the subtenant in excess of the rent accruing during the term of the sublease in respect of the subleased space (at the rate per square foot payable by Tenant hereunder) pursuant to the terms hereof (including, but not limited to, sums paid for the sale or rental of Tenant's fixtures, leasehold improvements, equipment, furniture or other personal property, less, in the case of the sale thereof, an amount equal to the then net unamortized or undepreciated cost thereof to Tenant determined on the basis of Tenant's federal income tax returns, which amount shall be amortized on a straight line basis over the term of such sublease), less the Expenses on account of such sublease, amortized on a straight line basis over the term of the sublease.

The sums payable under this Section 21.6 shall be paid to Landlord as and when paid by the assignee or subtenant to Tenant.

21.7 Landlord shall have no liability for brokerage commissions incurred with respect to any assignment of this Lease or any subletting of all or any part of the Demised Premises by or on behalf of Tenant. Tenant shall pay, and shall indemnify and hold Landlord harmless from and against, any and all cost, expense (including, but not limited to, reasonable attorneys' fees and expenses) and liability incurred by Landlord in connection with any compensation, commissions or charges claimed by any broker or agent with respect to any such assignment or subletting.

Article 22. Injunction. Landlord, at Landlord's option, in addition to any other rights reserved to Landlord, and notwithstanding the concurrent pendency of summary or other dispossess proceedings between Landlord and Tenant, shall have the right at all times during the term of this Lease to restrain by injunction any violation or attempted violation by Tenant of any of the terms, covenants, conditions or agreements of this Lease, and to enforce by injunction any of the terms, covenants, conditions and agreements hereof.

Article 23. Default; Termination; Conditions of Limitation; Damages.

23.1 (a) This Lease and the term and estate hereby granted are subject to the limitation that whenever Tenant shall be unable to pay its debts generally as they become due, or shall make an assignment of the property of Tenant for the benefit of creditors, or shall consent to, or acquiesce in, the appointment of a liquidator, receiver, trustee, or other custodian of itself or the whole or any part of its properties or assets, or shall commence a voluntary case for relief under the United States Bankruptcy Code or file a petition or take advantage of any bankruptcy or insolvency act or applicable law of like import, or whenever an involuntary case under the United States Bankruptcy Code shall be commenced against Tenant or if a petition shall be filed against it seeking similar relief under any bankruptcy or insolvency or other applicable law of like import, or whenever a receiver, liquidator, trustee, or other custodian of Tenant or of or for substantially all of the property of Tenant shall be appointed without Tenant's consent or acquiescence, then, (i) at any time after receipt of notice of the occurrence of any such event, or (ii) if such event occurs without the acquiescence of Tenant, at any time after the event continues for sixty (60) days, Landlord may give Tenant a notice of intention to end the term of this Lease at the expiration of five days from the date of service of such notice of intention, and upon the expiration of such five (5) day period, this Lease and the term and estate hereby granted, whether or not the term shall theretofore have commenced, shall terminate with the same effect as if that day were the Expiration Date, but Tenant shall remain liable for damages as provided in this Article.

(b) This Lease and the term and estate hereby granted are subject to further limitation as follows:

(i) whenever Tenant shall fail to make the payment of any installment of fixed annual rent, or in the payment of any other charge payable by Tenant to Landlord, on any day that the same becomes due, and such default

shall continue uncured for five (5) days (a) after Landlord gives Tenant notice of such default or (b) after the due date and without notice of such default, if Tenant shall have failed to pay, in any period of twelve (12) consecutive months, any two (2) such installments within the five (5) day period after the same shall have been due and Landlord shall have given Tenant notice of such default in each such instance, or

(ii) whenever Tenant shall do or permit anything to be done, whether by action or inaction, contrary to any of Tenant's obligations hereunder, and if such situation shall continue and shall not be remedied by Tenant within thirty (30) days (within five (5) days, in the case of Tenant's failure to furnish any certificate of insurance required under Articles 15, 16 or 17) after Landlord shall have given to Tenant a notice specifying the same, or, in the case of a happening or default that cannot with due diligence be cured within a period of thirty (30) days and the continuation of which for the period required for cure will not subject Landlord to the risk of criminal liability or termination of any superior lease or foreclosure of any superior mortgage, if Tenant shall not, (a) within such thirty (30) day period advise Landlord of Tenant's intention duly to institute all steps necessary to remedy such situation, (b) duly institute within such thirty (30) day period, and thereafter diligently and continuously prosecute to completion all steps necessary to remedy the same, and (c) complete such remedy within such time after the date of the giving of such notice as shall reasonably be necessary, or

(iii) whenever any event shall occur whereby this Lease or the estate hereby granted or the unexpired balance of the term hereof, by operation of law or otherwise, would devolve upon or pass to any person or entity other than Tenant, except as expressly permitted by Article 21, or

(iv) whenever Tenant shall default in the due keeping, observing or performance of any covenant, agreement, provision or condition of Article 11 hereof on the part of Tenant to be kept, observed or performed and if such default shall continue and shall not be remedied by Tenant within five (5) Business Days after Landlord shall have given to Tenant a notice specifying the same, then in any of such cases set forth in the foregoing subsections of this Section 23.1, Landlord may give to Tenant a notice of intention to end the term of this Lease at the expiration of five (5) days from the date of the service of such notice of intention, and upon the expiration of such five (5) day period, this Lease and the term and estate hereby granted, whether or not the term shall theretofore have commenced, shall terminate with the same effect as if that day were the expiration date of this Lease, but Tenant shall remain liable for damages as provided in this Article.

23.2 If this Lease shall expire as provided in this Article, Landlord or Landlord's agents and employees immediately or at any time thereafter may re-enter the Demised Premises, or any part thereof, by summary dispossess proceedings or by any suitable action or proceeding at law, without being liable to indictment, prosecution or damages therefrom, to the end that Landlord may have, hold and enjoy the Demised Premises again as its first estate and interest therein.

In the event of any termination of this Lease under the provisions of this Article or in the event of re-entry by or under any summary dispossess or other judicial proceeding or action by reason of default hereunder on the part of Tenant, (i) Tenant thereupon shall pay to Landlord the rent payable by Tenant to Landlord up to the time of such termination of this Lease, or of such recovery of possession of the Demised Premises by Landlord, as the case may be, (ii) Tenant shall pay to Landlord all expenses, including court costs and reasonable attorneys' fees and expenses, incurred by Landlord in recovering possession of the Demised Premises and all costs and charges for the care of the Demised Premises while vacant, and (iii) Tenant also shall pay to Landlord the applicable damages as provided in this Article.

23.3 If this Lease shall terminate under this Article, or in the event of re-entry by or under any summary dispossess or other judicial proceeding or action by reason of default hereunder on the part of Tenant, Landlord shall be entitled to retain all moneys, if any, paid by Tenant to Landlord, whether as advance rent, security or otherwise, but such moneys shall be credited by Landlord against any rent due from Tenant at the time of such termination or re-entry or, at Landlord's option, against any damages payable by Tenant under this Article or pursuant to law.

23.4 If this Lease is terminated under this Article, or in the event of re-entry by or under any summary dispossess or other judicial proceeding or action by reason of default hereunder on the part of Tenant, Tenant shall pay to Landlord as damages, at the election of Landlord, either

(a) an amount which at the time of such termination of this Lease or at the time of any such re-entry by Landlord, as the case may be, represents the then value of the excess, if any, of

(i) the aggregate of the rent payable hereunder that would have been payable by Tenant for the period commencing with such earlier

termination of this Lease or the date of any such re-entry, as the case may be, and ending with the expiration date, had this Lease not so terminated or had Landlord not so re-entered the Demised Premises, over

(ii) the aggregate rental value of the Demised Premises for the same period; or

(b) an amount equal to the aggregate of the rent payable hereunder that would have been payable by Tenant had this Lease not so terminated, or had Landlord not so re-entered the Demised Premises, payable upon the due dates therefor specified herein following such termination or such re-entry and until the expiration date; provided, however, that if Landlord shall re-let the Demised Premises during such period, Landlord shall credit Tenant with the net rents received by Landlord from such re-letting, such net rents to be determined by first deducting from the gross rents as and when received by Landlord from such re-letting, the expenses incurred or paid by Landlord in terminating this Lease or in re-entering the Demised Premises and in securing possession thereof, as well as the expenses of re-letting, including altering and preparing the Demised Premises for new tenants, brokers' commissions, attorneys' fees and expenses, and all other expenses properly chargeable against the Demised Premises and the rental thereof; it being understood that any such re-letting may be for a period shorter or longer than the remaining term of this Lease and that Landlord may grant concessions and free rent; but in no event shall Tenant be entitled to receive any excess of such rents over the sums payable by Tenant to Landlord hereunder, nor shall Tenant be entitled in any suit for the collection of damages pursuant to this subsection to a credit in respect of any net rents from a re-letting, except to the extent that such net rents actually are received by Landlord. Landlord shall make commercially reasonable efforts to re-let the Demised Premises, however, so long as Landlord uses such commercially reasonable efforts to relet, Landlord in no event shall be liable in any way whatsoever for failure to re-let the Demised Premises nor shall such failure affect Tenant's liability for damages.

If the Demised Premises or any part thereof shall be re-let by Landlord for the unexpired portion of the term of this Lease, or any part thereof, before presentation of proof of such damages to any court, commission or tribunal, the amount of rent reserved upon such re-letting, prima facie, shall be the fair and reasonable rental value for the Demised Premises, or part thereof, so re-let during the term of the re-letting.

23.5 Suit or suits for the recovery of such damages, or any installments thereof, may be brought by Landlord from time to time at its election, and nothing contained herein shall be deemed to require Landlord to

postpone suit until the date when the term of this Lease would have expired if it had not been so terminated under this Article, or under any provision of law, or had Landlord not re-entered the Demised Premises. Nothing herein contained shall be construed to limit or to preclude recovery by Landlord against Tenant of any sums or damages to which, in addition to the damages specifically provided above, Landlord lawfully may be entitled by reason of any default hereunder on the part of Tenant. Nothing herein contained shall be construed to limit or prejudice the right of Landlord to prove for and obtain as liquidated damages by reason of the termination of this Lease or re-entry of the Demised Premises for the default of Tenant under this Lease, an amount equal to the maximum allowed by any statute or rule of law in effect at the time when, and governing the proceedings in which, such damages are to be proved, whether or not such amount is greater than, equal to, or less than any of the sums referred to in this Article.

Article 24. Subordination.

24.1 So long as Tenant obtains written agreement from any ground lessor or mortgagee with a Lease or Mortgage affecting the Demised Premises which agreement provides that, so long as Tenant is not in default under this Lease beyond applicable notice and cure periods, Tenant shall not be disturbed in its possession of the Demised Premises or its use and enjoyment thereof pursuant to the Lease (the "Non-Disturbance Agreement"), then this Lease and Tenant's rights under this Lease are subject and subordinate to any ground lease or underlying lease, option, mortgage, or other lien, encumbrance or indenture, together with any renewals, extensions, modifications, consolidations, and replacements thereof, which now or at any subsequent time affect the Demised Premises, any interest of Landlord in the Demised Premises, or Landlord's interest in this Lease and the estate created by this Lease (except to the extent that any such instrument expressly provides that this Lease is superior to it). Upon satisfaction of the requirement to provide the Non-Disturbance Agreement from the mortgage holder requesting subordination, this provision shall be self-operative and no further instrument of subordination shall be required in order to effect it. Nevertheless, upon satisfaction of the requirement to provide the Non-Disturbance Agreement from the mortgage holder requesting subordination, Tenant shall execute, acknowledge and deliver to Landlord, at any time and from time to time, upon demand by Landlord, such documents as may be requested by Landlord to evidence and confirm such subordination. Landlord represents that, as of the Commencement Date, there are no ground leases or mortgages encumbering the Demised Premises.

24.2 If any holder of any mortgage, indenture, deed of trust, or other similar instrument described in Section 24.1 succeeds to Landlord's interest in the Demised Premises, Tenant shall pay to such successor in interest all rents subsequently payable under this Lease. The following provisions shall only be enforceable against Tenant with respect to a particular mortgage holder from and after the date the Non-Disturbance Agreement is provided by such mortgage holder. Tenant shall, upon request of anyone so succeeding to the interest of Landlord, become the Tenant of, and attorn to, such successor in interest without change in this Lease. Such successor in interest shall not be bound by (i) any payment of rent for more than one month in advance, (ii) any material amendment of this Lease made without its written consent provided Tenant was previously provided with the name and address of such party in writing, (iii) any claim against Landlord arising prior to the date on which such successor succeeded to Landlord's interest except with respect to defaults of a continuing nature, or (iv) any claim or offset of rent against the Landlord. Upon request by such successor in interest and without cost to Landlord or such successor in interest, Tenant will execute, acknowledge, and deliver an instrument or instruments confirming the above attornment. If Tenant fails or refuses to execute, acknowledge, and deliver any such instrument within twenty (20) days after the later of written demand and Tenant's receipt of the Non-Disturbance Agreement, such successor in interest shall be entitled to execute, acknowledge, and deliver any such document on behalf of Tenant as Tenant's attorney-in-fact. Tenant irrevocably constitutes and appoints such successor in interest as Tenant's attorney-in-fact to execute, acknowledge, and deliver on behalf of Tenant any document described in this paragraph.

24.3 In the event of any act or omission of Landlord which would give Tenant the right, immediately or after lapse of a period of time, to cancel or terminate this Lease, or to claim a partial or total eviction, Tenant shall not exercise such right (i) until it has given written notice of such act or omission to the holder of each mortgage and the lessor of each lease whose name and address shall previously have been furnished to Tenant in writing, and (ii) if such act or omission shall be one which is capable of being remedied by such mortgage holder or lessor within a reasonable period of time (not to exceed sixty (60) days unless such act or omission can only be cured by such mortgage holder's or lessor's acquisition of title to the Demised Premises, in which event the reasonable period of time referred to above shall not exceed nine (9) months), until a reasonable period for remedying such act or omission shall have elapsed following the giving of such notice and following the time when such holder or lessor shall have become entitled under such mortgage or lease, as the case may be, to remedy the same (which reasonable period shall in no event be less than the period to which Landlord would be entitled under this Lease or otherwise, after similar notice, to effect such remedy), provided such holder or lessor shall with due diligence give Tenant written notice of its intention to, and shall commence and continue to, remedy such act or omission.

Article 25. Waiver of Rights of Redemption. If, at any time hereafter, Landlord shall obtain possession of the Demised Premises under legal proceedings or pursuant to the terms and conditions of this Lease or pursuant to present or future law, because of default by Tenant in observing or performing any term, covenant, condition or agreement of this Lease which continues beyond any applicable notice and cure periods, all rights of redemption provided by any law, statute or ordinance now in force or hereafter enacted shall be and hereby are waived by Tenant.

Article 26. Landlord's Right to Cure Tenant's Defaults. Whenever and as often as Tenant shall fail or neglect to comply with and perform any term, covenant, condition or agreement to be complied with or performed by Tenant hereunder within applicable notice and cure periods, then, upon thirty (30) days' prior written notice to Tenant (or upon shorter notice, or with no notice at all, if necessary to meet an emergency situation or a governmental or municipal time limitation), Landlord, at Landlord's option, in addition to all other remedies available to Landlord, may perform, or cause to be performed, such work, labor, services, acts or things, and take such other steps, including entry onto the Demised Premises, as Landlord may deem advisable, to comply with and perform any such term, covenant, condition or agreement which is in default, in which event Tenant shall reimburse Landlord within fifteen (15) days after written demand by Landlord, and from time to time, for all costs and expenses suffered or incurred by Landlord in complying with or performing such term, covenant, condition or agreement, together with interest, from the date paid by Landlord to and including the date Tenant so repays Landlord, at the Interest Rate. The commencement of any other act by Landlord pursuant to the immediately preceding sentence shall not be deemed to obligate Landlord to complete the curing of any term, covenant, condition or agreement which is in default. Tenant hereby waives any claim, and releases Landlord and Landlord's agents, contractors and employees from all liability, for damages occasioned by any action taken by Landlord pursuant to this Article 26, except for claims arising from Landlord's negligence or willful misconduct.

Article 27. Landlord's Expenses. Tenant shall reimburse Landlord within fifteen (15) days after written demand by Landlord, for all expenses, including, but not limited to, reasonable attorneys' fees and expenses, incurred by Landlord in connection with the collection of any rent in default beyond applicable notice and cure periods hereunder, or the termination of this Lease by reason of the default of Tenant beyond applicable notice and cure periods, or the enforcement of any other obligation of Tenant which is in default hereunder beyond applicable notice and cure periods or under any other provision in this Lease under which Tenant is required to reimburse Landlord's expenses.

Article 28. Waiver of Trial by Jury. Landlord and Tenant hereby waive trial by jury in any action, proceeding or counterclaim brought by either of the parties hereto against the other on any matter arising out of or in any way connected with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Demised Premises, and/or any other claims, and any emergency statutory or any other statutory remedy. If Landlord commences any summary proceeding for non-payment of rent, Tenant shall not interpose and hereby waives the right to interpose any compulsory counterclaim with respect to which Tenant may, under applicable law, institute a separate action or proceeding.

Article 29. Liability; No Merger. Landlord (and, in case Landlord shall be a joint venture, partnership, limited liability company, tenancy-in-common, association or other form of joint ownership, the members of any such joint venture, partnership, tenancy-in-common, association or other form of joint ownership) shall have absolutely no personal liability with respect to any provision of this Lease or any obligation or liability arising therefrom or in connection therewith. Tenant shall look solely to Landlord's estate and interest in the Demised Premises, and the proceeds of insurance or condemnation proceeds or the proceeds from any sale of the Demised Premises, for the satisfaction of any right or remedy of Tenant for the collection of a judgment (or other judicial process) requiring the payment of money by Landlord, in the event of any liability of Landlord, and no other property or assets of Landlord shall be subject to levy, execution, attachment, or other enforcement procedure for the satisfaction of Tenant's remedies under or with respect to this Lease, the relationship of Landlord and Tenant hereunder, or Tenant's use and occupancy of the Demised Premises, or any other liability of Landlord to Tenant. However, nothing contained in this Article shall be construed to permit Tenant to offset against rents due a successor landlord a judgment (or other judicial process) requiring the payment of money by reason of any default of a prior landlord, unless the default is of a continuing nature.

In no event shall the leasehold interest, estate or rights of Tenant merge with any interest, estate or rights of Landlord in or to the Demised Premises, it being understood that such leasehold interest, estate and rights of Tenant shall be deemed to be separate and distinct from Landlord's interest, estate and rights in or to the Demised Premises, notwithstanding that any such interests, estate or rights shall at any time or times be held by or vested in the same person, corporation or other entity.

Article 30. Definitions.

30.1 The term "Landlord" as used in this lease shall at any given time mean the person or persons, corporation or corporations, limited liability company or companies, or other entity or entities who are the owner or owners of the reversionary estate of Landlord in and to the Demised Premises. In the event of any conveyance or other divestiture of title to the reversionary estate of Landlord in and to the Demised Premises, the grantor or the person or persons, corporation or corporations, limited liability company or companies, or other entity or entities who are divested of title shall be entirely freed and relieved of all covenants and obligations thereafter accruing hereunder following such transfer (but not for claims arising during its period of ownership), and the grantee or the person or persons, corporation or corporations, limited liability company or companies, or other entity or entities who otherwise succeeds or succeed to title shall be deemed to have assumed the covenants and obligations of Landlord thereafter accruing hereunder, and until the next conveyance or divestiture of title Tenant shall look solely to such grantee or successor for the observance and performance of the covenants and obligations of Landlord hereunder so assumed by such grantee or successor. Tenant agrees to attorn to any such grantee or successor.

30.2 The term "Business Day" as used in this Lease shall exclude Saturdays, Sundays and all days observed by the federal, New York State or local government as legal holidays as well as all other days recognized as holidays under applicable union contracts.

30.3 The term "Force Majeure" shall mean a delay beyond a party's reasonable control, including acts of God, insurrection, acts of war, terrorism, labor strikes, earthquakes, hurricane, tornado, flood, unavailability of materials and the like. Force Majeure shall be deemed to exist only so long as a party notifies the other party in writing of such delay within a reasonable period of time following such party's actual knowledge of the event or condition but in no event later than fifteen (15) days after obtaining such knowledge.

Article 31. Quiet Enjoyment. Landlord covenants that at all times during the term of this Lease, so long as Tenant is not in default under this Lease beyond applicable notice and cure periods, Tenant's quiet enjoyment of the Demised Premises or any part thereof shall not be disturbed by any act of Landlord, or of anyone acting by, through or under Landlord.

Article 32. Arbitration. If a dispute shall arise between the parties hereto, and if, pursuant to any provision of this Lease, such dispute is to be settled by arbitration or appraisal pursuant to this Article 32, then either party hereto may serve upon the other party a written notice demanding that the dispute be resolved pursuant to this Article 32. Within fifteen (15) days after the giving of such notice, each of the parties hereto shall nominate and appoint an arbitrator (or appraiser, as the case may be, it being understood that all references in this Article 32 to arbitrators or arbitration proceedings shall be deemed, where appropriate, to refer to appraisers or appraisal proceedings) and shall notify the other party in writing of the name and address of the arbitrator so chosen. Upon the appointment of the two arbitrators as provided above, the two arbitrators shall promptly, and within ten (10) days after the appointment of the second arbitrator, and before exchanging views as to the question at issue, appoint in writing a third arbitrator and give written notice of such appointment to each of the parties hereto. In the event that the two arbitrators shall fail to appoint or agree upon such third arbitrator within such ten (10) day period, a third arbitrator shall be selected by the parties themselves if they so agree upon such third arbitrator within a further period of ten (10) days. If any arbitrator shall not be appointed or agreed upon within the time provided above, then either party on behalf of both may request such appointment be made by the American Arbitration Association within five (5) days after such request.

The arbitrators shall be sworn faithfully and fairly to determine the question at issue. The three arbitrators shall afford to Landlord and Tenant a hearing and the right to submit evidence, with the privilege of cross-examination, on the question at issue, and shall, within fifteen (15) Business Days, make their determination in writing and shall give notice to the parties hereto of such determination. The concurring determination of any two of the three arbitrators shall be binding upon the parties hereto, or, in case no two of the arbitrators shall render a concurring determination, then the determination of the third arbitrator appointed shall be binding upon the parties hereto. Each party shall pay the fees of the arbitrator appointed by it, and the fees of the third arbitrator shall be divided equally between Landlord and Tenant.

In the event that any arbitrator appointed shall thereafter die or become unable or unwilling to act, his or her successor shall be appointed in the same manner provided in this Article 32 for the appointment of the arbitrator so dying or becoming or unable or unwilling to act.

Article 33. Intentionally Deleted

Article 34. Condition of Premises.

34.1 Tenant agrees to accept the Demised Premises in their present "as is" condition.

The Demised Premises, the improvements thereon, the sidewalks and structures adjoining the Demised Premises, subsurface conditions, and the present uses thereof, have been examined by Tenant and Tenant's agents, contractors and consultants, and Tenant accepts the same, without recourse to Landlord, in the condition or state in which they or any of them now are, without representation or warranty, express or implied in fact or by law, as to the nature, condition or usability thereof or as to the use or uses to which the Demised Premises or any part thereof may be put or as to the expenses of operation of, the Demised Premises. Nothing contained herein shall affect Landlord's obligations which may arise after the date hereof to make any Structural Repairs pursuant to Section 7.3 of this Lease.

Article 35. Landlord's Right of Entry. Landlord and Landlord's authorized agents and employees shall have the right from time to time, at Landlord's option, to enter and pass through the Demised Premises and all buildings and improvements thereon during business hours and, except in the case of an emergency, upon reasonable prior notice to examine the same and to show them to prospective purchasers, mortgagees and others, but this shall not obligate Landlord to make any such entry or examination. Landlord will not unreasonably interfere with Tenant's business operations during such entry.

Article 36. Consents and Approvals. Wherever in this Lease Landlord's consent or approval is required, if Landlord shall delay or refuse such consent or approval, Tenant in no event shall be entitled to make, nor shall Tenant make, any claim, and Tenant hereby waives any claim, for money damages (nor shall Tenant claim any money damages by way of set-off, counterclaim or defense) based upon any claim or assertion by Tenant that Landlord unreasonably withheld or unreasonably delayed its consent or approval. Tenant's sole remedy shall be an action or proceeding to enforce any such provision, for specific performance, injunction or declaratory judgment.

Article 37. Notices. Any notice, demand, consent, approval, disapproval, or statement (collectively, "Notices") from Landlord to Tenant or from Tenant to Landlord shall be in writing and shall be deemed duly given (a) if mailed by registered or certified mail, postage prepaid, return receipt requested, or (b) if delivered by personal delivery, with receipt acknowledged, to the address[es] for Notices set forth in this Article 37 or (c) if delivered by nationally recognized overnight courier. Notices to Tenant shall be sent to the address of Tenant set forth below or to such other address as Tenant shall

have last designated by Notice in writing to Landlord. Notices to Landlord shall be sent to the address of Landlord set forth below or to such other address as Landlord shall have last designated by Notice in writing to Tenant.

Notices to Tenant shall be sent to:

Vitality Home Infusion Services, Inc.
c/o MIM Corporation
100 Clearbrook Road
Elmsford, New York 10523
Attention: Barry Posner

with copies to:

King & Spalding
1185 Avenue of the Americas
New York, NY 10036
Attention: E. William Bates, II, Esq.

Notices to Landlord shall be sent to:

Bar-Marc Realty, LLC
c/o Marc Wiener
2 Madison Place
Jericho, New York 11753

with copies to:

Stephen B. Silverman, Esq.
Taylor, Colicchio & Silverman, LLP
99 Park Avenue
New York, New York 10016

A Notice shall be deemed given upon receipt or refusal of delivery.

Article 38. Estoppel Certificates. Tenant agrees that at any time and from time to time during the term of this Lease, within ten (10) days after request by Landlord, it will execute, acknowledge and deliver to Landlord or any prospective purchaser, permitted assignee or mortgagee designated by Landord, a certificate stating: (a) that this Lease is unmodified and in force and effect (or if there have been modifications, that this Lease is in force and effect as modified, and identifying the modification agreements); (b) the date to which fixed annual rent has been paid; (c) whether or not there is any existing default by Tenant in the payment of any fixed annual rent or other sum of money hereunder, and whether or not there is any other existing default by Tenant with respect to which a notice of default has been served, and, if there is any such default, specifying the nature and extent thereof; and (d) whether or not there are any setoffs, defenses or counterclaims against enforcement of the obligations to be performed hereunder existing in favor of Tenant.

Article 39. Rights Cumulative. All the rights and remedies of Landlord and Tenant under this Lease or pursuant to present or future law shall be deemed to be separate, distinct and cumulative and no one or more of them, whether exercised or not, nor any mention of or reference to, any one or more of them in this Lease, shall be deemed to be in exclusion of, or a waiver of, any of the others, or any of the rights or remedies which Landlord or Tenant may have, whether by present or future law or pursuant to this Lease and Landlord and Tenant shall have, to the fullest extent permitted by law, the right to enforce any rights or remedies separately and to take any lawful action or proceedings to exercise or enforce any right or remedy without thereby waiving or being barred or estopped from exercising and enforcing any other rights and remedies by appropriate action or proceedings.

Article 40. Interest.

In each instance when Tenant shall be obligated to make any payment of any sum of money whatsoever hereunder and shall fail to do so, interest shall accrue thereon and be payable hereunder at a fluctuating rate of interest per annum (the "Interest Rate") equal to the lesser of (a) 3% above the prime or base commercial lending rate of interest announced from time to time by Citibank, N.A. (or any successor institution, or, if such bank and its successors are no longer in existence, any other commercial bank in the City of New York selected by Landlord), at its principal office in New York City, in effect from time to time, or (b) the maximum rate of interest permitted by law. Such interest shall be computed from the date such payment first became due hereunder until the date such repayment is made to Landlord.

Article 41. Non-Waiver. No waiver by Landlord or Tenant of any breach by the other party of any term, covenant, condition or agreement herein and no failure by Landlord or Tenant to exercise any right or remedy in respect of any breach hereunder, shall constitute a waiver or relinquishment for the future of any such term, covenant, condition or agreement, nor bar any right or remedy of Landlord or Tenant in respect of any such subsequent breach, nor shall the receipt of any rent, or any portion thereof, by Landlord or Tenant, operate as a waiver of the rights of Landlord or Tenant to enforce the payment of any sum then or thereafter in default, or to terminate this Lease, or in the case of Landlord to recover the Demised Premises or in the case of both parties to invoke any other appropriate remedy which Landlord or Tenant may select as provided in this Lease or as provided by law.

Article 42. Surrender. Tenant shall, on the Expiration Date or upon any sooner termination of this Lease, surrender and deliver the Demised Premises, with the improvements then located thereon and the appurtenances thereto, into the possession and use of Landlord, without delay and in the condition and repair in which they were delivered (normal wear and tear and casualty, if this Lease is terminated in accordance with the terms hereof as the result of a casualty, excepted), free and clear of all lettings and occupancies, and free and clear of all liens and encumbrances other than those existing on the date of this Lease and those, if any, created by Landlord, without any payment or allowance whatever by Landlord on account of or for any buildings and improvements erected or maintained on the Demised Premises at the time of the surrender, or for the contents thereof or appurtenances thereto. All fixtures, trade fixtures, personal property and other belongings of Tenant or of any subtenant or other occupant of space in the Demised Premises left upon the Demised Premises at the time of such surrender (or five (5) days after surrender in the event of an early termination of this Lease) shall have been deemed to have been abandoned by Tenant.

Tenant acknowledges that possession of the Demised Premises must be surrendered to Landlord at the expiration or earlier termination of the term of this Lease.

The parties recognize and agree that the damage to Landlord resulting from any failure by Tenant timely to surrender possession of the Demised Premises will be extremely substantial, will exceed the amount of the rent theretofore payable hereunder, and will be impossible to accurately measure. Tenant therefore agrees that if possession of the Demised Premises is not surrendered to Landlord within twenty-four (24) hours after the date of the expiration or earlier termination of the term of this Lease, then, notwithstanding anything to the contrary contained in this Lease, Tenant shall pay to Landlord for each month and for each portion of any month during which Tenant holds over in the Demised Premises after the expiration or sooner termination of the term of this Lease, rent at a rate equal to two times the aggregate of that portion of the rent that was payable under this Lease for the last month of the term hereof. Nothing herein contained shall be deemed to permit Tenant to retain possession of the Demised Premises after the expiration or earlier termination of the term of this Lease. The provisions of this Article shall survive the expiration or other termination of the term of this Lease.

Article 43. Guaranty.

43.1 As security for the performance of Tenant's obligations under this Lease, Tenant shall, simultaneously with the execution and delivery of this Lease, cause to be delivered to Landlord a guaranty (the "Guaranty") executed by MIM Corporation, the owner of all of the issued and outstanding stock of Tenant (the "Guarantor") in the form of Schedule B annexed hereto.

Article 44. No Partnership. Landlord shall not be deemed, in any way for any purpose, to have become, by the execution of this Lease or any action taken under this Lease, a partner of Tenant, in Tenant's business or otherwise, or a member of any joint enterprise with Tenant.

Article 45. Entire Agreement; No Oral Modifications. Except as set forth in Section 16.3 above, this Lease and the Schedules attached hereto set forth all of the covenants, promises, assurances, agreements, representations, conditions, warranties, statements and understandings (collectively, the "Representations") between Landlord and Tenant relating to the Demised Premises, and there are no Representations, either oral or written, between Landlord and Tenant relating to the Demised Premises other than those set forth in this Lease.

Except as set forth in Section 16.3 above, this Lease supersedes and revokes all previous negotiations, arrangements, letters of intent, offers to lease, lease proposals, brochures, Representations and information conveyed, whether oral or in writing, between Landlord and Tenant relating to the Demised Premises or their respective representatives or any other person purporting to represent Landlord or Tenant relating to the Demised Premises. Landlord and Tenant have not been induced to enter into this Lease by any Representations not set forth in this Lease.

Except as may be otherwise provided in this Lease, no subsequent alteration, amendment, change or addition to this Lease shall be binding upon Landlord or Tenant unless in writing and signed by the party against whom enforcement of the alteration, amendment, change or addition is sought.

Article 46. Successors. The terms, covenants, conditions and agreements of this Lease shall bind and inure to the benefit of the parties hereto and their respective successors and assigns, subject, however, to Articles 21 and 30 hereof. Any waiver of rights by Tenant shall be deemed to be a waiver of such rights for and on behalf of each and every successor and assignee of Tenant. The word "Tenant" as used herein shall in each instance be deemed to mean the person or persons, corporation or corporations or other entity or entities who from time to time shall be obligated to perform the obligations of Tenant hereunder.

Article 47. Invalidity of Any Provision. If any term, covenant, condition or provision of this Lease or the application thereof to any circumstance or to any person, corporation or other entity shall be invalid or unenforceable to any extent, the remaining terms, covenants, conditions and provisions of this Lease or the application thereof to any circumstances or to any person, corporation or other entity other than those as to which any term, covenant, condition or provision is held invalid or unenforceable, shall not be affected thereby and each remaining term, covenant, condition and provision of this Lease shall be valid and shall be enforceable to the fullest extent permitted by law.

Article 48. Brokers. Landlord and Tenant represent and warrant that such party has not dealt with any broker in connection with this Lease. Each party shall indemnify and hold harmless the other party from any loss, cost, damage and expense (including, but not limited to, reasonable attorneys' fees and disbursements and reasonable attorneys' fees and disbursements incurred in establishing liability under this Article 48 and in collecting amounts payable hereunder) which a party may suffer or incur by reason of any broker claiming to have dealt with the other party in connection with this Lease.

Article 49. Recording. Neither this Lease nor a memorandum of this Lease shall be recorded in the land records of any jurisdiction.

Article 50. Authority. Each party represents and warrants to the other that the person or persons executing this Lease have been duly authorized to do so and that each party has all requisite power and authority to perform its obligations hereunder.

Article 51. Option to Renew.

51.1 Provided that (i) this Lease is in full force and effect as of the date of the Renewal Notice (as defined below), (ii) there shall not then be existing a default under this Lease, and (iii) Tenant or any assignee permitted or approved in accordance with the terms of Article 21 shall be in physical occupancy of fifty one or more percent (51%) of the entire Demised Premises, Tenant shall have one (1) option to extend the term of this Lease for the entire Demised Premises for an additional term of seven (7) years (the "Renewal Term") commencing on the day after the Expiration Date. Tenant's option with respect to the Renewal Term shall be exercisable by written notice (the "Renewal Notice") to Landlord given not later than nine (9) months prior to the expiration date

accompanied by a letter from the Guarantor confirming that the Guaranty shall continue to be in full force and effect during the Renewal Term. The Renewal Term shall constitute an extension of the initial term of this Lease and shall be upon all of the same terms and conditions as the initial term, except that the fixed annual rent for the Renewal Term shall be payable at a rate per annum equal to the greater of (a) the fair market rental value of the Demised Premises as of the first day of the Renewal Term and (b) the fixed annual rent payable pursuant to Article 2 of this Lease in respect of the last year of the initial term of this Lease, as adjusted pursuant to Section 2.2. During the Renewal Term, Section 2.2 of this Lease shall continue to apply except that the Base Price Index shall mean the Consumer Price Index for the first month of the Renewal Term, and all sums of additional rent that Tenant is obligated to pay under this Lease during the initial term shall continue without interruption, it being the intention of the parties hereto that the Renewal Term shall be deemed a part of and a continuation of the initial Term of this Lease. For purposes of this Lease, "Fair Market Rent" shall mean the base rent, for comparable space, net of all free or reduced rent periods, work letters, cash allowances, fit-out periods and other tenant inducement concessions however denominated except as hereinafter provided. In determining the Fair Market Rent, Landlord, Tenant and any appraiser shall take into account applicable measurement and loss factors, applicable lengths of lease term, differences in size of the space demised, the location of the Building and comparable buildings, amenities in the Building and comparable buildings, the age of the Building and comparable buildings, differences in base years or stop amounts for operating expenses and tax escalations and other factors normally taken into account in determining Fair Market Rent. The Fair Market Rent shall reflect any level of improvement currently existing in the Demised Premises and any improvements to be made by Landlord to the space as compared to improvements in comparable leases.

51.2 If Tenant shall have given the Renewal Notice, in accordance with Section 51.1, the parties shall endeavor to agree upon the fair market rental value of the Demised Premises as of the first day of the Renewal Term in accordance with the factors set forth in Section 51.1. In the event that the parties are unable to agree upon such fair market value for the Renewal Term within thirty (30) days after the giving of the Renewal Notice, then either party may request that the fair market rental value be determined in accordance with the factors set forth in Section 51.1 by two senior officers of recognized leasing brokerage firms located in Nassau County, New York, one to be selected and paid for by Landlord and one to be selected and paid for by Tenant. The officers selected by the parties shall have at least 10 years experience in (i) the leasing of commercial space in Nassau County, New York or (ii) the appraisal

of commercial buildings in Nassau County, New York and shall be selected within ten (10) days of the expiration of the thirty (30) day period. The determination of the parties so selected shall be made within fifteen (15) Business Days of appointment and shall be in writing and shall be final and conclusive on Landlord and Tenant and shall constitute the fixed annual rent for the Renewal Term. If such officers are unable to agree on such fair market rental value, they shall select within ten (10) days another officer who shall have the same qualifications as are set forth in this Section 51.2 and who shall render a decision within fifteen (15) Business Days of appointment and the determination of a majority of such officers shall be binding upon Landlord and Tenant and shall constitute the fixed annual rent for the Renewal Term. The fee of the additional officer selected pursuant to the preceding sentence shall be shared equally by Landlord and Tenant. If, as of the commencement date of the Renewal Term, the amount of the fixed annual rent payable during the applicable Renewal Term in accordance with this Article 51 shall not have been determined, then, pending such determination, Tenant shall pay fixed annual rent equal to the fixed annual rent payable in respect of the last year of the initial term. After the final determination of the fixed annual rent payable for the Renewal Term, the parties promptly and appropriately shall adjust rental payments theretofore made during the Renewal Term and shall execute a written agreement specifying the amount of the fixed annual rent as so determined. Any failure of the parties to execute such written agreement shall not affect the validity of the fixed annual rent as so determined.

51.3 It is an express condition of the option granted to Tenant pursuant to this Article 51 that time is of the essence with respect to Tenant's exercise of such option within the period provided above.

LANDLORD

BAR-MARC REALTY, LLC

By:_____
Marc Wiener
Member

By:_____
Barbara Kammerer
Member

TENANT

VITALITY HOME INFUSION SERVICES, INC.

By:_____
Name:_____
Title:_____

Schedule A

Description of Demised Premises

ALL that certain plot, piece or parcel of land, with the buildings and improvements thereon erected, situate, lying and being at Roslyn Heights, Town of North Hempstead, County of Nassau, State of New York, being a part of lots 23 to 28 inclusive and all of lots Nos. 29, 30 in block No. 1, "Map of Woodside Park" and filed in the Office of the Clerk of the County of Nassau on June 25, 1925 as Map No. 562, New Map No. 3451, being more particularly bounded and described as follows:

BEGINNING at the corner formed by the intersection of the north side of Powerhouse Road (North Service Road, Long Island Expressway) with the east side of Linden Street;

RUNNING THENCE North 08 degrees 58 minutes 45 seconds east 123.90 feet;

RUNNING THENCE South 81 degrees 01 minutes 15 seconds east 100 feet;

THENCE south 08 degrees 58 minutes 45 seconds west 40 feet;

THENCE south 81 degrees 01 minutes 15 seconds east 20 feet;

THENCE south 08 degrees 58 minutes 45 seconds west 79.64 feet to the north side of Powerhouse Road (North Service Road, Long Island Expressway);

THENCE north 83 degrees 10 minutes 55 seconds west along aforesaid Powerhouse Road 120.09 feet to the point or place of BEGINNING.

SCHEDULE B

GUARANTY

MIM Corporation, a Delaware corporation ("Guarantor"), for value received, hereby guarantees to Bar-Marc Realty, LLC ("Landlord") the full and punctual payment and performance when due of all obligations of Vitality Home Infusion Services, Inc. ("Tenant") to Landlord under the Net Lease dated as of the date of this guaranty between Landlord and Tenant of the land and building located at 10 Powerhouse Road, Roslyn Heights, New York (the "Lease"), including, without limitation, the full and prompt payment when due of all fixed annual rent and additional rent payable under the Lease (all of such obligations being referred to, collectively, as the "Obligations"). Each and every default by Tenant under the Lease shall give rise to a separate cause of action under this guaranty, and separate suits may be brought under this guaranty as each cause of action arises.

This guaranty is a continuing, irrevocable and unconditional guaranty of payment and performance, and, without limitation, is not conditioned or contingent upon any effort to attempt to seek payment or performance from Tenant or upon any other condition or contingency. If Tenant at any time shall fail to pay or perform the Obligations within the applicable notice and cure periods, Guarantor shall promptly upon written notice effect complete payment and performance of the Obligations. Landlord shall not be required to first pursue any right or remedy against Tenant.

The liability of Guarantor under this guaranty shall not be impaired, abated, diminished, modified or otherwise affected by any event, condition, occurrence, circumstance, proceeding, action or failure to act whatsoever, including, but not limited to: (a) any increase in, or modification, compromise, settlement, adjustment or extension of, the Obligations; (b) any waiver, consent, indulgence, forbearance, lack of diligence, action or inaction on the part of Landlord in enforcing the Obligations; (c) any bankruptcy, insolvency, reorganization, arrangement, or similar proceeding involving or affecting Tenant; (d) the invalidity or unenforceability of the Lease by virtue of the lack of power or authority of Tenant or the person executing such document on behalf of Tenant, to enter into, execute and deliver such document; (e) the actual or purported assignment of Tenant's leasehold estate under the Lease; (f) any failure of Landlord to mitigate the damages resulting from any default by Tenant under the Lease; or (g) any failure by Landlord to draw down upon any security deposit under the Lease.

The obligations and liability of Guarantor under this guaranty are independent of the obligations and liability of Tenant. Guarantor may be joined in any action or proceeding commenced by Landlord against Tenant based upon or in connection with the Obligations. Recovery may be had against Guarantor in such an action or proceeding or in an independent action or proceeding without any requirement that Landlord previously or simultaneously assert, prosecute or exhaust any right, power or remedy against Tenant.

Guarantor shall reimburse Landlord on demand for all costs and expenses (including reasonable attorneys' fees, expenses and court costs) actually incurred by Landlord in enforcing the obligations and liability of Guarantor under this guaranty and the Obligations.

Except as set forth herein, Guarantor waives (a) all notices that otherwise may be necessary, whether by statute, rule of law or otherwise, to charge Guarantor or to preserve Landlord's rights and remedies against Guarantor under this guaranty, and (b) all defenses that may otherwise be available to it under the law of suretyship and guaranty.

No right or benefit in favor of Landlord shall be deemed waived, no obligation or liability of Guarantor under this guaranty shall be deemed amended, discharged or otherwise affected, and no provision of this guaranty may be amended, except by an instrument in writing signed by Landlord.

This guaranty shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of New York. This guaranty shall be binding upon the successors and assigns of Guarantor and inure to the benefit of the successors and assigns of Landlord.

Guarantor (a) submits to the exclusive jurisdiction of any state or federal court sitting in Nassau or New York County, New York, in any action or proceeding arising out of or relating to this guaranty, (b) agrees that all claims in respect of such action or proceeding shall be heard and determined in any such court, and (c) agrees not to bring any action or proceeding arising out of or relating to this guaranty in any other court. Guarantor waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect thereto.

Any notice given to Guarantor under this guaranty shall be in writing and shall be given by hand delivery, receipt acknowledged, or mailed by United States registered or certified mail, return receipt requested, postage prepaid,

or by nationally recognized commercial overnight courier, to Guarantor at 100 Clearbrook Road, Elmsford, New York 10523, or to such other address as Guarantor shall specify by delivery of notice as aforesaid to Landlord at c/o Marc Wiener, 2 Madison Place, Jericho, New York 11753, or at such other address as Landlord may specify to Guarantor at Guarantor's then specified address. Notices shall be deemed given when received or delivery is refused.

Guarantor represents and warrants that it is the owner of all of the issued and outstanding stock of Tenant. Guarantor represents and warrants that this guaranty has been duly authorized by all necessary corporate action on the part of Guarantor and is binding and enforceable on Guarantor in accordance with its terms.

MIM Corporation

By:_____

Name:_____

Title:_____

STATE OF NEW YORK)
: ss.
COUNTY OF NEW YORK)

On the ____ day of January in the year 2002 before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

GUARANTY

MIM Corporation, a Delaware corporation ("Guarantor"), for value received, hereby guarantees to Bar-Marc Realty, LLC ("Landlord") the full and punctual payment and performance when due of all obligations of Vitality Home Infusion Services, Inc. ("Tenant") to Landlord under the Net Lease dated as of the date of this guaranty between Landlord and Tenant of the land and building located at 10 Powerhouse Road, Roslyn Heights, New York (the "Lease"), including, without limitation, the full and prompt payment when due of all fixed annual rent and additional rent payable under the Lease (all of such obligations being referred to, collectively, as the "Obligations"). Each and every default by Tenant under the Lease shall give rise to a separate cause of action under this guaranty, and separate suits may be brought under this guaranty as each cause of action arises.

This guaranty is a continuing, irrevocable and unconditional guaranty of payment and performance, and, without limitation, is not conditioned or contingent upon any effort to attempt to seek payment or performance from Tenant or upon any other condition or contingency. If Tenant at any time shall fail to pay or perform the Obligations within the applicable notice and cure periods, Guarantor shall promptly upon written notice effect complete payment and performance of the Obligations. Landlord shall not be required to first pursue any right or remedy against Tenant.

The liability of Guarantor under this guaranty shall not be impaired, abated, diminished, modified or otherwise affected by any event, condition, occurrence, circumstance, proceeding, action or failure to act whatsoever, including, but not limited to: (a) any increase in, or modification, compromise, settlement, adjustment or extension of, the Obligations; (b) any waiver, consent, indulgence, forbearance, lack of diligence, action or inaction on the part of Landlord in enforcing the Obligations; (c) any bankruptcy, insolvency, reorganization, arrangement, or similar proceeding involving or affecting Tenant; (d) the invalidity or unenforceability of the Lease by virtue of the lack of power or authority of Tenant or the person executing such document on behalf of Tenant, to enter into, execute and deliver such document; (e) the actual or purported assignment of Tenant's leasehold estate under the Lease; (f) any failure of Landlord to mitigate the damages resulting from any default by Tenant under the Lease; or (g) any failure by Landlord to draw down upon any security deposit under the Lease.

The obligations and liability of Guarantor under this guaranty are independent of the obligations and liability of Tenant. Guarantor may be joined in any action or proceeding commenced by Landlord against Tenant based upon or in connection with the Obligations. Recovery may be had against Guarantor in such an action or proceeding or in an independent action or proceeding without any requirement that Landlord previously or simultaneously assert, prosecute or exhaust any right, power or remedy against Tenant.

Guarantor shall reimburse Landlord on demand for all costs and expenses (including reasonable attorneys' fees, expenses and court costs) actually incurred by Landlord in enforcing the obligations and liability of Guarantor under this guaranty and the Obligations.

Except as set forth herein, Guarantor waives (a) all notices that otherwise may be necessary, whether by statute, rule of law or otherwise, to charge Guarantor or to preserve Landlord's rights and remedies against Guarantor under this guaranty, and (b) all defenses that may otherwise be available to it under the law of suretyship and guaranty.

No right or benefit in favor of Landlord shall be deemed waived, no obligation or liability of Guarantor under this guaranty shall be deemed amended, discharged or otherwise affected, and no provision of this guaranty may be amended, except by an instrument in writing signed by Landlord.

This guaranty shall be governed by and construed in accordance with the internal laws of the State of New York without giving effect to any choice or conflict of law provision or rule (whether of the State of New York or any other jurisdiction) that would cause the application of laws of any jurisdictions other than those of the State of New York. This guaranty shall be binding upon the successors and assigns of Guarantor and inure to the benefit of the successors and assigns of Landlord.

Guarantor (a) submits to the exclusive jurisdiction of any state or federal court sitting in Nassau or New York County, New York, in any action or proceeding arising out of or relating to this guaranty, (b) agrees that all claims in respect of such action or proceeding shall be heard and determined in any such court, and (c) agrees not to bring any action or proceeding arising out of or relating to this guaranty in any other court. Guarantor waives any defense of inconvenient forum to the maintenance of any action or proceeding so brought and waives any bond, surety or other security that might be required of any other party with respect thereto.

Any notice given to Guarantor under this guaranty shall be in writing and shall be given by hand delivery, receipt acknowledged, or mailed by United States registered or certified mail, return receipt requested, postage prepaid, or by nationally recognized commercial overnight courier, to Guarantor at 100 Clearbrook Road, Elmsford, New York 10523, or to such other address as Guarantor shall specify by delivery of notice as aforesaid to Landlord at c/o Marc Wiener, 2 Madison Place, Jericho, New York 11753, or at such other address as Landlord may specify to Guarantor at Guarantor's then specified address. Notices shall be deemed given when received or delivery is refused.

Guarantor represents and warrants that it is the owner of all of the issued and outstanding stock of Tenant. Guarantor represents and warrants that this guaranty has been duly authorized by all necessary corporate action on the part of Guarantor and is binding and enforceable on Guarantor in accordance with its terms.

MIM Corporation

By:

Name:
Title:

STATE OF NEW YORK)
: ss.
COUNTY OF NEW YORK)

On the _____ day of January in the year 2002 before me, the undersigned, personally appeared _____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

Notary Public

October 15, 2001

Mr. Russel J. Corvese
1965 Frenchtown Road
East Greenwich, RI 02818

Re: MIM Corporation

Dear Russ:

MIM Corporation, a Delaware corporation (the "Company") is pleased to confirm your employment as the Chief Information Officer of the Company, on the terms and subject to the conditions set forth below. The terms and conditions of your employment are as follows:

1. POSITION AND DUTIES: Chief Information Officer of the Company.

In such capacity, you shall be responsible for all computer software and hardware, telecommunication, network, and information systems and technology utilized by the Company and its subsidiaries. In such capacity, you will faithfully perform the duties of said office and position and such other duties of an executive, managerial and administrative nature as are specified and designated from time to time by the Company's Board of Directors.

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

2. BASE COMPENSATION: Your base salary will be at an annual rate of $175,000.00 per year, payable bi-weekly, or at such other times as other employees of the Company are paid.

3. TRANSPORTATION ALLOWANCE: During your employment, the Company will provide you with a monthly allowance of $500 for the use of an automobile.

4. PARTICIPATION IN HEALTH AND OTHER BENEFIT PLANS: During your employment with the Company, you shall be permitted, if and to the extent eligible, to participate in all employee health and other related benefit plans, policies and practices now or hereafter available to members of senior management generally and maintained by or on behalf of the Company. Nothing in this agreement shall preclude the Company from terminating or amending any such plans or coverage so as to eliminate, reduce or otherwise change any benefit payable thereunder.

You shall be eligible to participate in the Company's 1998 Cash Bonus Program For Key Employees ("Bonus Program"), as such plan is continued by the Company, from year to year. Eligibility for the aforementioned Bonus Program 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, and will be subject to the terms and conditions of the Bonus Program. The Bonus Program was created to provide senior executives of the Company with cash and equity incentives upon reaching certain predetermined revenue, earnings and share performance goals. If there shall exist any conflict between this Agreement and the definitive documentation governing the Bonus Program, the definitive documentation (and not this agreement) shall control.

5. EXPENSES: Subject to such policies as may from time to time be established by the Company's Board of Directors, the Company would pay or reimburse you for all reasonable and necessary expenses actually

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

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

7. TERMINATION; SEVERANCE CHANGE OF CONTROL: If your employment with the Company is terminated for any reason whatsoever, whether by you or the Company, the Company would not be liable for, or obligated to pay you any bonus compensation or any other compensation contemplated hereby not already paid or not already accrued at the date of such termination, and no other benefits shall accrue or vest subsequent to such date. If you are terminated by the Company (or any successor) other than for "Cause" (as defined below) or you terminate your employment with the Company for "Good Reason" (as defined below), you will be entitled to receive severance payments equal to six months of salary at your then current salary level, payable in accordance with the Company's then applicable payroll practices and subject to all applicable federal, state and local withholding.

For purposes of this Agreement, "Cause" shall mean any of the following: (1) Commission by you of criminal conduct which involves moral turpitude; (2) acts which constitute fraud or self-dealing by or on the part of you against the Company, including, without limitation, misappropriation or embezzlement; (3) your willful engagement in conduct which is materially injurious to the Company; or (4) your gross misconduct in the performance of duties as an employee of the Company, including, without limitation, failure to obey lawful written instructions of the Board of

Directors of the Company, any committee thereof or the Chief Executive Officer of the Company or failure to correct any conduct which constitutes a breach of this agreement between you and the Company or of any written policy promulgated by the Board of Directors of the Company, any committee thereof or the Chief Executive Officer of the Company, in either case after not less than ten days' notice in writing to you of the Company's intention to terminate you if such failure is not corrected within the specified period (or after such shorter notice period if the Company in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company).

For purposes of this Agreement, "Good Reason" shall mean the existence of any one or more of the following conditions that shall continue for more than 30 days following written notice thereof by the Employee to the Company: (i) the assignment to the Employee of duties materially inconsistent with the Employee's position or positions with the Company, (ii) the reduction of your then current annual salary rate, without your consent or (iii) requires you to relocate your residence in order to perform your duties with the Company.

In addition, if you are terminated by the Company (or any successor or either) within one year of a "Change of Control" (as defined below) or, within such one (1) year period, you elect to terminate your employment after the Company or a successor entity (A) assigns you duties materially inconsistent with your position or positions with the Company or a successor entity immediately prior to such Change of Control or (B) requires you to relocate your residence in order to perform your duties with the Company, the Company or that successor entity, (I) you shall receive severance payments equal to six months of your then current salary (and reimbursement for expenses incurred prior to the effective date of the termination of employment; (II) all outstanding unvested Options granted to you and held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and (III) you shall become vested in any pension or other deferred compensation other than pension or deferred compensation under a plan intended to be qualified under Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended; and (IV) you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

For purposes of this Agreement, "Change of Control" means the occurrence of one or more of the following: (i) a "person" or "group" within the means the meaning of sections 13(d) and 14(d)

of the Securities and Exchange Act of 1934 (the "Exchange Act") becomes the "beneficial owner" (within the meaning of Rule l3d-3 under the Exchange Act) of securities of MIM (including options, warrants, rights and convertible and exchangeable securities) representing 30% or more of the combined voting power of MIM's then outstanding securities in any one or more transactions unless approved by at least two-thirds of MIM's Board of Directors then serving at that time; provided, however, that purchases by employee benefit plans of MIM and by MIM 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 MIM or the Company; or (iii) a merger or consolidation, or a transaction having a similar effect, where (A) the Company or MIM is not the surviving corporation, (B) the majority of the Common Stock of MIM is no longer held by the stockholders of MIM immediately prior to the transaction, or (C) the MIM's Common Stock is converted into cash, securities or other property (other than the common stock of a company into which MIM or the Company is merged), unless such merger, consolidation or similar transaction is with a subsidiary of the Company or MIM or with another company, a majority of whose outstanding capital stock is owned by the same persons or entities who own a majority of MIM's Common Stock at such time; or (iv) at any annual or special meeting of stockholders of MIM at which a quorum is present (or any adjournments or postponements thereof), or by written consent in lieu thereof, directors (each a "New Director" and collectively the "New Directors") then constituting a majority of MIM's Board of Directors shall be duly elected to serve as New Directors and such New Directors shall have been elected by stockholders of MIM who shall be an (I) "Adverse Person(s)"; (II) "Acquiring Person(s)"; or (III) "40% Person(s)" (as each of the terms set forth in (I), (II), and (III) hereof are defined in that certain Amended and Restated Rights Agreement, dated May 20, 1999, between MIM and American Stock Transfer & Trust Company, as Rights Agent.

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

9. NO RELOCATION: You shall not be required to relocate from the address set forth above in order to perform your duties; provided, however, that you acknowledge that you will need to travel that amount of time necessary to perform your responsibilities and duties in a manner consistent with the standards set forth in Section 1 of this Agreement.

10. OTHER TERMS: Your employment will be subject to other customary and usual terms, provisions, conditions and representations as are found in the Company's similar arrangements with its employees.

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

Please call me to discuss any questions or comments that you may have regarding these terms. I look forward to hearing from you. Best regards.

Sincerely yours,

MIM CORPORATION

By: ----------

Name:
Title:

Agreed to and Accepted By:

- ----------
Russel J. Corvese

Exhibit A

RESTRICTIVE COVENANTS

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

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

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

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

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

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

Rights and Remedies upon Breach of Restrictive Covenants.

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

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

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

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

Agreed to and accepted by:

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Russel J. Corvese

October 15, 2001

Mr. Recie B. Bomar
11 Ledgewood Lane
South Salem, NY 10590-2022

Re: EMPLOYMENT LETTER AGREEMENT DATED FEBRUARY 8, 1999

Reference is hereby made to the Letter Agreement ("Agreement") between MIM Corporation (the "Company") and Recie B. Bomar ("Employee") dated February 8, 1999 pursuant to which Employee has been employed by the Company since that time. In consideration of Employee's service since that time and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Employee hereby amend and supplement the Agreement, effective as of the date indicated above, on the following terms.

1. Paragraph 1 entitled "POSITION AND DUTIES" is hereby amended and restated in its entirety as follows:

"1. POSITION AND DUTIES: President of PBM Division of Scrip Solutions, Inc., with overall responsibility for PBM business of the Company and its subsidiaries and affiliates including, but not limited to:

(i) Preparation of, and primary responsibility for sales and marketing plans of the Company's PBM business;

(ii) Implementing sales and marketing plans and overall responsibility for PBM business personnel and the generation of sales related revenues; and

(iii) The hiring and termination of personnel in support of the PBM business, with the prior approval of Chief Executive 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, Richard H. Friedman."

2. Paragraph 3 entitled "BASE COMPENSATION" is hereby amended and restated in its entirety as follows:

"3. BASE COMPENSATION: Your base salary shall be at the rate of $225,000.00 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 no less frequently than every twelve (12) months. However, any increase in your compensation shall be in the Company's sole and absolute discretion."

3. Paragraph 10 entitled "SEVERANCE; CHANGE OF CONTROL" is hereby amended and restated in its entirety as follows:

"(a) 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 assigns you duties materially inconsistent with your position prior to such Change of Control, then you shall be entitled to receive six (6) 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, rights and convertible and exchangeable securities) representing 50% or more of the combined voting power of the Company's then outstanding securities in any one or more transactions; provided, however, that purchases by employee 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 at that time own a majority of the Company's outstanding common stock (the "Common Stock")), where (A) the

Company is not the surviving corporation, (B) the majority of the Common Stock of the Company is no longer held by the stockholders of the Company immediately prior to the transaction, or (C) the Company's Common Stock is converted into cash, securities or other property (other than the common stock of a company into which the Company is merged).

(b) TERMINATION OTHER THAN FOR CAUSE. If you are terminated by the Company or a successor entity for any reason other than for Cause (as defined below) or you elect to terminate your employment for Good Reason (as defined below), then you shall be entitled to receive six (6) months salary and other benefits earned and accrued prior to the effective date of the termination of your employment other than for Cause or by you for Good Reason (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, "Cause" shall mean (i) the Employee's conviction of a felony or a crime of moral turpitude; or (ii) the Employee's commission of unauthorized acts intended to result in the Employee's personal enrichment at the material expense of the Company; or (iii) the Employee's material violation of the Employee's duties or responsibilities to the Company which constitute willful misconduct or dereliction of duty, or the material breach of the covenants contained in EXHIBIT B attached hereto.

For purposes of this Agreement, "Good Reason" shall mean the existence of any one or more of the following conditions that shall continue for more than 30 days following written notice thereof by the Employee to the Company: (i) the assignment to the Employee of duties materially inconsistent with the Employee's position or positions with the Company or (ii) the reduction of your then current annual salary rate, without your consent."

4. Except as modified hereby, all provisions of the Agreement remain unmodified and in full force and effect.

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

Very truly yours,

MIM Corporation

By:

Barry A. Posner
Executive Vice President

AGREED AND ACCEPTED this ___ day of October 2001.

- ---
Recie B. Bomar

Exhibit 21

MIM Investment Corporation, a Delaware corporation

Scrip Solutions, Inc., a Delaware corporation

MIM Strategic Marketing, LLC, a Delaware limited liability company

MIM IPA, Inc., a New York corporation

MIM Health Plans of Puerto Rico, Inc., a Delaware corporation

MIMRx.com, Inc., a Delaware corporation

Continental Managed Pharmacy Services, Inc., an Ohio corporation

Scrip Pharmacy, Inc., an Ohio corporation

Automated Scripts, Inc., an Ohio corporation

Preferred Rx, Inc., an Ohio corporation

Valley Physicians Services, Inc., an Ohio corporation

Health Management Ventures, Inc., a Wisconsin corporation

American Disease Management Associates, L.L.C., a Delaware limited liability company

New York ADIMA, LLC, a New York limited liability company d/b/a American Disease Management Associates

Vitality Home Infusion Services, Inc., a New York corporation d/b/a Vitality Pharmaceutical Services

MIM Funding LLC, a Delaware limited liability company

Community Prescription Service, Inc., a Delaware corporation

MIM Corporation
100 Clearbrook Road
Elmsford, NY 10523
(914) 460-1600

March 29, 2002

Securities and Exchange Commission
450 Fifth Street, N. W.
Washington, D.C. 20549-0408

Ladies and Gentlemen:

This letter is written pursuant to Temporary Note 3T to Article 3 of Regulation S-X.

MIM Corporation has received a representation letter from Arthur Andersen LLP ("Andersen") stating that the audit of the consolidated balance sheets of MIM Corporation and subsidiaries as of December 31, 2001 and 2000, and the related Consolidated Statements of Operations, Stockholders' Equity and Cash Flows for each of the three years in the period ended December 31, 2001, was subject to Andersen's quality control system for the U.S. accounting and auditing practice to provide reasonable assurance that the engagement was conducted in compliance with professional standards and that there was appropriate continuity of Andersen personnel working on the audit, availability of national office consultation. Availability of personnel at foreign affiliates of Andersen is not relevant to this audit.

Very truly yours,

MIM Corporation

By: /s/ Barry A. Posner

Barry A. Posner
Executive Vice President &
General Counsel