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, 2000
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 [ ]

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. [X]

The aggregate market value of the registrant's Common Stock held by non-affiliates of the registrant as of March 1, 2001, was approximately $35.8 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 1, 2001, there were outstanding 20,434,120 shares of the registrant's Common Stock.

Documents Incorporated by Reference

None.

PART I

Item 1. Business

Overview

MIM Corporation (the "Company" or "MIM") is a pharmacy benefit management, specialty pharmaceutical and fulfillment/e-commerce organization that partners with healthcare providers and sponsors to control prescription drug costs. MIM's innovative pharmacy benefit products and services use clinically sound guidelines to ensure cost control and quality care. MIM's specialty pharmaceutical division specializes in serving the chronically ill afflicted with life threatening diseases and genetic impairments. MIM's fulfillment and e-commerce pharmacy specializes in serving individuals that require long-term maintenance medications. MIM's online pharmacy, www.MIMRx.com, develops private label websites to offer affinity groups and healthcare providers innovative and customized health information services and products on the Internet for the benefit of their members.

PBM Services

The Company's pharmacy benefit management ("PBM") services offer plan sponsors a broad range of services designed to ensure the cost-effective delivery of clinically appropriate pharmacy benefits. The Company's PBM programs include a number of design features and fee structures that are tailored to suit a customer's particular needs and cost requirements. In addition to traditional fee-for-service arrangements, under certain circumstances the Company will offer alternative pricing methodologies for its various PBM services, including a fixed fee per member (a "capitated" program), sharing costs exceeding pre-established per member amounts and sharing savings where costs are less than pre-established per member amounts. Under certain circumstances, the Company will also enter into profit sharing arrangements with plan sponsors, thereby incentivizing a plan sponsor to support fully the Company's cost containment efforts of such sponsor's pharmacy program. 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. The Company's organization and programs are clinically oriented, with many staff members

having pharmacological certification, training and experience. The Company markets its services to large public health plans (primarily in states with large Medicaid populations), medium to smaller managed care organizations ("MCOs") emphasizing those operating in states with an active Medicaid waiver program, 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 employees to solicit business from plan sponsors, but also on third party administrators and commissioned independent agents and brokers.

PBM services available to the Company's customers include the following:

Formulary Design and Compliance. The Company offers to its health maintenance organization ("HMO") and other clients flexible formulary designs to meet their specific requirements. Many of these 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, the Company believes that both public and private health plans 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 determination has been made by a plan sponsor 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.

Controlling program costs through formulary design focuses primarily on two areas to the extent consistent with accepted medical and pharmacy practices and applicable law: (i) generic substitution, which involves the selection of

generic drugs as a cost-effective alternative to their bio-equivalent brand name drugs, 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. Generic substitution may also take place in combination with therapeutic interchange where a bio-equivalent generic alternative for a selected lower cost brand drug exists after a therapeutic interchange has occurred. 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.

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. Formulary compliance is managed with the active assistance of participating network pharmacies, primarily through prior authorization procedures, and on-line POS edits as to particular subscribers and other network communications. Overutilization 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. The clients' formularies typically provide a selection of covered drugs within each therapeutic class to treat appropriately medical conditions. However, provision is made for the coverage of non-formulary drugs (other than excluded products) to members when documented to be clinically appropriate for that member. Since non-formulary drugs ordinarily are automatically rejected for coverage by the real-time POS system, procedures are employed to override restrictions on non-formulary medications for a particular patient and period of treatment. Restrictions on the use of certain high-risk or high-cost formulary drugs may be similarly 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 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.

Mail Order Pharmacy. Another way in which the Company believes that program costs may be reduced is through the distribution of pharmaceutical products directly to plan sponsors' members via mail order pharmacy services. The Company provides mail order pharmacy services from a new, fully automated fulfillment facility in Columbus, Ohio for plan members typically receiving maintenance medications. The facility utilizes the latest pharmacy technology in the market place. The mail operation is supported by a customer service department that is available 24 hours per day, 7 days per week. This affords the Company and its plan sponsors the ability to reduce cost through mail distribution as opposed to the more costly retail distribution of prescription products. The Company's mail order facility provides services to the members of the Company's PBM customers and other individuals and, as discussed below, is a key component of the Company's specialty pharmacy programs.

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. 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 below under "Specialty Pharmacy Programs," 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 particular and specialized behavioral health needs of certain individuals within an MCOs membership. As a result, many MCOs have separated the behavioral health population into a separate management area. The Company provides services that encourage the proper and cost-effective utilization of behavioral health medication to enrollees of behavioral health organizations, which are traditionally (but not always) affiliated with MCOs. 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.

At December 31, 2000, the Company provided PBM services to 126 plan sponsors with approximately 5.5 million plan members, including six plan sponsors providing health care benefits to State of Tennessee residents who were formerly Medicaid-eligible and certain uninsured state residents under Tennessee's TennCare(R) Medicaid waiver program. See "The TennCare(R) Program" below.

Specialty Pharmacy Programs

BioScrip(TM), the Company's specialty pharmacy program, offers clients a menu of services ranging from a distribution only model to a complete pharmacy management program. The Company provides specialized pharmaceutical products and services to plan sponsors' members afflicted with specific chronic illnesses, genetic impairments or other life threatening conditions. The Company has developed specialty pharmacy programs for the following chronic illnesses: HIV/AIDS, multiple sclerosis, hemophilia, Gaucher's disease, arthritis, infertility, respiratory syncytial virus (RSV), growth hormone deficiency, hepatitis C, Crohn's disease and transplants. As discussed more fully below, the Company provides infusion and other high cost pharmaceutical therapies to patients through IV certified nurse practitioners or a patient's treating physician through its subsidiary American Disiease Management Associates ("ADIMA").

The Company provides specialty pharmacy products and services to MCOs, third party administrators and other plan sponsors currently utilizing the Company's PBM services and to plan sponsors and directly to individuals not currently utilizing such services. These specialty programs utilize the Company's clinical and design management expertise to manage chronically ill patients requiring long-term maintenance therapies and receive such clinical services in conjunction with the distribution of pharmaceutical prescription products to patients afflicted with the chronic illnesses managed by the Company. The goal of these programs is to, among other things, manage the pharmaceutical utilization of those patients to ensure compliance with prescribed therapies, thereby avoiding costly follow-up therapies including hospital admission.

The Company provides specialty pharmaceutical services to patients with high cost chronic illnesses, chronic disorders and other life threatening conditions in an effort to improve outcomes for these patients and to reduce the associated cost of care for the plan sponsor providing health care benefits to such patients.

The injectable and oral specialty products are generally dispensed to patients (directly or to their physician's or other clinician's office) from the Company's mail order fulfillment facility in Columbus, Ohio.

In addition to the delivery of efficacious prescription pharmaceutical products to patients afflicted with the chronic illnesses managed by the Company, the Company has designed and administers disease state management programs to ensure a patient's utilization compliance and to minimize the debilitating effects of a patient's illness and any associated side effects. The principal specialty pharmacy services provided by the Company include disease state management and compliance programs, expert customer service and patient education programs.

Generally infusion patients are not afflicted with chronic illnesses but are being administered intravenous medications typically after a patient's discharge from a hospital after a surgical or other procedure requiring the administration of post operative intravenous medication, which is most cost effectively delivered to a patient in their home. Infusion therapy integrates a combination of services that focus primarily on the administration and preparation of pharmaceutical infusion solutions for chemotherapy, pain management, antibiotic therapy and nutritional (parenteral) support.

PBM and Specialty Marketing Efforts

Since the development of the injectable BioScrip(TM) programs and the ADIMA acquisition, the Company offers plan sponsors comprehensive pharmacy services that manages all aspects of a plan sponsor's pharmaceutical needs, including traditional PBM services, specialty pharmacy services to cater to the needs of the chronically ill and genetically impaired and to those patients receiving intravenous therapies upon discharge from a hospital environment. The Company's goal is to provide pharmacy-related pharmaceutical products and services to all of a plan sponsor's members regardless of that patient's condition or stage of life.

The Company cross markets its specialty pharmacy products and services to its existing PBM customers, including MCOs and other plan sponsors to which the Company provides PBM services. The Company intends to cross-market its infusion products and services to its injectable program customers and vice versa. The Company also intends to cross-market its PBM services to its specialty customers. The Company is actually marketing its specialty pharmaceutical products and services to other plan sponsors as a result of the pharmacy services industry's recognition of the Company's superior clinical expertise. The Company has been successful in contracting to provide specialty pharmacy services, generally on a non-exclusive basis, to MCOs that would not have selected the Company as its PBM, although the Company has recently begun to generate sales through the enrollment of specific patients in these programs.

e-Commerce Services

MIMRx.com, a subsidiary of the Company, markets and sells customized private label pharmacy related websites for plan sponsors, affinity groups and other e-commerce merchants ("e-commerce partners"). These websites offer and sell prescription pharmaceuticals, vitamins, minerals and supplements, over-the-counter products, nutritional and herbal remedies and supplements, health and beauty aids and other products typically offered for sale in large retail pharmacies. In addition, these websites provide users with general healthcare information and specific information on prescription and over-the-counter products, as well as on most vitamins, minerals and herbal products. MIMRx.com, through the Company's fulfillment and mail order operations, handles all aspects of the fulfillment, distribution of, and in some cases billing and collection for, products (including prescriptions, vitamins, OTC's and health and beauty aids) purchased through each e-commerce partner's private label website. Although numerous competitors dominate the e-commerce marketplace, many of which have significantly greater resources, MIMRx.com's strategic goal is to become a leader in developing and providing innovative customized health information services and products through the Internet. See "Competition" below.

The TennCare(R) Program

Historically, a majority of the Company's revenues have been 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"). RxCare is a pharmacy services administrative organization owned by the Tennessee Pharmacists Association. Under the agreement with RxCare ("RxCare Contract"), the Company performed essentially all of RxCare's obligations under its PBM agreements with plan sponsors and paid RxCare certain amounts, including a share of the profit from the contracts, if any.

The Company and RxCare did not renew the RxCare Contract, which expired on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those under contract with RxCare at such time) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts resulted in the Company executing agreements with all of the MCOs for the TennCare(R) lives previously managed under the RxCare Contract, as well as substantially all third party administrators ("TPAs") and employer groups previously managed under the RxCare Contract.

The TennCare(R) program operates under a demonstration waiver from the United States Health Care Financing Agency ("HCFA"). That waiver is the basis of the Company's ongoing service to those MCOs in the TennCare(R) program. The waiver is due to expire on December 31, 2001. However, 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, although there can be no assurances that such pharmacy benefits will continue or that the Company would be chosen to continue to provide pharmacy benefits to enrollees of a successor program. If the waiver is not renewed and the Company is not providing pharmacy benefits to those lives under a successor program or arrangement, then the failure to provide such services would have a material and adverse affect on the financial position and results of operations of the Company. The ongoing funding for the TennCare(R) program has been the subject of significant discussion at various governmental levels since its inception. Should the funding sources for the TennCare(R) program change significantly, the Company's ability to serve those customers could be impacted and would also materially and adversely affect the financial position and results of operations of the Company.

On November 1, 2000, the TennCare(R) program adopted new rules for recipients to allow for a 14-day supply of a non-formulary medication or a medication requiring a prior authorization or medical necessity determination should the dispensing pharmacist be unable to contact the prescribing physician to switch to a formulary medication or process a prior authorization request for approval. This mechanism allows for TennCare(R) members to obtain medication while their request is in an appeal process with TennCare(R) MCOs and the TennCare(R) Solutions Bureau. The implementation of these rules may impact formulary adherence resulting in a change to the amount of pharmaceutical manufacturers rebates earned by the Company. A reduction in rebates would adversely impact the financial results of the Company. At this time the Company cannot estimate the financial impact, if any, as a result of the implementation of new rules.

Other Matters

As a result of providing capitated PBM services to certain TennCare(R) MCOs, the Company's pharmaceutical claims costs historically have 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, an MCOs' members due to seasonality. The resulting increase in pharmaceutical costs impacts the profitability of capitated contracts and other capitated arrangements. For the year ended December 31, 2000, approximately 28% of the Company's revenues were generated from capitated contracts compared to approximately 32% in 1999 while non-capitated business (including mail order services) represented approximately 72% and 68%, respectively. Non-capitated arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under capitated contracts, as higher utilization positively impacts profitability under fee-for-service (or non-capitated) arrangements. The Company presently anticipates that approximately 20% of its revenues in fiscal 2001 will be derived from capitated arrangements.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, a component of pharmaceutical claims costs, directly affects the Company's cost of revenue. The Company believes that it is likely that prices will continue to increase, which could have an adverse effect on the Company's gross profit on capitated arrangements. Because plan sponsors are billed for the cost of all prescriptions dispensed in fee-for-service arrangements, the Company's gross profit is not adversely affected by changes in pharmaceutical prices. However, under capitated arrangements, the Company is responsible for increases in prescription costs, which adversely affects the Company's gross profit. In such instances, the Company may be required to increase capitated contract rates on new contracts and upon renewal of existing capitated contracts. However, there can be no assurance that the Company will be successful in obtaining these rate increases. The greater proportion of fee-for-service contracts with the Company's customers in 2000 compared to prior years reduced the potential adverse effects of price increases, although no assurance can be given that the recent trend towards fee for service arrangements will continue or that a substantial increase in drug costs or utilization would not negatively affect the Company's overall profitability in any period.

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 loss contracts and management does not believe that there is an overall trend towards losses on its existing capitated contracts.

Competition

The PBM Market. The PBM and specialty businesses are highly competitive, and many of the Company's current and potential competitors have considerably greater financial, technical, marketing and other resources than the Company. The PBM business includes a number of large, well-capitalized companies with nationwide operations and many smaller organizations typically operating on a local or regional basis. One of the larger organizations is owned by or otherwise related to a brand name drug manufacturer and may have significant influence on the distribution of pharmaceuticals. Among larger companies offering PBM services are Merck-Medco Managed Care, L.L.C. (a subsidiary of Merck & Co., Inc.), Caremark Rx Inc., Advance PCS, Express Scripts Inc., and National Prescription Administrators, Inc. Numerous health insurance and Blue Cross Blue Shield plans, MCOs and retail drugstores, such as CVS Corporation and Rite Aid Corporation also have their own PBM capabilities.

Competition in the PBM business to a large extent is based upon price, although other factors, including quality and breadth of services and products, are also important. The Company believes that its ability and willingness, where appropriate, to assume or share its customers' financial risks, its clinical orientation, its proprietary suite of technology products and its willingness to customize pharmacy programs to suit a particular MCO client's particular needs represent distinct competitive advantages in the PBM business.

Specialty Pharmaceutical. The Company also competes with several national and regional companies that primarily provide therapeutic pharmaceutical services to the chronically ill and genetically impaired, such as Accredo Health Inc., Priority Health Corporation and Gentiva Health Services Inc., all of which have substantial financial resources. Some of these competitors have been in the specialty pharmaceutical industry considerably longer than the Company and 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 unable to compete with these companies on particular prescription products or in particular disease states.

Contracting parties choose a specialty pharmacy supplier for a variety of reasons including the suppliers technical capabilities, their ability to access and provide support through pharmaceutical manufacturers programs (including cost of purchasing product), ability and programs to manage costs, clinical knowledge, expertise and protocols, support of the patient, including intake and distribution and the ability to provide tools for reporting global outcomes.

Among the larger competitors offering on-line pharmacy products and services are Drugstore.com, Inc. (which recently acquired the customers of PlanetRx.com), CVS.com and WebRx.com (which recently acquired Drug Emporium.com). Although individual consumers may purchase directly from MIMRx.com, its sales and marketing efforts do not directly target individual consumers. Rather, the Company markets its on-line products and content to its PBM and affinity marketing customers.

e-Commerce. The on-line pharmacy market, like all consumer e-commerce, is relatively new and rapidly evolving. MIMRx.com's competitors also have considerable financial resources and include a number of well-capitalized organizations, some of which are nationally recognized retail chain pharmacies.

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 substantial compliance with all legal requirements material to its operations.

The Company entered into a corporate integrity agreement with the Office of Inspector General (the "OIG") within the U.S. 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 U.S. 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.

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. The Company is licensed to do business as a pharmacy in each state in which it is required to be so licensed. 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 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 MIMRx.com internet website, as well as other affiliated websites. 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 a Draft Guidance regarding its intent to regulate certain drug promotion and switching activities of PBM companies that are controlled, directly or indirectly, by drug manufacturers. The FDA effectively withdrew the Draft Guidance and has indicated that it would not issue a new 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, which could materially adversely affect the Company's operations.

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 a health plan sponsor 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 the 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 or Medicaid waiver programs, such as TennCare(R)). Certain state laws may extend the prohibition to items or services that are paid for by private insurance and self-pay patients. The Company's arrangements with RxCare and other pharmacy network administrators, drug manufacturers, marketing agents, brokers, health plan sponsors, pharmacies and others parties routinely involve payments to or from persons who provide or purchase, or recommend or arrange for the purchase of, items or services paid in part by the TennCare(R) program or by other programs covered by such laws. 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 statue 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 52.0% 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. Confidentiality provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") required the Secretary of HHS to issue standards concerning health information privacy if Congress did not enact health information privacy legislation by August 1999. Since Congress did not enact health information privacy legislation, the Secretary issued a proposed rule in November 1999 and the public comment period for this proposed rule expired on February 17, 2000. The Secretary reopened the comment period on the new rule until March 30, 2001, and has a scheduled effective date of April 14, 2001. The proposed rule would establish minimum standards and would preempt state laws, which are less restrictive than HIPAA regarding health information privacy, but would not preempt more restrictive state laws. The proposed rule provides that the health information privacy standards would become effective two years after final issuance. The final HHS rule is likely to require substantial changes to the Company's systems, policies and procedures, which may have a material adverse impact on the Company.

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 February 10, 2001, the Company employed a total of 288 people, including 34 licensed pharmacists. The Company's employees are not represented by any union and, in the opinion of management, the Company's relations with its employees are satisfactory.

Item 2. Properties

The Company's corporate headquarters 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; Nashville, Tennessee; Columbus, Ohio; and Livingston, New Jersey.

Item 3. Legal Proceedings

Since April 1999, the Company has been engaged in commercial arbitration with Tennessee Health Partnership ("THP") over a number of commercial disputes surrounding the parties' relationship. The Company has been disputing several improper reductions of payments by THP that the Company believes were properly due and owing to it. In addition, a dispute exists over whether or not certain items should have been included under the Company's capitated arrangements with THP. In 1999, the Company recorded a special charge of $3.3 million for estimated future losses related to this dispute and another TennCare(R) provider.

In early 2001, the Company reached an agreement in principle with THP. The Company will pay THP $1.3 million in satisfaction of all claims between the parties. Upon final settlement, any excess of the reserve for future losses will be credited to income.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal year 2000.

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") began trading on The NASDAQ National Market tier of The NASDAQ Stock Market on August 15, 1996 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 are interdealer prices, without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

MIM Common Stock

		High	Low
1999:	First Quarter.....	$ 4.44	$ 2.13
	Second Quarter.....	$ 3.13	$ 2.00
	Third Quarter.....	$ 3.00	$ 1.69
	Fourth Quarter.....	$ 4.63	$ 1.50
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

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

As of March 15, 2001, there were 127 stockholders of record in addition to approximately 2,609 stockholders whose shares were held in nominee name.

For purposes of calculating the aggregate market value of the shares of Common Stock held by non-affiliates, as shown on the cover page of this Annual Report 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, 2000, the Company did not sell any securities without registration under the Securities Act of 1933, as amended (the "Securities Act").

From August 15, 1996 through December 31, 2000, the $46.8 million net proceeds from the Company's underwritten initial public offering of its Common Stock (the "Offering"), affected pursuant to a Registration Statement assigned file number 333-05327 by the Securities and Exchange Commission (the "Commission") and declared effective by the Commission on August 15, 1996, have been applied in the following approximate amounts (in thousands):

Construction of plant, building and facilities	$ --
Purchase and installation of machinery and equipment	$13,970
Purchases of real estate	$ --
Acquisition of other businesses	$21,825
Repayment of indebtedness	$ --
Working capital	$ 9,703
Temporary investments:	
Marketable securities	$ --
Overnight cash deposits	$ 1,290

To date, the Company has expended a relatively insignificant portion of the Offering proceeds on expanding the Company's "preferred generics" business, which was described more fully in the Offering prospectus and the Company's Annual Report on Form 10-K for the year ended December 31, 1996. At the time of the Offering however, as disclosed in the prospectus, the Company intended to apply approximately $18.6 million of Offering proceeds to fund the expansion of that business. The Company determined not to apply any material portion of the Offering proceeds to fund the expansion of that business.

Item 6. Selected Consolidated Financial Data

The selected consolidated financial data presented below should be read in conjunction with Item 7 of this Report and with the Company's Consolidated Financial Statements and notes thereto appearing elsewhere in this Report.

	Year Ended December 31, (in thousands, except per share amounts)				
Statement of Operations Data	2000	1999	1998	1997	1996
Revenue	$ 369,794	$ 377,420	$ 451,070	$ 242,291	$ 283,159
Special charges	-	6,029(1)	3,700(2)	-	26,640(3)
Net (loss) income (4,5)	(1,823)	(3,785)	4,271	(13,497)	(31,754)
Net (loss) income per basic share	(0.09)	(0.20)	0.28	(1.07)	(3.32)
Net (loss) income per diluted share (6)	(0.09)	(0.20)	0.26	(1.07)	(3.32)
Weighted average shares outstanding used in computing net (loss) income per basic share	19,930	18,660	15,115	12,620	9,557
Weighted average shares outstanding used in computing net (loss) income per diluted share	19,930	18,660	16,324	12,620	9,557

	December 31, (in thousands, except per share amounts)				
Balance Sheet Data	2000	1999	1998	1997	1996
Cash and cash equivalents	$ 1,290	$ 15,306	$ 4,495	$ 9,593	$ 1,834
Investment securities	-	5,033	11,694	22,636	37,038
Working (deficit) capital	(11,184)	8,995	19,823	9,333	19,569
Total assets	116,402	115,683	110,106	62,727	61,800
Capital lease obligations, net of current portion	1,621	718	598	756	375
Long-term debt, net of current portion	-	2,279	6,185(7)	-	-
Stockholders' equity	39,505	35,187	39,054	16,810	30,143

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(1) In 1999, the Company recorded $6,029 of special charges for estimated losses on contract receivables.

(2) In 1998, the Company recorded $1,500 and $2,200 special charges, respectively, against earnings in connection with the negotiated termination of the RxCare relationship and amounts paid in settlement of the Federal and State of Tennessee investigation relating to the conduct of two former officers of the Company prior to the Offering, respectively. Excluding these items, net income for 1998 would have been $8,000, or $0.48 per share.

(3) In 1996, the Company recorded a $26,600 non-recurring, non-cash stock option charge in connection with the grant by the Company's then majority stockholder of certain options to then unaffiliated third parties, who later became officers of the Company.

(4) Net loss (income) 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 diluted loss per common share for the years 2000, 1999, 1997 and 1996 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.

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

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, the benefits and risks associated with integration of acquired companies, the likely outcome and the effect of legal proceedings on the Company and its business and operations and/or the resolution or settlement thereof. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, that 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 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

MIM is a PBM, specialty pharmaceutical and fulfillment/e-commerce organization that partners with healthcare providers and sponsors to control prescription drug costs. MIM's innovative pharmacy benefit products and services use clinically sound guidelines to ensure cost control and quality care. MIM's specialty pharmaceutical division specializes in serving the chronically ill afflicted with life threatening diseases and genetic impairments. MIM's fulfillment and e-commerce pharmacy specializes in serving individuals that require long-term maintenance medications. MIM's online pharmacy, www.MIMRx.com, develops private label websites to offer affinity groups and other health care providers innovative, customized health information services and products on the Internet for their members. A majority of the Company's revenues to date have been derived from providing PBM services in the State of Tennessee (the "State") to MCOs participating in the State's TennCare(R) program. At December 31, 2000, the Company has various PBM service contracts with 126 health plan sponsors with an aggregate of approximately 5.5 million plan members, of which TennCare(R) represented six MCOs with approximately 1.2 million plan members. Revenues derived from the Company's contracts with those TennCare(R) MCOs accounted for 43.4% of the Company's revenues for the year ended December 31, 2000, compared to 54.0% of the Company's revenues for the year ended December 31, 1999.

Business

The Company derives its revenues primarily from agreements to provide PBM services, which includes mail order services, to various health plan sponsors in the United States. The Company also provides specialty pharmacy services to chronically ill patients that require injection and infusion therapies.

Acquisition of American Disease Management Associates, L.L.C.

On August 4, 2000, the Company, through its principal PBM operating subsidiary, MIM Health Plans, Inc., acquired all of the issued and outstanding membership interests of ADIMA, pursuant to a Purchase Agreement dated as of August 3, 2000. ADIMA, located in Livingston, New Jersey, provides intravenous and injectible specialty pharmaceutical products to chronically ill patients receiving healthcare services from home by IV certified registered nurses, typically after a hospital discharge.

The aggregate purchase price approximated $24.0 million, and included $19.0 million in cash and 2.7 million shares of MIM common stock, valued at $5.0 million. The acquisition was treated as a purchase for financial reporting purposes. Assets acquired approximated $4.5 million and liabilities assumed approximated $0.1 million resulting in approximately $19.9 million of goodwill, which will be amortized over the estimated useful life of 20 years. The consolidated financial statements of the Company include the results of ADIMA from the date of acquisition.

Results of Operations

Year ended December 31, 2000 compared to year ended December 31, 1999

For the year ended December 31, 2000, the Company recorded revenues of $369.8 million compared with 1999 revenues of $377.4 million, a decrease of $7.6 million. Contracts with TennCare(R) sponsors accounted for decreased revenues of $43.3 million, principally the 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 from the acquisition of ADIMA and the increases in commercial PBM and mail order 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. Based upon its present contracted arrangements, the Company anticipates that approximately 20% of its revenues in 2001 will be derived from capitated contracts.

Cost of revenue for 2000 decreased to $334.6 million from $347.1 million for 1999, a decrease of $12.5 million. Cost of revenue with respect to contracts with TennCare(R) sponsors 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%. $2.6 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 complete sales force in 2000. As a percentage of revenue, general and administrative expenses increased to 9.2% in 2000 from 7.4% in 1999.

In 1999, the Company incurred one-time special charges of $6.0 million for Xantus Healthplans of Tennessee, Inc. ("Xantus"), Preferred Health Plans ("PHP") and THP, as discussed below.

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.

In early 2001, the Company reached an agreement in principle with THP. The Company will pay THP $1.3 million in satisfaction of all claims between the parties. Upon final settlement, any excess of the reserve for future losses will be credited to income.

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.

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 investment in Wang Healthcare Information Systems. 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 Wang Healthcare Information Systems, Inc. ("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.

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.

Year ended December 31, 1999 compared to year ended December 31, 1998

For the year ended December 31, 1999, the Company recorded revenues of $377.4 million compared with 1998 revenues of $451.0 million, a decrease of $73.6 million. Contracts with TennCare(R) sponsors accounted for decreased revenues of $122.0 million, as the Company did not retain contracts as of January 1, 1999 with the two TennCare(R) BHO's previously managed under the RxCare Contract. In addition, PBM services to another TennCare(R) MCO previously managed under the RxCare Contract did not begin until May 1, 1999. The loss of these contracts represents $71.3 million and $47.6 million, respectively, of the decrease in revenue with additional decreases in other contracts with TennCare(R) sponsors of approximately $3.1 million. Commercial revenue increased $69.8 million, offset by a decrease of $21.4 million due to the loss of a contract with a Nevada-based managed care organization, representing a net increase of $48.4 million in commercial revenue. The overall decrease in revenues was partially offset by an increase in revenues of $22.9 million as a result of the Company's acquisition of Continental.

Cost of revenue for 1999 decreased to $347.1 million from $421.4 million for 1998, a decrease of $74.3 million. Cost of revenue with respect to contracts with TennCare(R) sponsors decreased $108.6, million as the Company did not retain contracts as of January 1, 1999 with the two TennCare(R) BHO's previously managed under the RxCare Contract and did not begin providing PBM services to another TennCare(R) MCO previously managed under the RxCare Contract until May 1, 1999. The loss of these contracts represents $68.5 million and $46.0 million, respectively, of the decrease, with additional increases in other contracts with TennCare(R) sponsors of approximately $5.9 million. Cost of revenue from commercial business increased $60.2 million, which included a decrease in cost of revenue of $25.9 million due to the loss of a contract with a Nevada-based MCO, representing a net increase of $34.3 million. Such decreases in cost of revenue were partially offset by increases of $17.1 million as a result of the Company's acquisition of Continental. As a percentage of revenue, cost of revenue decreased to 92.0% for the twelve months ended December 31, 1999, from 93.4% for the twelve months ended December 31, 1998, a decrease of 1.4%. This decrease is primarily due to the contribution of Continental's mail service drug distribution business, which experienced higher profit margins than historically experienced by the Company's PBM business.

For the years ended December 31, 1999 and 1998, approximately 32% of the company's revenues were generated from capitated or other risk-based contracts. Effective January 1, 1999, the Company began providing PBM services directly to five of the six TennCare(R) MCOs previously managed under the RxCare Contract. The Company is compensated on a capitated basis under three of the five TennCare(R) contracts, thereby increasing the Company's financial risk in 1999 as compared to 1998. Based upon its present contracted arrangements, the Company anticipates that approximately 20% of its revenues in 2000 will be derived from capitated or other risk-based contracts.

For the year ended December 31, 1999, gross profit increased $0.6 million to $30.3 million, from $29.7 million at December 31, 1998. Gross profit decreases of $13.4 million in TennCare(R) business resulted primarily from the termination of the two TennCare(R) BHO contracts, as well as increases in costs on some of the capitated contracts. Gross profit decreases in TennCare(R) business were offset by increases in gross profit of $8.3 million in commercial business, and increases of $5.7 million contributed by the Company's acquisition of Continental.

General and administrative expenses increased $4.9 million to $28.0 million in 1999 from $23.1 million in 1998, an increase of 21.3%. The acquisition of Continental comprised $4.5 million of the increase and the

remaining $0.4 million increase was attributable to expenses associated with an expanded national sales effort and additional operations support needed to service new business. As a percentage of revenue, general and administrative expenses increased to 7.4% in 1999 from 5.1% in 1998.

On March 31, 1999, the State of Tennessee, (the "State"), and 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 million to be used solely to repay pre-petition claims of providers, which claims aggregate approximately $80 million. Under the Plan, the Company received $4.2 million, including $0.6 million of unpaid rebates to Xantus, which the Company was allowed to retain under the terms of the preliminary rehabilitation plan for Xantus. A plan for the payment of the remaining amounts has not been finalized and the recovery of any additional amounts is uncertain. The Company recorded a special charge in 1999 of $2.7 million for the estimated loss to the Company.

The Company has been disputing several improper reductions of payments by THP. In addition, there exists a dispute over whether or not certain items should have been included under the Company's respective capitated arrangements with THP and PHP. In 1999, the Company recorded a special charge of $3.3 million for estimated future losses related to these disputes.

For the year ended December 31, 1999, the Company recorded amortization of goodwill and other intangibles of $1.1 million in connection with its acquisition of Continental, compared to $0.3 million in 1998. This increase reflects an entire year of amortization in 1999.

For the year ended December 31, 1999, the Company recorded interest income of $1.0 million compared to $1.7 million for the year ended December 31, 1998, a decrease of $0.7 million.

For the year ended December 31, 1999, the Company recorded a net loss of $3.8 million or $0.20 per share. This compares with net income of $4.3 million, or $0.28 per share for the year ended December 31, 1998.

EBITDA was negative $1.4 million for the year ended December 31, 1999, and $4.2 million for the year ended December 31, 1998.

Liquidity and Capital Resources

The Company utilizes both funds generated from operations and available credit under its credit facility for capital expenditures and working capital needs. For the year ended December 31, 2000, net cash provided to the Company from operating activities totaled $11.3 million primarily due to a reduction of $9.0 million in accounts receivable as a result of increased collection efforts, offset by a decrease of $4.4 million in claims payable as a result of the decrease in TennCare(R) enrollees due to the dual eligible members and an increase of $4.9 million in payables to plan sponsors and others which represents changes in rebate share agreements.

Cash used in investing activities was $22.6 million primarily due to the purchases of ADIMA and Health Management Ventures ("HMV") in August 2000, which used cash of $19.6 million. The Company also purchased $6.6 million in equipment primarily in support of the new fulfillment facility in Columbus, Ohio.

Cash used for financing activities in the year ended December 31, 2000 was $2.8 million. In the year ended December 31, 2000, the Company reduced long-term debt by $2.6 million.

At December 31, 2000, the Company had a working capital deficit of $11.2 million compared to working capital of $9.0 million at December 31, 1999. This is primarily due to the acquisitions, which reduced cash and cash equivalents by $14.0 million at December 31, 2000, as well as reducing investment securities by $5.0 million.

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 replaced the Company's

existing credit facilities with its former lenders. The Facility will 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, requires the Company to maintain certain financial ratios as defined in the agreement governing the Facility.

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 cash needs for at least the next 12 months.

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, 2000, the Company had, for federal tax purposes, unused net operating loss carry forwards of approximately $44.2 million, which will begin expiring in 2009. As it is uncertain whether the Company will realize the full benefit from these carryforwards, the Company has recorded a valuation allowance equal to the deferred tax asset generated by the carryforwards. The Company assesses the need for a valuation allowance at each balance sheet date. The Company has undergone a "change in control" as defined by the Internal Revenue Code of 1986, as amended ("Code"), and the rules and regulations promulgated thereunder. The amount of net operating loss carryforwards that may be utilized in any given year will be subject to a limitation as a result of this change. The annual limitation approximates $2.7 million. Actual utilization in any year will vary based on the Company's tax position in that year.

The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its PBM, e-commerce or specialty pharmacy 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.

Other Matters

In 1998, the Company recorded a $2.2 million 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, among other things, provides for the execution and delivery by the Company of a $1.8 million promissory note secured by certain tangible assets.

From January 1994 through December 31, 1998, the Company provided a broad range of PBM services on behalf of RxCare, to the TennCare(R), TennCare(R) Partners and other commercial PBM clients under the RxCare Contract. A majority of the Company's revenues have been derived from providing PBM services in the State of Tennessee to MCOs participating in the State of Tennessee's TennCare(R) program and BHO's participating in the State of Tennessee's TennCare(R) Partners program. From January 1994 through December 31, 1998, the Company provided its PBM services to the TennCare(R) MCOs as a subcontractor to RxCare.

The Company and RxCare did not renew the RxCare Contract, which expired on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those then under contract with RxCare) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts resulted in the Company executing agreements with all of the MCOs for the TennCare(R) lives previously managed under the RxCare Contract as well as substantially all TPAs and employer groups previously managed under the RxCare Contract.

The TennCare(R) program operates under a demonstration waiver from HCFA. That waiver is the basis of the Company's ongoing service to those MCOs in

the TennCare(R) program. The waiver is due to expire on December 31, 2001. However, 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, although there can be no assurances that such pharmacy benefits will continue or that the Company would be chosen to continue to provide pharmacy benefits to enrolles of a successor program. If the waiver is not renewed and the Company is not providing pharmacy benefits to those lives under a successor program or arrangement, then the failure to provide such services would have a material and adverse affect on the financial position and results of operations of the Company. The ongoing funding for the TennCare(R) program has been the subject of significant discussion at various governmental levels since its inception. Should the funding sources for the TennCare(R) program change significantly, the Company's ability to serve those customers could be impacted and would also materially and adversely affect the financial position and results of operations of the Company.

The ongoing funding for the TennCare(R) program has been the subject of significant discussion at various governmental levels for some time. Should the funding sources for the TennCare(R) program change significantly the Company's ability to serve those customers could be impacted. This would materially affect the financial position and results of operations of the Company.

On November 1, 2000, the TennCare(R) program adopted new rules for recipients to appeal adverse determinations in the delivery of health care services and products requiring prior approval including the rejections of certain pharmaceutical products under existing formularies or guidelines and to possibly receive a larger supply of the rejected products at the point of service. The implementation of these rules may impact the quantity of formulary products excluded or requiring prior approval that are dispensed to the recipients potentially resulting in a change to the amount of pharmaceutical manufacturers rebates earned by the Company. A reduction in rebates would adversely impact the financial results of the Company. At this time the Company cannot estimate the financial impact, if any, as a result of the implementation of new rules.

As a result of providing capitated PBM services to certain TennCare(R) MCOs, the Company's pharmaceutical claims costs historically have 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 impacts the profitability of capitated contracts. Capitated business represented approximately 28% of the Company's revenues while fee-for-service business (including mail order services) represented approximately 72% of the Company's revenues for the year ended December 31, 2000 as compared to 32% and 68% for the year ended December 31, 1999, respectively. Fee for service arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under capitated contracts, as higher utilization positively impacts profitability under fee-for-service (or non-capitated) arrangements. The Company presently anticipates that approximately 20% of its revenues in fiscal 2001 will be derived from capitated arrangements.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, a component of pharmaceutical claims costs, directly affects the Company's cost of revenue. The Company believes that it is likely that prices will continue to increase, which could have an adverse effect on the Company's gross profit on capitated arrangements. Because plan sponsors are billed for the cost of all prescriptions dispensed in fee-for-service arrangements, the Company's gross profit is not adversely affected by changes in pharmaceutical prices. To the extent such cost increases adversely affect the Company's gross profit, the Company may be required to increase capitated contract rates on new contracts and upon renewal of existing capitated contracts. However, there can be no assurance that the Company will be successful in obtaining these rate increases. The potential greater proportion of fee-for-service contracts with the Company's customers in 2000 compared to prior years mitigates the potential adverse effects of price increases, although no assurance can be given that the recent trend towards fee-for-service arrangements will continue or that a substantial increase in drug costs or utilization would not negatively affect the Company's overall profitability in any period.

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 pursuant to which the Company intends 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.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk represents the only market risk exposure applicable to the Company. The Company's exposure to market risk for changes in interest rates relates primarily to the Company's debt. The Company does not invest in or otherwise use derivative financial instruments. The table below presents principal cash flow amounts and related weighted average effective interest rates by expected (contractual) maturity dates for the Company's financial instruments subject to interest rate risk:

	2001	2002	2003	2004	Thereafter
Long-term debt:					
Variable rate instruments	165	-	-	-	-
Weighted average rate	7.50%	-	-	-	-

In the table above, the weighted average interest rate for fixed and variable rate financial instruments was computed utilizing the effective interest rate for that instrument at December 31, 2000, and multiplying by the percentage obtained by dividing the principal payments expected in that year with respect to that instrument by the aggregate expected principal payments with respect to all financial instruments within the same class of instrument.

At December 31, 2000, 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 and Board of Directors 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, 2000 and 1999 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2000. 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, 2000 and 1999 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, 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
March 1, 2001

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

	2000	1999
ASSETS		
Current assets		
Cash and cash equivalents	$ 1,290	$ 15,306
Investment securities	-	5,033
Receivables, less allowance for doubtful accounts of $8,333 and $8,576 at December 31, 2000 and December 31, 1999, respectively	56,809	62,919
Inventory	2,612	777
Prepaid expenses and other current assets	1,680	1,347
Total current assets	62,391	85,382
Other investments	-	2,300
Property and equipment, net	10,813	5,942
Due from affiliate and officer, less allowance for doubtful accounts of $0 and $403 at December 31, 2000 and December 31, 1999, respectively	2,012	1,849
Other assets, net	2,163	249
Intangible assets, net	39,023	19,961
Total assets	$ 116,402	$ 115,683
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 592	$ 514
Current portion of long-term debt	165	493
Accounts payable	2,964	5,039
Claims payable	35,338	39,702
Payables to plan sponsors	29,040	24,171
Accrued expenses and other current liabilities	5,476	6,468
Total current liabilities	73,575	76,387
Capital lease obligations, net of current portion	1,621	718
Long-term debt, net of current portion	-	2,279
Other non-current liabilities	589	-
Minority interest	1,112	1,112
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, 21,547,312 and 18,829,198 shares issued and outstanding at December 31, 2000 and December 31, 1999, respectively	2	2
Additional Paid in Capital	97,010	91,614
Accumulated deficit	(56,398)	(54,575)
Treasury stock, 100,000 shares at cost	(338)	(338)
Stockholder notes receivable	(771)	(1,516)
Total stockholders' equity	39,505	35,187
Total liabilities and stockholders' equity	$ 116,402	$ 115,683

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 per share amounts)

	2000	1999	1998
Revenue	$ 369,794	$ 377,420	$ 451,070
Cost of revenue	334,614	347,115	421,374
Gross profit	35,180	30,305	29,696
General and administrative expenses	30,811	26,656	21,817
Legal fees due to indemnification responsibility	3,098	1,353	1,275
Amortization of goodwill and other intangibles	1,450	1,064	330
Special charges	-	6,029	3,700
(Loss) income from operations	(179)	(4,797)	2,574
Interest income, net	766	1,012	1,712
Provision for loss on investment	(2,300)	-	-
Other	-	-	(15)
(Loss) income before taxes	$ (1,713)	$ (3,785)	$ 4,271
Income taxes	110	-	-
Net (loss) income	$ (1,823)	$ (3,785)	$ 4,271
Basic (loss) income per common share	(0.09)	(0.20)	0.28
Diluted (loss) income per common share	(0.09)	(0.20)	0.26
Weighted average common shares used in computing basic (loss) income per share	19,930	18,660	15,115
Weighted average common shares used in computing diluted (loss) income per share	19,930	18,660	16,324

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, 1997	$ 1	$ -	$ 73,585	$ (55,061)	$ (1,715)	$ 16,810
Stockholder loans, net	-	-	-	-	(46)	(46)
Shares issued in connection with Continental acquisition	1	-	17,997	-	-	17,998
Exercise of stock options	-	-	5	-	-	5
Non-employee stock option compensation expense	-	-	16	-	-	16
Net income	-	-	-	4,271	-	4,271
Balance December 31, 1998	$ 2	$ -	$ 91,603	$ (50,790)	$ (1,761)	$ 39,054
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

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,
SOURCE /(USE) OF CASH
(In thousands)

	2000	1999	1998
Cash flows from operating activities:			
Net (loss) income	$ (1,823)	$ (3,785)	$ 4,271
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	4,876	3,220	1,693
Loss on investment	2,300	-	-
Issuance of stock to non-employees	29	6	16
Provision for losses on receivables and due from affiliates	571	6,537	58
Changes in assets and liabilities, net of acquisitions			
Receivables	8,989	(4,709)	(31,864)
Inventory	(1,013)	410	(365)
Prepaid expenses and other current assets	(297)	(490)	142
Accounts payable	(2,236)	(1,887)	(339)
Deferred revenue	-	-	(2,799)
Claims payable	(4,364)	6,847	5,274
Payables to plan sponsors and others	4,869	7,681	5,651
Accrued expenses	(1,067)	(934)	1,885
Non-current liabilities	500	-	-
Net cash provided by (used in) operating activities	11,334	12,896	(16,377)
Cash flows from investing activities:			
Purchases of property and equipment	(6,634)	(2,180)	(2,173)
Purchases of investment securities	(4,000)	(7,070)	(28,871)
Maturities of investment securities	9,033	13,731	39,814
Costs of acquisitions, net of cash acquired	(19,638)	(669)	(750)
Purchases of other investments	-	(36)	(25)
Stockholder notes receivable, net	745	245	(46)
Due from affiliates, net	(163)	(1,815)	(34)
(Increase) decrease in other assets	(1,905)	361	(121)
Net cash (used in) provided by investing activities	(22,562)	2,567	7,794
Cash flows from financing activities:			
Principal payments on capital lease obligations	(514)	(699)	(132)
(Decrease) increase in debt	(2,607)	(3,620)	3,612
Proceeds from exercise of stock options	333	5	5
Purchase of treasury stock	-	(338)	-
Net cash (used in) provided by financing activities	(2,788)	(4,652)	3,485
Net (decrease) increase in cash and cash equivalents	(14,016)	10,811	(5,098)
Cash and cash equivalents--beginning of period	15,306	4,495	9,593
Cash and cash equivalents--end of period	$ 1,290	$ 15,306	$ 4,495

(continued)

MIM CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31,

(In thousands)

Supplemental Disclosures:

The Company paid $657, $277 and $186 for interest for each of the years ended December 31, 2000, 1999, and 1998, respectively.

Capital lease obligations of $1,495, $807 and $40 were incurred to acquire equipment for each of the years ended December 31, 2000, 1999, and 1998, respectively.

In connection with the acquisition of ADIMA, the Company issued 2,700 shares of common stock valued at $5,034 in the year ended December 31, 2000.

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

NOTE 1--NATURE OF BUSINESS

Corporate Organization

MIM Corporation (the "Company" or "MIM") is a pharmacy benefit management ("PBM"), specialty pharmaceutical and fulfillment/e-commerce organization that partners with healthcare providers and sponsors to control prescription drug costs. MIM's innovative pharmacy benefit products and services use clinically sound guidelines to ensure cost control and quality care. MIM's specialty pharmaceutical division specializes in serving the chronically ill affected by life threatening diseases and genetic impairments. MIM's fulfillment and e-commerce pharmacy specializes in serving individuals that require long-term maintenance medications. MIM's online pharmacy, www.MIMRx.com, develops private label websites to offer affinity groups and health care providers innovative, customized health information services and products on the Internet for their members.

Business

The Company derives its revenues primarily from agreements to provide PBM services, which includes mail order services, to various health plan sponsors in the United States. The Company also provides specialty pharmacy services to chronically ill patients that require injection and infusion therapies.

A majority 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 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 to the TennCare(R) MCOs as a subcontractor to RxCare of Tennessee, Inc. ("RxCare"). RxCare is a pharmacy services administrative organization owned by the Tennessee Pharmacists Association. Under the agreement with RxCare, the Company performed essentially all of RxCare's obligations under its PBM agreements with plan sponsors and paid RxCare certain amounts including a share of the profit from the contracts, if any.

The Company and RxCare did not renew the RxCare Contract, which expired on December 31, 1998. The negotiated termination of its relationship with RxCare, among other things, allowed the Company to directly market its services to Tennessee customers (including those then under contract with RxCare) prior to the expiration of the RxCare Contract. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. The Company's marketing efforts resulted in the Company executing agreements with all of the MCOs for the TennCare(R) lives previously managed, under the RxCare Contract, as well as substantially all third party administrators ("TPAs") and employer groups previously managed under the RxCare Contract.

In connection with the termination the Company agreed to pay RxCare $1,500, and waive RxCare's payment obligations with respect to cumulative losses, including the outstanding advances of $800 which were previously reserved. The $1,500 was paid in November 1998 and is included in the statement of operations as a special charge.

On August 4, 2000, the Company acquired all of the issued and outstanding membership interest of American Disease Management Associates, L.L.C., a Delaware limited liability company ("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 $5,000. ADIMA, located in Livingston, New Jersey, provides high-tech intravenous and injectible specialty pharmaceutical products to chronically ill patients receiving healthcare services from home by IV certified registered nurses, typically after a hospital discharge. The consolidated financial statements include the results of ADIMA from the date of acquisition.

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. In addition, this pro forma financial information 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)	($0.09)
Diluted loss per share	($0.00)	($0.09)

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 through the acquisition date and for the year ended December 31, 1999, respectively.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

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

Receivables

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

Inventory

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

Property and Equipment

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

Asset	Useful Life
Computer and office equipment.....	3-5 years
Furniture and fixtures.....	5-7 years

Leasehold improvements and leased assets are amortized using 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 the issuance of debt 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, 2000, 1999 and 1998, was $1,450, $1,064 and $330, 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 of the following as of December 31:

	2000	1999
Goodwill	$40,607	$20,095
Other intangibles	$1,258	$1,258
Total	$41,866	$21,353
Less: Amortization of goodwill and other intangibles	$2,842	$1,392
Net Intangible Assets	$39,023	$19,961

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.

Deferred Revenue

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

Claims Payable

The Company is responsible for all covered prescriptions provided to plan members during the contract period. At December 31, 2000 and 1999, certain prescriptions were dispensed to members for whom the related claims had not yet been presented to the Company for payment. Estimates of $693 and $1,270 at December 31, 2000 and 1999, 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.

Revenue Recognition

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

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. Revenues for the years ended December 31, 2000, 1999 and 1998 under capitated agreements were $102,211, $121,617 and $142,960, respectively.

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.

Fee-for-Service Agreements. Under it's 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. Fee-for-service revenues for the years ended December 31, 2000, 1999 and 1998 were $217,950, $221,062 and $297,233, respectively.

Mail Order, e-Commerce Services, and Specialty Pharmacy. The Company's mail order, e-commerce services, and specialty pharmacy are available to any plan sponsor's members, as well as the general public. The Company's facilities dispense the prescribed medication and bill the sponsor, the patient and/or the patient's health insurance company. Revenue is recorded when the prescription is dispensed.

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, 2000, 1999 and 1998, rebates earned net of rebate sharing arrangements on pharmacy benefit management contracts were $13,608, $16,883 and $21,996, 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 share are based on the average number of shares outstanding and diluted earnings per share are based on the 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,		
	2000	1999	1998
Numerator:			
Net (loss) income	($1,823)	($3,785)	$4,271
Denominator - Basic:			
Weighted average number of common shares outstanding	19,930	18,660	15,115
Basic (loss) income per share	($0.09)	($0.20)	$0.28
Denominator - Diluted:			
Weighted average number of common shares outstanding	19,930	18,660	15,115
Common share equivalents of outstanding stock options	0	0	1,209
Total shares outstanding	19,930	18,660	16,324
Diluted (loss) income per share	($0.09)	($0.20)	$0.26

Disclosure of Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, investment securities (see Note 3), accounts receivable, accounts payable and debt. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and 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 Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") (See Note 9).

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). The statement establishes accounting and reporting standards requiring that every derivative instrument be recorded in the balance sheet as either an asset or liability measured at fair value and that changes in fair value be recognized currently in earnings, unless specific hedge accounting criteria are met. In June 1999, the FASB issued SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of SFAS No. 133," which delayed the required adoption of SFAS 133 to fiscal 2001. In June 2000, the FASB issued SFAS 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities," - an amendment of SFAS 133," which was effective concurrently with SFAS 133. The Company currently does not engage in derivative activity and the adoption of these standards will not have a material effect on its results of operations, financial position or cash flows.

In 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarized certain of the staff's views in applying generally accepted accounting principles to revenue recognition in financial statements. Subsequent

to the issuance of SAB 101, the Emerging Issues Task Force ("EITF") reached a consensus on EITF Issue No. 99-19 ("EITF 99-19"), "Recognizing Revenue Gross as a Principal vs. Net as an Agent." The EITF clarifies whether a company should recognize revenue based on the gross amount billed (to a customer because it has earned revenue from the sale of goods or services) or the net amount retained (the amount billed to the customer less the amount paid to a supplier). The EITF states that this determination is a matter of judgment that depends on the relevant facts and circumstances and certain factors must be considered in that evaluation. The adoption of SAB 101 and EITF 99-19 did not have a material impact on the Company's financial position or results of operations.

Reclassifications

Certain amounts in the 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. Due to WHIS issuing additional Convertible Preferred Stock (Series C), the Company's current interest in WHIS is 5%. 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 $2,300. 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.

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 a former officer and director of the Company. Rent expense was approximately $51 for the year ended December 31, 2000, and $56 for each of the years ended December 31, 1999 and 1998. The Company has spent an aggregate of approximately $712 for alterations and improvements to this space through December 31, 2000, which upon termination of the lease will revert to the lessor. The future minimum rental payments under this agreement are included in Note 7.

Stockholder Notes Receivable

In April 1999, the Company loaned its Chairman and Chief Executive Officer $1,700 evidenced by a promissory note. The Company has full recourse against the personal assets of the officer, including a pledge of 1,500,000 shares of the Company's Common Stock. The note requires repayment of principal and interest by March 31, 2004. Interest accrues monthly at the "Prime Rate" (9.5% as of December 31, 2000), as defined in the note then in effect.

During 1995, the Company advanced to MIM Holdings $800 for certain consulting services to be performed for the Company in 1996 and paid $278 for certain expenses on behalf of MIM Holdings including $150 for consulting services to MIM Holdings provided by an officer of RxCare. These amounts, totaling $1,078, were recorded as a stockholder note receivable. $622 of such amount was recorded as a stockholder distribution during the first quarter of 1996 and the remaining balance of $456 bears interest at 10% per annum, payable quarterly in arrears, with principal due on March 31, 2001. The note is guaranteed by a former officer and director of the Company and further secured by the assignment to the Company of a note due to MIM Holdings in the aggregate principal amount of $100. The outstanding balance was $502 at December 31, 2000 and $456 at December 31, 1999. Interest income on the note was $46 for each of the years ended December 31, 2000, 1999 and 1998.

In August 1994, the Company advanced Alchemie $299 for the purposes of acquiring a building leased by the Company. The balance remaining on the advance was approximately $269 at December 31, 2000 and $280 at December 31, 1999. The note bears interest at a rate of 10% per annum with principal due and payable on December 1, 2004. Interest income was $27 for December 31, 2000 and $29 for each the years ended December 31, 1999 and 1998. The note is secured by a lien on Alchemie's rental income.

In June 1994, the Company advanced to a former executive officer, director, and majority stockholder approximately $979 for purposes of acquiring a principal residence. In exchange for the funds, the Company received a promissory note requiring repayment by June 15, 1997, with interest of 5.42% per annum payable monthly. The note was amended making the principal balance due and payable on June 15, 2000, together with 7.125% interest. The note was fully repaid on June 15, 2000. The principal balance outstanding was $780 at December 31, 1999 . Interest income on the notes was $27, $56 and $70 for each of the years ended December 31, 2000, 1999 and 1998, respectively.

Indemnification

Under certain circumstances, the Company may be obligated to indemnify and advance defense costs to two former officers (one of which is a former director and still principal stockholder of the Company) of a subsidiary of the Company in connection with their involvement in the Federal and State of Tennessee investigation of which they are the subject. During 2000, 1999 and 1998, the Company advanced and expensed $3,098, $1,353 and $1,275, 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:

	2000	1999
Computer and office equipment, including equipment under capital leases	15,483	9,494
Furniture and fixtures	1,095	758
Leasehold improvements	1,056	756
	17,634	11,008
Less: Accumulated depreciation	(6,821)	(5,066)
Property and equipment, net	10,813	5,942

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 replaced the Company's existing credit facilities with its former lenders. 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%. 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.

In 1999, the Company's long-term debt consisted primarily of a Revolving Note Agreement (the "Agreement") through May 2001 and installment note ("Installment Note I ") with a bank (the "Bank"), which were assumed by the Company in connection with the Continental acquisition in 1998.

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

	2000	1999
Revolving Note	$ -	$ 2,097
Installment Note 1	-	232
Other	165	443
	165	2,772
Less: Current portion	165	493
	$ -	$ 2,279

NOTE 7--COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company has disputed several improper reductions of payments by Tennessee Health Partnership ("THP"). In addition, there exists 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 will pay THP $1,300 in satisfaction of all claims between the parties. Upon final settlement, any excess of the reserve for future losses will be credited to income.

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. A plan for the payment of the remaining amounts has not been finalized and the recovery of any additional amounts is uncertain. The Company recorded a special charge in 1999 of $2,700 for the estimated loss to the Company due to the Plan.

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 and payment of $900 in 2001 and in 2002. At December 31, 2000, $1,425 is outstanding and included in accrued expenses and other non-current liabilities.

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:

2001	$ 983
2002	983
2003	941
2004	81
Total	$ 2,988

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:

2001	1,360
2002	1,236
2003	1,175
2004	1,037
2005	787
Thereafter	3,020
Total	$ 8,615

Rent expense for non-related party leased facilities and equipment was approximately $1,292, $995 and $809 for the years ended December 31, 2000, 1999 and 1998, respectively.

Capital Leases

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

2001	$ 748
2002	720
2003	695
2004	385
Total minimum lease payments	2,548
Less: Amount representing interest	335
Obligations under leases	2,213
Less: Current portion of lease obligations	592
	$ 1,621

NOTE 8--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:

	2000	1999
Deferred tax assets (liabilities):		
Reserves and accruals not yet deductible for tax purposes	$ 3,133	$ 2,531
Federal net operating loss carryforwards	15,013	15,511
Property Basis differences	213	(40)
Subtotal	18,359	18,002
Less: valuation allowance	(18,359)	(18,002)
Net deferred taxes	$ -	$ -

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

A reconciliation to the tax provision (benefit) at the Federal statutory rate is presented below:

	2000	1999	1998
Tax (benefit) provision at statutory rate.....	$ (582)	$ (1,286)	$ 1,452
State tax (benefit) provision, net of federal taxes.....	110	(250)	282
Change in valuation allowance.....	357	1,088	(1,886)
Amortization of goodwill and other intangibles.....	361	431	134
Other.....	(136)	17	18
Recorded income taxes.....	$ 110	$ -	$ -

At December 31, 2000, the Company had, for federal tax purposes, unused net operating loss carry forwards of approximately $44,200, which will begin expiring in 2009. As it is uncertain whether the Company will realize the full benefit from these carryforwards, the Company has recorded a valuation allowance equal to the deferred tax asset generated by the carryforwards. The Company assesses the need for a valuation allowance at each balance sheet date. The Company has undergone a "change in control" as defined by the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder. The amount of net operating loss carryforwards that may be utilized in any given year will be subject to a limitation as a result of this change. The annual limitation approximates $2,700. Actual utilization in any year will vary based on the Company's tax position in that year.

NOTE 9--STOCKHOLDERS' EQUITY

Stock Option Plans

The 1996 Stock Incentive Plan provides for the granting of incentive stock options ("ISOs") and non-qualified stock options to employees and key contractors of the Company. Options granted under the Plan generally vest over a three-year period, but vest in full upon a change in control of the Company and generally are exercisable for 10 to 15 years after the date of grant subject, in some cases, to earlier termination in certain circumstances. The exercise price of ISOs granted under the Plan will not be less than 100% of the fair market value on the date of grant (110% for ISOs granted to more than a 10% shareholder). If non-qualified stock options are granted at an exercise price less than fair market value on the grant date, the amount by which fair market value exceeds the exercise price will be charged to compensation expense over the period the options vest. There are 5,200,450 shares authorized for issuance under the Plan. At December 31, 2000, 30,170 shares remained available for grant under the Plan.

As of December 31, 2000 and 1999, the exercisable portion of outstanding options was 924,879 and 660,606, respectively. Stock option activity under the amended Plan through December 31, 2000, is as follows:

	Options	Average Price
Balance, December 31, 1997.....	2,695,281	$4.2074
Granted.....	917,607	$5.5718
Canceled.....	(685,729)	$11.4845
Exercised.....	(843,150)	$0.0067
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

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. Under this agreement, options with respect to 500,000 shares vested immediately upon his commencement of employment with the Company and the options covering the remaining 500,000 shares vest in two equal installments on the first two anniversary dates of the date of grant. These options expire 10 years from the date of grant. As of December 31, 2000, the exercisable portion of outstanding options was 1,000,000 shares.

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 generally vest over three years. 300,000 shares are authorized under the Directors Plan. At December 31, 2000, options to purchase 20,000 shares are outstanding at an exercise price of $13.00 and options to purchase 60,000 shares are outstanding at an exercise price of $4.69. At December 31, 2000, 60,000 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:

	2000		1999		1998	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net (loss) income.....	$ (1,823)	$ (4,051)	$ (3,785)	$ (6,019)	$4,271	$2,707
Basic (loss) income per common share.....	$ (0.09)	$ (0.20)	$ (0.20)	$ (0.32)	$ 0.28	$ 0.18
Diluted (loss) income per common share.....	$ (0.09)	$ (0.20)	$ (0.20)	$ (0.32)	$ 0.26	$ 0.17

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:

	2000	1999	1998
Volatility	106.6%	95.5%	98.0%
Risk-free interest rate	6.25%	6.00%	5.00%
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.

NOTE 10--CONCENTRATION OF CREDIT RISK

The majority of the Company's revenues have been derived from TennCare(R) contracts managed by the Company. 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	F	G
Year ended December 31, 1998							
% of total revenue	16%	*	*	11%	16%	12%	*
% of total accounts receivable at period end	*	*	*	*	*	12%	*
Year ended December 31, 1999							
% of total revenue	13%	*	12%	*	*	14%	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%	*

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* Less than 10%.

NOTE 11--PROFIT SHARING PLAN

The Company maintains a deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer up to 15% of their salary, subject to Internal Revenue Service limits. The Company may make a discretionary matching contribution. The Company recorded a $65 matching contribution for 2000 and a $50 matching contribution for 1999 and 1998.

NOTE 12--SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

A summary of quarterly financial information for fiscal 2000 and 1999 is as follows:

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2000:				
Revenues	$ 89,104	$ 95,691	$ 85,101	$ 99,898
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)
1999:				
Revenues	$ 74,915	$ 88,894	$101,388	$112,223
Net income (loss)	$ 604	$ 737	$ 529	$ (5,655)
Basic earnings (loss) per share	$ 0.03	$ 0.04	$ 0.03	$ (0.30)
Diluted earnings (loss) per share	$ 0.03	$ 0.04	$ 0.03	$ (0.30)

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.

The net loss for the fourth quarter of 1999 includes special charges of $6,029 relating to estimated losses on contract receivables.

MIM Corporation and Subsidiaries
Schedule II - Valuation and Qualifying Accounts
For the years ended December 31, 2000, 1999 and 1998
(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, 1998					
Accounts receivable, ...	$ 1,386	$ 595	$ 58	$ -	$ 2,039
Accounts receivable, other	$ 2,360	$ (1,957)	$ -		$ 403
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)	$ -	$ -	$ -

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

Not applicable.

PART III

Item 10. Directors and Executive Officers of Registrant

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

Name	Age	Position
Richard H. Friedman	50	Chairman of the Board and Chief Executive Officer
Louis A. Luzzi, Ph.D.	68	Director
Richard A. Cirillo	50	Director
Louis DiFazio, Ph.D.	63	Director
Michael Kooper	65	Director
Ronald K. Shelp	59	Director
Barry A. Posner	37	Vice President, Secretary and General Counsel
Edward J. Sitar	40	Vice President, Chief Financial Officer and Treasurer
Recie Bomar	53	President, Sales & Marketing
Rita M. Marcoux	40	Senior Vice President, Pharmacy Benefit Operations, MIM Health Plans
Russel J. Corvese	39	Chief Information Officer, Senior Vice President of MIMRx.com, Inc.
Bruce Blake	37	President, American Disease Management Associates

Richard H. Friedman is currently the Chairman and Chief Executive Officer of the Company. He joined the Company in April 1996 and was elected a director of the Company and appointed Chief Financial Officer and Chief Operating Officer in May 1996. He served as Chief Operating Officer and Chief Financial Officer until April 1998. Mr. Friedman also served as the Company's Treasurer from April 1996 until February 1998.

Louis A. Luzzi, Ph.D. has served as a director of the Company since July 1996. Dr. Luzzi is the Dean of Pharmacy and Provost for Health Science Affairs of the University of Rhode Island College of Pharmacy. He has been a Professor of Pharmacy at the University of Rhode Island since 1981.

Richard A. Cirillo has served as a director of the Company since April 1998. Since June 21, 1999, Mr. Cirillo has been a partner of the law firm of King & Spalding. From 1983 until June 1999, Mr. Cirillo was a member of the law firm of Rogers & Wells LLP, with which he had been associated with since 1975. Since Mr. Cirillo joined King & Spalding, that firm has served as the Company's outside general counsel. Prior to that time, Rogers & Wells LLP had served in such capacity.

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

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

Ronald K. Shelp has served as a director of the Company since July 2000. Since June 1999, Mr. Shelp has been Chairman of b2bstreet.com, a business-to-business auction site for small businesses. From 1996 to 1999, Mr. Shelp served as Chairman of Kent Global Strategies, a consulting firm specializing in communications, marketing for businesses and not-for-profit organizations, and domestic and international business transactions.

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

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

Recie Bomar joined the Company in March 1999 as Vice President of Sales and Marketing. In February 2000, Mr. Bomar was promoted to President of Sales and Marketing. From 1997 through February 1999, Mr. Bomar was a Vice President of PharmaCare, a subsidiary of CVS Corporation. Mr. Bomar was a National Director of Sales & Services for RX Connections from 1996 to 1997.

Rita M. Marcoux has served the Company in various capacities since 1994. On February 1, 2000, Ms. Marcoux was promoted to Senior Vice President of Pharmacy Benefits Operations for MIM Health Plans, Inc., the Company's PBM operating subsidiary. Prior to that promotion, Ms. Marcoux had served as Vice President of Clinical Operations since 1997. From 1996 to 1997, she served as Executive Director of Business Operations and, from 1994 to 1996, as Director of Contracting.

Russel J. Corvese has served the Company in various capacities since May 1994. On February 1, 2000, Mr. Corvese was appointed Senior Vice President of MIMRx.com, Inc., the Company's wholly owned subsidiary, and is responsible for MIS, Merchandising and Business Development. Mr. Corvese served as Vice President of Operations and Chief Information Officer from November 27, 1997 to February 1, 2000, and continues to be responsible for the Company's information systems and related computer and technology matters. From November 1996 through November 1997, Mr. Corvese held the position of Executive Director, MIS.

Bruce Blake has served as an officer of the Company since August 2000, when the Company acquired American Disease Management Associates, L.L.C. Mr. Blake has been President of American Disease Management Associate, L.L.C. since February 1996.

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

Item 11. Executive Compensation

The following table sets forth certain information concerning the annual, long-term and other compensation of the Chief Executive Officer, the former President and Chief Operating Officer and the four other most highly compensated executive officers of the Company (the "Named Executive Officers") for services rendered in all capacities to the Company and its subsidiaries during each of the years ended December 31, 2000, 1999 and 1998, respectively:

Summary Compensation Table

		Annual Compensation			Long-term Compensation	
Name and Principal Position	Year	Salary (1)	Bonus (2)	Other Annual Compensation (3)	Securities Underlying Options	All Other Compensation
Richard H. Friedman	2000	$451,596	-	$40,113	-	$3,600 (4)
Chief Executive Officer	1999	$425,097	-	$36,930	250,000	$5,710 (4) (5)
	1998	$333,462	$212,500	$33,134	- (6)	$5,217 (4)
Scott R. Yablon (7)	2000	$262,538	-	$26,618	-	125,138 (8)
Former President & Chief Operating	1999	$354,828	-	$28,494	-	$4,710 (4)
Officer	1998	$207,500	$162,500	$6,678	1,000,000 (9)	$4,605 (4)
Barry A. Posner	2000	$241,553	-	$17,357	-	$3,600 (4)
Vice President, General Counsel	1999	$223,128	-	$13,619	-	$4,710 (4)
& Secretary	1998	$191,346	$100,000	$10,828	100,000 (10)	$5,890 (4)
Edward J. Sitar (11)	2000	$189,470	-	$19,232	-	$3,600 (4)
Chief Financial Officer	1999	$176,867	-	$12,000	-	$30,217 (4) (12)
& Treasurer	1998	$54,083	$15,000	$3,000	50,000 (9)	-
Recie Bomar (13)	2000	$193,615	-	$6,000	-	$3,600 (4)
President of Sales & Marketing	1999	$150,198	$0	$5,000	75,000 (9)	$50,000 (12) (14)
	1998	-	-	-	-	-
Russel J. Corvese	2000	$171,192	-	3,600	-	-
Chief Information Officer &	1999	$152,290	-	3,600	-	-
Senior Vice President, MIMRx.com	1998	$105,431	-	3,300	22,000 (10)	-

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(1) The annualized base salaries of the Named Executive Officers for 2000 were as follows: Mr. Friedman ($450,000), Mr. Yablon ($375,000), Mr. Posner ($244,000), Mr. Sitar ($191,000), Mr. Bomar ($200,000) and Mr. Corvese ($175,000).

(2) Please refer to the Long-Term Incentive Plan - Awards in the Last Fiscal Year Table below for information on certain grants of Performance Units made during 2000 and the corresponding table in this Report for fiscal 1999 for similar grants made in 1999.

(3) Represents automobile allowances, and for Messrs. Friedman, Yablon, Posner and Sitar reimbursement for club membership dues and related fees and expenses of $22,113, $10,118, $5,357 and $7,232, respectively in 2000.

(4) Represents life insurance premiums paid by them and reimbursed by the Company.

(5) Represents tax return preparation expense paid by the Named Executive Officer and reimbursed by the Company.

(6) The annual report for fiscal 1998 reflected a grant of 800,000 options to Mr. Friedman. Such grant was subject to stockholder approval, which was not obtained at the Company's 1999 Annual Meeting of Stockholders. As such, the grant of 800,000 options was cancelled.

(7) Mr. Yablon's employment with the Company ended on August 31, 2000.

(8) Represents severance payments made by the Company after Mr. Yablon's departure on August 31, 2000 and life insurance premiums of $3,600 paid by him and reimbursed by the Company.
(9) Represents options to purchase shares of Common Stock at market price on the date of grant.
(10) Represents options with respect to which the exercise price was repriced to $6.50 per share on July 6, 1998.
(11) Mr. Sitar joined the Company as Vice President - Finance in June 1998.
(12) Represents relocation reimbursement expense received by Messrs. Sitar and Bomar of $25,000 each.
(13) Mr. Bomar joined the Company as Director of Sales and Marketing in March 1999.
(14) Represents signing bonus received by Mr. Bomar for $25,000.

There were no stock option grants made during fiscal 2000 to any of the Named Executive Officers.

The following table sets forth for each Named Executive Officer the number of shares covered by both exercisable and unexercisable stock options held as of December 31, 2000. Also reported are the values for "in-the-money" options, which represent the difference between the respective exercise prices of such stock options and $0.875, the per share closing price of the MIM Common Stock on December 29, 2000, the last trading day of 2000:

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

Name	Shares Acquired on Exercise #	Value Realized ($)	Number of Securities(1) Underlying Unexercised Options at Fiscal Year-End		Value of Unexercised In-the-Money Options at Fiscal Year-End (2)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Richard H. Friedman	-	-	83,334	166,666	-	-
Scott R. Yablon	-	-	1,000,000	-	-	-
Barry A. Posner	-	-	133,332	66,668	-	-
Edward J. Sitar	-	-	66,667	33,334	-	-
Recie Bomar	-	-	25,000	50,000	-	-
Russel J. Corvese	-	-	23,617	7,333	$ 7,771.03	-

(1) Indicated options are to purchase shares of Common Stock from the Company.
(2) Except as indicated, none of the options were "in the money".

The following table sets forth for each Named Executive Officer the number of performance units and/or restricted shares of Common Stock granted by the Company during the year ended December 31, 2000. In addition, for each award, the table also sets forth the related maturation period and future payments expected to be made under varying circumstances:

Long-Term Incentive Plan -- Awards in Last Fiscal Year

Name	Number of Shares, Units or Rights	Performance or Period Until Maturation or Payment	Estimated Future Payments Under Non-Stock Price-Based Plans		
			Threshold	Target	Maximum
Barry A. Posner	10,000 (1)	12/31/01	$ 100,000	$ 250,000	$ 400,000
Edward J. Sitar	2,500 (1)	12/31/01	$ 25,000	$ 62,500	$ 100,000
Recie Bomar	5,000 (2)	12/31/01	$ 50,000	$ 125,000	$ 200,000

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(1) Represents performance units granted to the indicated individual on March 1, 2000. The performance units vest and become payable upon the achievement by the Company of certain specified levels of after-tax net income in fiscal 2001. Upon vesting, the performance units are payable in two equal installments after the earlier of (I) the individual's Date of Termination and (II) a Change of Control (each as defined in his Performance Units Agreement) as follows: (a) $10 per unit upon the Company's achievement of a threshold level of after-tax net income in fiscal 2001; (b) $25 per unit upon the Company's achievement of a target level of after-tax net income in fiscal 2001; and (c) $40 per unit upon the Company's achievement of a maximum level of after-tax net income in fiscal 2001.

(2) Represents performance units granted to the indicated individual on June 1, 2000. The performance units vest and become payable upon the achievement by the Company of certain specified levels of after-tax net income in fiscal 2001. Upon vesting, the performance units are payable in two equal installments after the earlier of (I) the individual's Date of Termination and (II) a Change of Control (each as defined in his Performance Units Agreement) as follows: (a) $10 per unit upon the Company's achievement of a threshold level of after-tax net income in fiscal 2001; (b) $25 per unit upon the Company's achievement of a target level of after-tax net income in fiscal 2001; and (c) $40 per unit upon the Company's achievement of a maximum level of after-tax net income in fiscal 2001.

Compensation of Directors

Directors who are not officers of the Company ("Outside Directors") receive fees of $1,500 per month and $500 per meeting of the Company's Board and any committee thereof and are reimbursed for expenses incurred in connection with attending such meetings. In addition, each Outside Director joining the Company receives options to purchase 20,000 shares of Common Stock under the Company's 1996 Non-Employee Directors Stock Incentive Plan as amended (the "Directors Plan"). Directors who are also officers of the Company are not paid any director fees. Mr. Ronald Shelp received options to purchase 20,000 shares of Common Stock upon his election as a director in July 2000.

The Directors Plan was adopted in July 1996 to attract and retain qualified individuals to serve as Outside Directors to provide incentives and rewards to the Outside Directors and to associate more closely their interests with those of the Company's stockholders. The Directors Plan provides for the automatic grant of non-qualified stock options to purchase 20,000 shares of Common Stock to the Outside Directors joining the Company since the adoption of the Directors Plan. The exercise price of such options is equal to the fair market value of the Common Stock on the date of grant. Options granted under the Directors Plan generally vest over three years. A reserve of 300,000 shares of the Company Common Stock has been established for issuance under the Directors Plan, which includes the original 100,000 shares plus 200,000 shares that were approved at the Company's 1999 Annual Meeting of Stockholders.

Compensation Committee Interlocks and Insider Participation

The Compensation Committee of the Company's Board administers the Company's stock incentive plans and makes recommendations to the Company's Board regarding executive officer compensation matters, including policies regarding the relationship of corporate performance and other factors relating to executive compensation. During 2000, the following persons served as members of the Committee: Messrs. Cirillo, Luzzi and DiFazio, none of whom is or ever has been an officer or employee of the Company. During 2000, Mr. Cirillo was a partner with the law firm of King & Spalding, the Company's outside counsel, which received fees from the Company for the provision of legal services.

Compensation Committee Report On Executive Compensation

The Company believes that a strong link should exist between executive compensation and management's success in maximizing shareholder value. This belief was adhered to in 2000 by continuing the short-term and long-term incentive executive compensation programs originally implemented in 1999 in order to provide competitive compensation, strong incentives for the executives to stay with the Company and deliver superior financial results, and significant potential rewards if the Company achieves aggressive financial goals. The Compensation Committee's role and responsibilities involve the development and administration of executive compensation policies and programs that are consistent with, linked to, and supportive of the basic strategic objective of maximizing shareholder value, while taking into consideration the activities and responsibilities of management.

In 1998, the Board engaged the professional services of an outside consultant to review the existing compensation programs and to assist in developing the desired program. The consultant found that while some of the executive salaries were within a competitive range, the executive bonus opportunities were below the level that would be considered appropriate. The consultant further reported that the long-term compensation portion of the program should have been a more balanced combination of performance units, performance shares and stock options instead of relying solely on stock options for long-term incentive as the Company had done in the past.

At that time, the Board directed its Compensation Committee to work with that executive compensation consultant to develop and adopt a total compensation program focused on maximizing shareholder value. In December 1998, the Compensation Committee adopted the 1998 Total Compensation Program for Key Employees for other senior management. These actions were based on the recommendation of the outside consultant and an internal review of the Chief Executive Officer's recommendations regarding participation and appropriate grants of units, shares and options. Grants affecting the Chief Executive Officer's recommendations, as adopted by the Compensation Committee continued to be awarded in 2000 in the form of performance units.

Compensation Philosophy and Elements

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

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

The Program provides management and participating employees with the opportunity to receive cash bonuses and long-term rewards if the corporate, department and/or individual objectives are achieved. Specifically, participants may receive significant bonuses if the Company's aggressive annual financial profit plan and individual objectives are achieved. The maximum amount payable in any given year to any one individual under the cash bonus and performance unit portions of the Program is $1 million. Any amounts in excess of such threshold will be deferred to later years. The $1 million limitation is set pursuant to regulations concerning "performance-based" compensation plans in Code Section 162(m) to enable the Compensation Committee "negative discretion" in determining the actual bonus or performance unit awards.

Compensation of the Chief Executive Officer

In considering the appropriate salary, bonus opportunity, and long-term incentive for the current Chief Executive Officer, the Compensation Committee considered his unique role during 1998, 1999 and 2000 and his expected role over the next three years. The Compensation Committee determined that in a very real sense, the Company would have faced extreme difficulty in 1998 and 1999, were it not for the fact that Mr. Friedman accepted the challenge to replace both the former Vice-Chairman and the former Chairman and Chief Executive Officer and give the investment community and the Company's stockholders reassurance that the Company would overcome the problems faced in its primary market. The Board further determined that Mr. Friedman's demonstrated commitment through the purchase of a large block of stock, his active and effective involvement in restructuring the business, and his recruitment and leadership of an aggressive team were assets that should be protected by the Company. The Committee's negotiation of a performance-driven, five-year agreement entered into in December 1998 was based on this recognition of his key role in maximizing future shareholder value.

Code Section 162(m)

The Chief Executive Officer's total compensation package under his new employment agreement is believed to qualify as "performance-based" compensation with the meaning of Code Section 162(m). A Compensation Committee composed entirely of outside directors adopted the Total Compensation Program and the entire Board of Directors approved Mr. Friedman's agreement. In order to qualify for favorable treatment under Code Section 162(m), Mr. Friedman's amended Employment Agreement was structured such that he will not receive cash compensation in excess of $1,000,000 in any one year under the cash bonus portion of the Program. The performance units, performance shares and stock options for all persons were granted from shares authorized under the plan, but the form of the awards required certain amendments to the Plan and authorization of additional shares, which were approved by the stockholders at the 1999 Annual Meeting of Stockholders.

MIM CORPORATION COMPENSATION COMMITTEE

Richard A. Cirillo
Louis DiFazio, Ph.D.
Louis A. Luzzi, Ph.D.

Employment Agreements

In December 1998, Mr. Friedman entered in to an employment agreement with the Company (the "1998 Agreement"). The 1998 Agreement did not receive the required stockholder approval at the Company's 1999 Annual Meeting of Stockholders. Under the 1998 Agreement, Mr. Friedman was granted options to purchase 800,000 shares of Common Stock at an exercise price of $4.50 per share (the market price on December 2, 1998, the date of grant), 200,000 performance units and 300,000 restricted shares. Such grants were canceled upon the failure to obtain stockholder approval. Based upon the recommendations of the Compensation Committee, the 1998 Agreement was amended on October 11, 1999 (the 1998 Agreements as amended, the "Amended Agreement"). The Amended Agreement provides for Mr. Friedman's employment as the Chairman and Chief Executive Officer for a term of employment through November 30, 2003 (unless earlier terminated) at an initial base annual salary of $425,000. Mr. Friedman is entitled to receive certain fringe benefits, including an automobile allowance, and is also eligible to participate in the Company's executive bonus program. Under the Amended Agreement, Mr. Friedman was granted incentive stock options to purchase 42,194 shares of Common Stock at an exercise price of $2.37 per share and non-qualified stock options to purchase 207,806 shares of Common Stock at an exercise price of $2.16 (the market price on October 8, 1999, the date of grant) and 200,000 performance units. See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of the terms and conditions applicable to the performance units.

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

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

In March 1999, Mr. Posner entered into an employment agreement with the Company which provides for his employment as the Company's Vice President and General Counsel for a term of employment through February 28, 2004 (unless earlier terminated) at an initial base annual salary of $230,000. Under the agreement, Mr. Posner is entitled to receive certain fringe benefits, including an automobile allowance, and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Posner was granted options to purchase 100,000 shares of Common Stock at an exercise price of $4.50 (the market price on December 2, 1998, the date of grant). The options vest in three equal installments on the first three anniversaries of the date of grant. Mr. Posner was also granted (i) an aggregate of 20,000 Performance Units (10,000 Units in both 1999 and 2000) (See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of the grant of the performance units to Mr. Posner in March 2000 and a summary of the terms and conditions applicable to the performance units) and (ii) 60,000 restricted shares of Company Common Stock in March 1999. The restricted shares are subject to restrictions on transfer and encumbrance through December 31, 2006 and are automatically forfeited to the Company upon termination of Mr. Posner's employment with the Company prior to December 31, 2006. The restrictions to which the restricted shares are subject may lapse prior to December 31, 2006 in the event that the Company achieves certain specified levels of earnings per share in fiscal 2001 or 2002. Mr. Posner possesses voting rights with respect to the restricted shares, but is not entitled to receive dividend or other distributions, if any, paid with respect to the restricted shares. In addition, Mr. Posner's restricted shares shall vest and become immediately transferable without restriction upon the occurrence of the following termination events: (i) Mr. Posner is terminated early by the Company without cause, (ii) Mr. Posner terminates his employment for good reason, or (iii) after certain changes of control of the Company which results in Mr. Posner's termination by the Company or a material reduction of his duties with the Company. In addition, in the event that Mr. Posner is terminated without cause or terminates his employment for good reason following a change of control of the Company, (i) all performance units granted to Mr. Posner shall become vested and immediately payable at the then applicable maximum rate and (ii) all restricted shares issued to Mr. Posner shall vest and become immediately payable. Upon termination, Mr. Posner is entitled to substantially the same entitlements as described above as Mr. Friedman. In addition, Mr. Posner is subject to the same restrictions on competition and non-interference as described above with respect to Mr. Friedman.

In March 1999, Mr. Sitar entered into an employment agreement with the Company, which provides for his employment as Chief Financial Officer for a term of employment through February 28, 2004 (unless earlier terminated) at an initial base annual salary of $180,000. Under the agreement, Mr. Sitar is entitled to receive certain fringe benefits, including an automobile allowance, and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Sitar was granted options to purchase 50,000 shares of Common Stock in 1999 at an exercise price of $4.50 (the market price on the date of grant). The options vest in three equal installments on the first three anniversaries of the date of grant. Mr. Sitar was also granted (i) an aggregate of 5,000 Performance Units (2,500 Units in both 1999 and 2000) (See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of the grant of the performance units to Mr. Sitar in March 2000 and a summary of the terms and conditions applicable to the performance units) and (ii) 15,000 restricted shares of Company Common Stock in March 1999. Mr. Sitar's restricted shares have the same terms with respect to vesting, forfeiture and acceleration as Mr. Posner's restricted shares, as described above. Under the agreement, upon termination, Mr. Sitar is entitled to substantially the same entitlements as described above with respect to Mr. Posner. In addition, Mr. Sitar is subject to the same restrictions on competition and non-interference as described above with respect to Mr. Friedman.

In February 1999, Mr. Bomar entered in to an employment letter agreement with the Company which provides for his employment as Vice President - Sales and Marketing until terminated by the Company or Mr. Bomar at an initial base annual salary of $180,000. Under the agreement, Mr. Bomar is entitled to receive certain fringe benefits, including automobile and life insurance allowances and is also eligible to participate in the Company's executive bonus program. Under the agreement, Mr. Bomar was granted options to purchase 75,000 shares of Common Stock in 1999 at an exercise price of $2.59 per share (the market price on the date of grant). The options vest in three equal installments on the first three anniversaries of the date of grant. Mr. Bomar was also granted (i) an aggregate of 10,000 Performance Units (5,000 Units in both 1999 and 2000) (See "Long Term Incentive Plan - Awards in Last Fiscal Year" above for a description of the grant of the performance units to Mr. Bomar in June 2000 and a summary of the terms and conditions applicable to the performance units) and (ii) 25,000 restricted shares of Company Common Stock in June 1999. Mr. Bomar's restricted shares have the same terms with respect to vesting, forfeiture and acceleration as Mr. Posner's restricted shares, as described above. In addition, in the event that Mr. Bomar is terminated without cause or terminates his employment for good reason following a change of control of the Company, (i) all performance units granted to Mr. Bomar shall become vested and immediately payable at the then applicable maximum rate and (ii) all restricted shares issued to Mr. Bomar shall vest and become immediately payable. Under the agreement, if, within three months following certain changes of control, Mr. Bomar is terminated by the Company or Mr. Bomar elects to terminate his employment due to a material reduction in his duties with the Company, he is entitled to receive an amount equal to six months salary and all outstanding unvested options held by Mr. Bomar shall become immediately exercisable. In addition, Mr. Bomar is subject to the same restrictions on competition and non-interference as described above with respect to Mr. Friedman.

Stockholder Return Performance Graph

The Common Stock first commenced trading on the Nasdaq on August 15, 1996, in connection with the Company's Offering. The graph set forth below compares, for the period of August 15, 1996 through December 31, 2000, the total cumulative return to holders of the Company's Common Stock with the cumulative total return of the Nasdaq Stock Market (U.S.) Index.

COMPARISON OF 54 MONTH CUMULATIVE TOTAL RETURN*
AMONG MIM CORPORATION, THE NASDAQ STOCK MARKET (U.S.) INDEX
AND THE NASDAQ HEALTH SERVICES INDEX

[LINE GRAPH REPRESENTING THE FOLLOWING HAS BEEN OMITTED]

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

	9/98	12/98	3/99	6/99	9/99	12/99	3/00	6/00	9/00	12/00
MIM CORPORATION	24	26	18	19	16	19	33	20	14	7
NASDAQ STOCK MARKET (U.S.)	151	196	219	240	245	354	409	356	327	219
NASDAQ HEALTH SERVICES	71	81	71	89	66	66	67	68	76	89

*$100 invested on 8/15/96 in stock or index-including reinvestment of dividends, fiscal year ending December 31.

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

Except as otherwise set forth below, the following table lists, to the Company's knowledge, as of March 1, 2001, the beneficial ownership of the Company's Common Stock by (1) each of the Company's Named Executive Officers including the former President and Chief Operating Officer; (2) each of the Company's directors; (3) each person or entity known to the Company to own beneficially five percent (5%) or more of the Company's Common Stock; and (4) all directors and executive officers of the Company as a group. Such information is based upon information provided to the Company by such persons:

Name of Beneficial Owner	Address	Number of Shares Beneficially Owned (1) (2)	Percent of Class
Richard H. Friedman	100 Clearbrook Road Elmsford, NY 10523	1,583,334 (3)	7.7%
Barry A. Posner	100 Clearbrook Road Elmsford, NY 10523	194,932 (4)	*
Edward J. Sitar	100 Clearbrook Road Elmsford, NY 10523	83,166 (5)	*
Recie Bomar	100 Clearbrook Road Elmsford, NY 10523	75,000 (6)	*
Russel J. Corvese	100 Clearbrook Road Elmsford, NY 10523	23,617 (7)	*
Richard A. Cirillo	c/o King & Spalding 1185 Avenue of the Americas New York, NY 10036	13,333 (8)	*
Louis DiFazio, Ph.D.	Unit 1102/Le Parc 4951 Gulfshore Boulevard North Naples, FL 34103	15,883 (9)	*
Michael Kooper	770 Lexington Avenue New York, NY 10021	13,333 (10)	*
Louis A. Luzzi, Ph.D.	University of Rhode Island College of Pharmacy Forgerty Hall Kingston, RI 02881	21,800 (11)	*
Ronald K. Shelp	5 East 16th Street, 8th Floor New York, NY 10003	- (12)	*
Scott R. Yablon	6 Palmer Court Armonk, NY 10504	1,000,000 (13)	4.7%
Livingston Group LLC	16 East Willow Avenue Towson, MD 21286	2,697,947 (14)	13.2%
John Chay	2200 Pine Hill Farms Lane Cockeysville, MD 21030	1,348,974 (15)	6.6%
E. David Corvese	839 E. Ministerial Road Wakefield, RI 02879	1,662,106	8.1%
All Directors and Executive Officers as a group (12 persons)		2,622,387 (16)	12.6%

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* Less than 1%.

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

(2) Shares deemed beneficially owned by virtue of the right of an individual to acquire them within 60 days after March 1, 2001, upon the exercise of an option and shares with restrictions on transfer and encumbrance, with respect to which the owner has voting power, are treated as outstanding for purposes of determining beneficial ownership and the percentage beneficially owned by such individual.

(3) Includes 83,334 shares issuable upon exercise of the vested portion of options held by Mr. Friedman. Excludes 166,666 shares subject to the unvested portion of options held by Mr. Friedman.

(4) Includes 133,332 shares issuable upon exercise of the vested portion of options and 60,000 shares of Common Stock subject to restrictions on transfer and encumbrance through December 31, 2006, with respect to which Mr. Posner possesses voting rights. See "Employment Agreements" in Item 11 of this Annual Report for a description of terms and conditions relating to these restricted shares. Excludes 66,668 shares subject to the unvested portion of options held by Mr. Posner.

(5) Includes 66,666 shares issuable upon exercise of the vested portion of options and 15,000 shares of Common Stock subject to restrictions on transfer and encumbrance through December 31, 2006, with respect to which Mr. Sitar possesses voting rights. See "Employment Agreements" in Item 11 of this Annual Report for a description of terms and conditions relating to these restricted shares. Excludes 33,334 shares subject to the unvested portion of options held by Mr. Sitar.

(6) Includes 50,000 shares issuable upon exercise of the vested portion of options and 25,000 shares of Common Stock subject to restrictions on transfer and encumbrance through December 31, 2006, with respect to which Mr. Bomar possesses voting rights. See "Employment Agreements" in Item 11 of this Annual Report for a description of terms and conditions relating to these restricted shares. Excludes 25,000 shares subject to the unvested portion of options held by Mr. Bomar.

(7) Includes 23,617 shares issuable upon exercise of the vested portion of options and excludes 7,333 shares subject to the unvested portion of options held by Mr. Corvese.

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

(9) Consists of 13,333 shares issuable upon exercise of the vested portion of options and 2,500 shares owned directly by Dr. DiFazio. Excludes 6,667 shares subject to the unvested portion of options.

(10) Consists of 13,333 shares issuable upon exercise of the vested portion of options. Excludes 6,667 shares subject to the unvested portion of options.

(11) Includes 20,000 shares issuable upon the exercise of the vested portion of options. Dr. Luzzi and his wife share voting and investment power over 1,800 shares of Common Stock.

(12) Excludes 20,000 shares subject to the unvested portion of options held by Mr. Shelp.

(13) As of August 31, 2000, Mr. Yablon no longer served as an officer or director of the Company, and is not included in the calculation of beneficial ownership of the officers and directors of the company as a group. Includes 1,000,000 shares issuable upon exercise of the vested portion of options granted to Mr. Yablon while he was an officer that are currently vested and held by Mr. Yablon.

(14) In connection with the acquisition by the Company of all of the interests of American Disease Management LLC ("ADIMA"), the selling members of ADIMA formed Livingston Group LLC as a holding company to hold those shares of the Company that the former members of ADIMA received as part of the consideration for the sale of ADIMA to the Company. According to a Schedule 13G filed on August 14, 2000, by the members of Livingston Group LLC, the members of Livingston Group LLC share voting and dispositive power over the shares held by Livingston Group LLC.

(15) According to a Schedule 13G filed on August 14, 2000, by the members of Livingston Group LLC, Mr. Chay, as a member of Livingston Group LLC, shares voting and dispositive power with respect to all of the 2,697,947 shares, but has a pecuniary interest in 1,348,974 of those shares.

(16) Includes 450,398 shares issuable upon exercise of the vested portion of options and 125,000 shares of Common Stock subject to restrictions on transfer and encumbrance. See footnotes 2 through 12 above.

Item 13. Certain Relationships and Related Transactions

In April 1999, the Company loaned to Mr. Friedman, its Chairman and Chief Executive Officer, $1.7 million evidenced by a promissory note secured by a pledge of 1.5 million shares of the Company's Common Stock. The note requires repayment of principal and interest by March 31, 2004. Interest accrues monthly at the "Prime Rate" (as defined in the note) then in effect. The loan was approved by the Company's Board of Directors in order to provide funds with which such executive officer could pay the Federal and state tax liability associated with the exercise of stock options representing 1.5 million shares of the Company's Common Stock in January 1998. On December 31, 2000, the outstanding amount of the loan was $1,963,151, including accrued interest.

At December 31, 2000, Alchemie Properties, LLC, a Rhode Island limited liability company of which Mr. E. David Corvese, the brother of Russel J. Corvese, is the manager and principal owner ("Alchemie"), was indebted to the Company in the amount of $269,419 represented a loan received from the Company in 1994 in the original principal amount of $299,000. The loan bears interest at a 10% per annum, with interest payable monthly and principal payable in full on or before December 1, 2004, and secured by a lien on Alchemie's rental income from the Company at one of its facilities.

During 2000, the Company paid $50,875 in rent to Alchemie pursuant to a ten-year lease entered into in December 1994 for approximately 7,200 square feet of office space in Peace Dale, Rhode Island.

At December 31, 2000, MIM Holdings was indebted to the Company in the amount of $501,567 representing loans received from the Company during 1995 in

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

As discussed above, under Section 145 of the Delaware General Corporation Law and the Company's By-Laws, under certain circumstances the Company may be obligated to indemnify Mr. E. David Corvese as well as Michael J. Ryan, a former officer of one of the Company's subsidiaries, in connection with their respective involvement in a Federal and State of Tennessee investigation against them. In January 2001, the proceedings against Messrs. Corvese and Ryan ended in a settlement of claims against them. The settlement with the Federal and Tennessee State governments is subject to, among other things, execution of a definitive settlement agreement and the approval of the U.S. District Court for the Western District of Tennessee. A hearing to approve this settlement and sentencing has been scheduled for April 6, 2001. Regardless of the settlement, until the Board determines as to whether or not either or both Messrs. Corvese and Ryan are so entitled to indemnification, the Company is obligated under Section 145 and its By-Laws to advance the costs of defense to such persons; however, if the Board determines that either or both of these former officers are not entitled to indemnification, the Company would seek reimbursement from such individuals of all amounts so advanced to them. During 2000, the Company advanced $3.1 million for Messrs. Corvese and Ryan's legal costs in connection with the matter. The Company is not presently in a position to assess the likelihood that either or both of these former officers would be entitled to such indemnification and advancement of defense costs. No assurance can be given, however, that the Company will recover the costs of defense advanced to these former officers whether or not it believes it is entitled to such reimbursement.

On February 16, 2001, the Company repurchased 1,298,183 shares of its Common Stock at a price of $2.00 per share in private transactions not reported on NASDAQ, including all 1,135,699 shares of Common Stock beneficially owned by Michael E. Erlenbach, an owner of greater than 5% of the Company's Common Stock prior to such transaction. The closing sales price per share for the Common Stock on February 16, 2001 was $2.00 per share.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

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

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

3. Exhibits:

Exhibit Number	Description	Location
2.1	Agreement and Plan of Merger by and Among MIM Corporation, CMP Acquisition Corp., Continental Managed Pharmacy Services, Inc. and Principal Shareholders dated as of January 27, 1998	(6)(Exh. 2.1)
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	(15)(Exh. 2.1)
3.1	Amended and Restated Certificate of Incorporation of MIM Corporation	(1)(Exh. 3.1)
3.2	Amended and Restated By-Laws of MIM Corporation	(7)(Exh. 3(ii))
4.1	Specimen Common Stock Certificate	(6)(Exh. 4.1)
4.2	Registration Rights Agreement, dated as of August 3, 2000, by and between MIM Corporation and Livingston Group LLC	(15)(Exh. 4.1)
10.1	Drug Benefit Program Services Agreement between Pro-Mark Holdings, Inc. and RxCare of Tennessee, Inc., dated as of March 1, 1994, as amended January 1, 1995	(1)(Exh. 10.1)
10.2	Amendment No. 3 to Drug Benefit Program Services Agreement dated October 1, 1998	(10)(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	Promissory Notes of E. David Corvese and Nancy Corvese in favor of Pro-Mark Holdings, Inc. dated June 15, 1994	(1)(Exh. 10.9)
10.5	Amendment to Promissory Note among E. David Corvese, Nancy Corvese and Pro-Mark Holdings, Inc. dated as of June 15, 1997	(4)(Exh. 10.1)
10.6	Amendment to Promissory Note among E. David Corvese, Nancy Corvese and Pro-Mark Holdings, Inc. dated as of June 15, 1997	(4)(Exh. 10.2)
10.7	Promissory Note of Alchemie Properties, LLC in favor of Pro-Mark Holdings, Inc. dated August 14, 1994	(1)(Exh. 10.10)
10.8	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated December 31, 1996	(2)(Exh. 10.12)
10.9	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated March 31, 1996	(1)(Exh. 10.11)

10.10	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated December 31, 1996, replacing Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated March 31, 1996.....(2)(Exh. 10.14)
10.11	Indemnity letter from MIM Holdings, LLC dated August 5, 1996 .....(1)(Exh. 10.36)
10.12	Assignment from MIM Holdings, LLC to MIM Corporation dated as of December 31, 1996.....(2)(Exh. 10.43)
10.13	Guaranty of E. David Corvese in favor of MIM Corporation dated as of December 31, 1996.....(2)(Exh. 10.42)
10.14	Employment Agreement between MIM Corporation and Richard H. Friedman dated as of December 1, 1998*.....(10) (Exh.10.14)
10.15	Amendment No. 1 to Employment Agreement dated as of May 15, 1998 between MIM Corporation and Barry A. Posner* .....(8)(Exh. 10.50)
10.16	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 1, 1999*.....(10) (Exh.10.17)
10.17	Employment Agreement dated as of April 17, 1998 Between MIM Corporation and Scott R. Yablon*.....(8)(Exh. 10.49)
10.18	Employment Agreement between MIM Corporation and Edward J. Sitar dated as of March 1, 1999*.....(10) (Exh.10.21)
10.19	Separation Agreement dated as of March 31, 1998 between MIM Corporation and E. David Corvese *.....(7)(Exh.10.47)
10.20	Separation Agreement dated as of May 15, 1998 between MIM Corporation and John H. Klein *.....(6)(Exh. 10.19)
10.21	Stock Option Agreement between E. David Corvese and Leslie B. Daniels dated as of May 30, 1996*.....(1)(Exh. 10.26)
10.22	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)
10.23	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)
10.24	Registration Rights Agreement-III between MIM Corporation and John H. Klein and E. David Corvese dated July 29, 1996* .....(1)(Exh. 10.32)
10.25	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)
10.26	Registration Rights Agreement-V between MIM Corporation and Richard H. Friedman and Leslie B. Daniels dated July 31, 1996*.....(1)(Exh. 10.35)

10.27	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)
10.28	Amendment No. 2 dated June 16, 1998 to Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996*.....(10)(Exh.10.31)
10.29	MIM Corporation 1996 Stock Incentive Plan, as Amended December 9, 1996* .....(2)(Exh. 10.32)
10.30	MIM Corporation 1996 Amended and Restated Stock Incentive Plan, as amended December 2, 1998*.....(10) (Exh.10.33)
10.31	MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan* .....(1)(Exh. 10.29)
10.32	Lease between Alchemie Properties, LLC and Pro-Mark Holdings, Inc., dated as of December 1, 1994 .....(1)(Exh. 10.27)
10.33	Lease Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated April 23, 1997.....(5)(Exh.10.41)
10.34	Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated as of April 23, 1997..... (5)(Exh.10.42)
10.35	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated December 10, 1997.....(5) (Exh.10.43)
10.36	Lease Amendment and Extension Agreement-II between Mutual Properties Stonedale L.P. and MIM Corporation dated March 27, 1998.....(5) (Exh.10.44)
10.37	Lease Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated December 23, 1997.....(5) (Exh.10.45)
10.38	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated March 27, 1998.....(5) (Exh.10.46)
10.39	Lease Agreement between Continental Managed Pharmacy Services, Inc. and Melvin I. Lazerick dated May 12, 1998.....(10) (Exh.10.42)
10.40	Amendment No. 1 to Lease Agreement between Continental Managed Pharmacy Services, Inc.and Melvin I. Lazerick dated January 29, 1999.....(10) (Exh.10.43)

10.41	Letter Agreement dated August 24, 1998 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10) (Exh.10.44)
10.42	Letter Agreement dated January 28, 1997 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10) (Exh.10.45)
10.43	Letter Agreement dated January 24, 1995 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10) (Exh.10.46)
10.44	Additional Credit Agreement dated January 23, 1996 between Continental Managed Pharmacy Services, Inc. and Comerica Bank	(10) (Exh.10.47)
10.45	Guaranty dated August 24, 1998 between MIM Corporation and Comerica Bank	(10) (Exh.10.48)
10.46	Third Amended and Restated Master Revolving Note dated August 24, 1998 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10)(Exh.10.49)
10.47	Variable Rate Installment Note dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10) (Exh.10.50)
10.48	Variable Rate Installment Note dated January 26, 1996 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10) (Exh.10.51)
10.49	Security Agreement (Equipment) dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10) (Exh.10.52)
10.50	Security Agreement (Accounts and Chattel Paper) dated January 24, 1995 by Continental Managed Pharmacy Services, Inc. in favor of Comerica Bank	(10) (Exh.10.53)
10.51	Intercreditor Agreement dated January 24, 1995 between Continental Managed Pharmacy Services, Inc. and Foxmeyer Drug Company	(10) (Exh.10.54)
10.52	Indemnification Agreement dated August 13, 1998 among MIM Corporation, Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach	(10) (Exh.10.55)
10.53	Pledge Agreement dated August 13, 1998 among MIM Corporation, Roulston Investment Trust L.P., Roulston Ventures L.P. and Michael R. Erlenbach	(10) (Exh.10.56)
10.54	Stock Purchase Agreement dated February 9, 1999 between MIM Corporation and E. David Corvese	(10) (Exh.10.57)
10.55	Commercial Term Promissory Note, dated April 14, 1999, by Richard H. Friedman in favor of MIM Corporation	(11) (Exh.10.58)

10.56	Pledge Agreement, dated April 14, 1999, by Richard H. Friedman in favor of MIM Corporation	(11) (Exh.10.59)
10.57	Amended and Restated 1996 Non-Employee Directors Stock Incentive Plan (effective as of March 1, 1999)*	(11) (Exh.10.60)
10.58	Amendment No. 1 to Employment Agreement, dated as of October 11, 1999 between MIM Corporation an Richard H. Friedman*	(12) (Exh.10.60)
10.59	Form of Performance Shares Agreement*	(12) (Exh.10.61)
10.60	Form of Performance Units Agreement*	(12) (Exh.10.62)
10.61	Form of Non-Qualified Stock Option Agreement*	(12) (Exh.10.63)
10.62	Credit Agreement, dated as of February 4, 2000, among MIM Health Plans, Inc., MIM Corporation, the other Credit Parties signatories thereto, the other credit parties signatories thereto and General Electric Capital Corporation, for itself and as agent for other lenders from time to time a party to the Credit Agreement	(13) (Exh. 10)
10.63	Amendment to Credit Agreement, dated May 24, 2000 among MIM Health Plans, Inc., MIM Corporation, the Credit Parties signatories thereto, and General Electric Capital Corporation, for itself and as agent for other lenders from time to time a party to the Credit Agreement	(14) (Exh. 10.1)
10.64	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	(14) (Exh. 10.2)
10.65	Employment Agreement, dated August 3, 2000, by and between American Disease Management Associates, LLC, an indirect wholly owned subsidiary of MIM Corporation and Bruce Blake*	(15) (Exh. 10.1)
10.66	Loan and Security Agreement, dated November 1, 2000, between MIM Funding LLC and HFG Healthco-4 LLC	(16) (Exh. 10.1)
10.67	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	(16) (Exh. 10.2)
10.68	Lease Agreement, dated as of February 24, 2000, by and between American Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc	(17)
10.69	First Lease Amendment, dated as of February 24, 2000, by and between Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc	(17)

10.70	Lease Agreement, dated as of July 22, 1996, by and between American Disease Management Associates, LLC ("ADIMA") and Regent Park Associates	(17)
10.71	First Amendment of Agreement of Lease, dated as of June 15, 1999, by and between ADIMA and Five Regent Park Associates	(17)
10.72	Second Amendment of Agreement of Lease, dated as of February 11, 2000, by and between ADIMA and Five Regent Park Associates	(17)
10.73	Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar*	(17)
21	Subsidiaries of the Company	(17)
27	Financial Data Schedule	(17)

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

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

(3) Incorporated by reference to the indicated exhibit to the Company's Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 1997.

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

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

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

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

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

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

(10) 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.

(11) 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.

(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, 1999.

(13) Incorporated by reference to the indicated exhibit to the Company's Current Report on Form 8-K filed on February 14, 2000.

(14) 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.

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

(16) 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.

(17) Filed herewith.

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

(b) Reports on Form 8-K

One Amendment to Current Report on Form 8-K/A was filed with the Commission on October 18, 2000. This Form 8-K/A was filed in connection with the Company's acquisition of ADIMA.

In addition, one Current Report on Form 8-K was filed with the Commission on November 6, regarding the Company's press release announcing the new credit facility an affiliate of Healthcare Finance Group, Inc.

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/ Edward J. Sitar

Edward J. Sitar
Chief Financial Officer

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

Signature	Title(s)	Date
/s/ Richard H. Friedman Richard H. Friedman	Chairman and Chief Executive Officer (principal executive officer)	March 30, 2001
/s/ Edward J. Sitar Edward J. Sitar	Chief Financial Officer and Treasurer (principal financial officer)	March 30, 2001
/s/Louis DiFazio Louis DiFazio, Ph.D	Director	March 30, 2001
/s/ Louis A. Luzzi Louis A. Luzzi, Ph.D.	Director	March 30, 2001
/s/ Richard A. Cirillo Richard A. Cirillo	Director	March 30, 2001
/s/ Michael Kooper Michael Kooper	Director	March 30, 2001
/s/ Ronald Shelp Ronald Shelp	Director	March 30, 2001

EXHIBIT INDEX

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

10.68	Lease Agreement, dated as of February 24, 2000, by and between American Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc.
10.69	First Lease Amendment, dated as of February 24, 2000, by and between Duke-Weeks Realty Limited Partnership and Continental Managed Pharmacy Services, Inc.
10.70	Lease Agreement, dated as of July 22, 1996, by and between American Disease Management Associates, LLC ("ADIMA") and Regent Park Associates
10.71	First Amendment of Agreement of Lease, dated as of June 15, 1999, by and between ADIMA and Five Regent Park Associates
10.72	Second Amendment of Agreement of Lease, dated as of February 11, 2000, by and between ADIMA and Five Regent Park Associates
10.73	Employment Letter, dated as of February 8, 1999, between the Company and Recie Bomar*
21	Subsidiaries of the Company
27	Financial Data Schedule

LEASE AGREEMENT

THIS LEASE is executed this 24th day of February 2000, by and between DUKE-WEEKS REALTY LIMITED PARTNERSHIP, an Indiana limited partnership ("Landlord"), and CONTINENTAL MANAGED PHARMACY SERVICES, INC., an Ohio corporation ("Tenant").

WITNESSETH:

ARTICLE 1 - LEASE OF PREMISES

SECTION 1.01. BASIC LEASE PROVISIONS AND DEFINITIONS.

A. LEASED PREMISES (SHOWN CROSS HATCHED ON EXHIBIT A attached hereto): 2787 Charter Street, Columbus, Ohio 43228; Building No. 132 (the "Building"); located in Westbelt West Commerce Center (the "Park");

B. Rentable Area: approximately 74,780 rentable square feet;

Landlord shall use commercially reasonable standards, consistently applied, in determining the Rentable Area and the rentable area of the Building. Landlord's determination of Rentable Area shall conclusively be deemed correct for all purposes hereunder.

C. Tenant's Proportionate Share: 56.31%;

D. Minimum Annual Rent:

Year 1	$447,932.16 per year
Year 2	$467,375.04 per year
Years 3-5	$482,331.00 per year
Years 6-10	$502,521.60 per year;

E. Monthly Rental Installments:

Months 1-12	$37,327.68 per month
Months 13-24	$38,947.92 per month
Months 25-60	$40,194.25 per month
Months 61-120	$41,876.80 per month;

F. Lease Term: Ten (10) years;

G. Commencement Date: May 12, 2000;

H. Security Deposit: $37,327.68 provided at Tenant's election either by cash deposit held by Landlord or irrevocable unconditional letter of credit, as provided in Article 4 of the Lease;

I. Guarantor: MIM Corporation, a Delaware corporation;

J. Broker(s): Duke Realty Services Limited Partnership representing Landlord and CB Richard Ellis representing Tenant;

K. Permitted Use: Office and warehousing and storage of pharmaceuticals and other products distributed by Tenant and related purposes;

L. Address for notices:

Landlord: Duke-Weeks Realty Limited Partnership
5600 Blazer Parkway, Suite 100
Dublin, OH 43017
Attn: Property Manager

Tenant: Continental Managed Pharmacy Services, Inc.
2787 Charter Street, Building 132
Columbus, OH 43228

Guarantor: MIM Corporation

100 Clearbrook Road
Elmsford, NY 10523
Attention: Barry Posner

Address for rental and other payments:

Duke-Weeks Realty Limited Partnership
P.O. Box 931988
Cleveland, OH 44193

SECTION 1.02. LEASED PREMISES. Landlord hereby leases to Tenant and Tenant leases from Landlord, under the terms and conditions herein, the Leased Premises.

ARTICLE 2 - TERM AND POSSESSION

SECTION 2.01. TERM. The term of this Lease ("Lease Term") shall be for the period of time and shall commence on the Commencement Date described in the Basic Lease Provisions. Upon delivery of possession of the Leased Premises to

Tenant, Tenant shall execute a letter of understanding acknowledging (i) the Commencement Date of this Lease, and (ii) that Tenant has accepted the Leased Premises. If Tenant takes possession of and occupies the Leased Premises, Tenant shall be deemed to have accepted the Leased Premises and that the condition of the Leased Premises and the Building was at the time satisfactory and in conformity with the provisions of this Lease in all respects.

SECTION 2.02. CONSTRUCTION OF TENANT IMPROVEMENTS. Landlord shall have no responsibility except to perform and complete, at Landlord's sole cost and expense, the work on the tenant finish improvements described in THE PLANS AND SPECIFICATIONS WHICH HAVE BEEN MUTUALLY AGREED UPON BY BOTH LANDLORD AND TENANT AND ATTACHED HERETO AS EXHIBIT B, subject to events and delays due to causes beyond its reasonable control. Tenant agrees that all work on any change orders to the initial tenant finish improvements shall be performed by Duke Construction Limited Partnership (DCLP) or a subsidiary or affiliate of Landlord which shall receive a cost plus ten percent (10%) construction management fee, exclusive of general conditions, as Landlord's construction manager or general contractor; provided, however, that the construction management fee to be charged for any subsequent tenant finish improvements shall be an amount equal to the construction management fee then being charged by DCLP and other reputable and experienced contractors in the Columbus, Ohio Industrial Market for comparable improvements performed in comparable class A INDUSTRIAL PROPERTIES. ANY COSTS FOR TENANT FINISH IMPROVEMENTS WHICH EXCEED THE SCOPE OF THOSE DESCRIBED ON EXHIBIT B shall be the sole responsibility of Tenant. Tenant shall reimburse Landlord for such excess costs within thirty (30) days of Tenant's receipt of an invoice for the same. Landlord hereby agrees to warrant all work performed by Landlord within the Leased Premises for a period of twelve (12) months from the Commencement Date (the "Warranty Period"). After the expiration of the Warranty Period, Landlord shall assign to Tenant all warranties (if assignable) from subcontractors and material suppliers for materials, workmanship, fixtures or equipment installed by Landlord in the Leased Premises which warranties continue in effect after the expiration of the Warranty Period.

SECTION 2.03. SURRENDER OF THE PREMISES. Upon the expiration or earlier termination of this Lease, Tenant shall immediately surrender the Leased Premises to Landlord in broom-clean condition and in good condition and repair, reasonable wear and tear excepted. Tenant shall also remove its personal property, trade fixtures and any of Tenant's alterations designated by Landlord, promptly repair any damage caused by such removal, and restore the Leased Premises to the condition existing upon the Commencement Date, reasonable wear and tear excepted. If Tenant fails to do so, Landlord may restore the Leased Premises to such condition at Tenant's expense, Landlord may cause all of said property to be removed at Tenant's expense, and Tenant hereby agrees to pay all the costs and expenses thereby reasonably incurred. All Tenant property which is not removed within ten (10) days following Landlord's written demand therefor shall be conclusively deemed to have been abandoned by Tenant, and Landlord shall be entitled to dispose of such property at Tenant's cost without thereby incurring any liability to Tenant. The provisions of this section shall survive the expiration or other termination of this Lease.

SECTION 2.04. HOLDING OVER. If Tenant retains possession of the Leased Premises after the expiration or earlier termination of this Lease, Tenant shall become a tenant from month to month at 150% of the Monthly Rental Installment in effect at the end of the Lease Term, and otherwise upon the terms, covenants and conditions herein specified, so far as applicable. Acceptance by Landlord of

rent in such event shall not result in a renewal of this Lease, and Tenant shall vacate and surrender the Leased Premises to Landlord upon Tenant being given thirty (30) days' prior written notice from Landlord to vacate whether or not said notice is given on the rent paying date. This Section 2.04 shall in no way constitute a consent by Landlord to any holding over by Tenant upon the expiration or earlier termination of this Lease, nor limit Landlord's remedies in such event.

ARTICLE 3 - RENT

SECTION 3.01. BASE RENT. Tenant shall pay to Landlord the Minimum Annual Rent in the Monthly Rental Installments, in advance, without deduction or offset, beginning on the Commencement Date and on or before the first day of each and every calendar month thereafter during the Lease Term. The Monthly Rental Installment for partial calendar months shall be prorated.

SECTION 3.02. ADDITIONAL RENT. In addition to the Minimum Annual Rent Tenant shall pay to Landlord for each calendar year during the Lease Term, as "Additional Rent," Tenant's Proportionate Share of all costs and expenses incurred by Landlord during the Lease Term for Real Estate Taxes and Operating Expenses for the Building and common areas (collectively "Common Area Charges").

"Operating Expenses" shall mean all of Landlord's expenses for operation, repair, replacement (except as expressly excluded below) and maintenance to keep the Building and common areas in good order, condition and repair (including all additional direct costs and expenses of operation and maintenance of the Building which Landlord reasonably determines it would have paid or incurred during such year if the Building had been fully occupied), including, but not limited to, management or administrative fees (which shall not exceed five percent (5%) of Landlord's gross rents for the Building); utilities; stormwater discharge fees; license, permit, inspection and other fees; fees and assessments imposed by any covenants or owners' association; security services; insurance premiums and deductibles and maintenance, repair and replacement of the driveways, parking areas (including snow removal), exterior lighting, landscaped areas, walkways, curbs, drainage strips, sewer lines, exterior walls, foundation, structural frame, roof and gutters. The cost of any capital improvement shall be amortized over the useful life of such improvement (as reasonably determined by Landlord), and only the amortized portion shall be included in Operating Expenses. Notwithstanding the foregoing, Landlord agrees that Operating Expenses during the initial ten (10) year Lease Term shall not include any capital improvement expenditure for replacement of the entire roof, entire parking area, or structural walls for the Building.

"Real Estate Taxes" shall include any form of real estate tax or assessment or service payments in lieu thereof, and any license fee, commercial rental tax, improvement bond or other similar charge or tax (other than inheritance, personal income or estate taxes) imposed upon the Building or common areas (or against Landlord's business of leasing the Building) by any authority having the power to so charge or tax, together with costs and expenses of contesting the validity or amount of Real Estate Taxes, which at Landlord's option may be calculated as if such contesting work had been performed on a contingent fee basis (whether charged by Landlord's counsel or representative; provided, however, that said fees are reasonably comparable to the fees charged for similar services by others not affiliated with Landlord, but in no event shall said fees exceed thirty-three percent (33%) of the good faith estimated tax savings). In the event Landlord is successful in securing a rebate or refund from any taxing authority as a result of contesting any assessments of Real Estate Taxes, Landlord shall refund such savings to Tenant in proportion to Tenant's proportionate share, provided that there then exists no uncured defaults by Tenant. Additionally, Tenant shall pay, prior to delinquency, all taxes assessed against and levied upon trade fixtures, furnishings, equipment and all personal property of Tenant contained in the Leased Premises.

SECTION 3.03. PAYMENT OF ADDITIONAL RENT. Landlord shall estimate the total amount of Additional Rent to be paid by Tenant during each calendar year of the Lease Term, pro-rated for any partial years. Commencing on the Commencement Date, Tenant shall pay to Landlord each month, at the same time the Monthly Rental Installment is due, an amount equal to one-twelfth (1/12) of the estimated Additional Rent for such year. Within a reasonable time after the end of each calendar year, Landlord shall submit to Tenant a statement of the actual amount of such Additional Rent and within thirty (30) days after receipt of such statement, Tenant shall pay any deficiency between the actual amount owed and the estimates paid during such calendar year. In the event of overpayment, Landlord shall credit the amount of such overpayment toward the next installments of Minimum Rent.

SECTION 3.04. LATE CHARGES. Tenant acknowledges that Landlord shall incur certain additional unanticipated administrative and legal costs and expenses if Tenant fails to timely pay any payment required hereunder. Therefore, in addition to the other remedies available to Landlord hereunder, if any payment required to be paid by Tenant to Landlord hereunder shall become overdue, such unpaid amount shall bear interest from the due DATE THEREOF TO THE DATE OF PAYMENT AT THE PRIME RATE (AS REPORTED IN THE WALL STREET JOURNAL of interest ("Prime Rate") plus six percent (6%) per annum.

ARTICLE 4 - SECURITY DEPOSIT

Tenant, upon execution of this Lease, shall, at its sole election either (i) deposit with Landlord cash in the amount set forth in Item H of the Basic Lease Provisions, or (ii) provide an irrevocable letter of credit ("LOC") in the form attached hereto as Exhibit H and issued by a bank reasonably acceptable to Landlord in the amount set forth in Item H of the Basic Lease Provisions as security for the performance by Tenant of all of Tenant's obligations contained in this Lease. Subparts (i) and (ii) shall be separately and collectively referred to as the "Security Deposit". Any LOC shall be renewed on an annual basis and if Tenant fails to renew such LOC at least forty-five (45) days prior to its expiration date, Landlord may draw upon the LOC and hold the cash proceeds in lieu thereof. In the event of a Default by Tenant, Landlord may apply or draw upon, as the case may be, all or any part of the Security Deposit to cure all or any part of such Default; and Tenant agrees to promptly, upon demand, deposit such additional sum with Landlord as may be required to maintain the full amount of the Security Deposit. All sums held by Landlord pursuant to this Article shall be without interest. At the end of the Lease Term, provided that there is then no uncured Default, Landlord shall return the Security Deposit to Tenant or , if applicable, return the LOC.

ARTICLE 5 - USE

SECTION 5.01. USE OF LEASED PREMISES. The Leased Premises are to be used by Tenant solely for the Permitted Use and for no other purposes without the prior written consent of Landlord.

SECTION 5.02. COVENANTS OF TENANT REGARDING USE. Tenant shall (i) use and maintain the Leased Premises and conduct its business thereon in a safe, careful, reputable and lawful manner, (ii) comply with all laws, rules, regulations, orders, ordinances, directions and requirements of any governmental authority or agency, now in force or which may hereafter be in force, including without limitation those which shall impose upon Landlord or Tenant any duty with respect to or triggered by a change in the use or occupation of, or any improvement or alteration to, the Leased Premises, and (iii) comply with and obey all reasonable directions of the Landlord, including any rules and regulations that may be adopted by Landlord from time to time, provided such modifications to the Rules and Regulations are not inconsistent with the material terms of this Lease. Tenant shall not do or permit anything to be done in or about the Leased Premises or common areas which constitutes a nuisance or which interferes with the rights of other tenants or injures them. Landlord shall not be responsible to Tenant for the nonperformance by any other tenant or occupant of the Building of its lease or of any rules and regulations. Tenant shall not overload the floors of the Leased Premises. All damage to the floor structure or foundation of the Building due to improper positioning or storage of items or materials shall be repaired by Landlord at the sole expense of Tenant, who shall reimburse Landlord immediately therefor upon demand. Tenant shall not use the Leased Premises, or allow the Leased Premises to be used, for any purpose or in any manner which would invalidate any policy of insurance now or hereafter carried on the Building or increase the rate of premiums payable on any such insurance policy unless Tenant reimburses Landlord as Additional Rent for any increase in premiums charged.

SECTION 5.03. LANDLORD'S RIGHTS REGARDING USE. In addition to the rights specified elsewhere in this Lease, Landlord shall have the following rights regarding the use of the Leased Premises or the common areas, each of which may be exercised without notice or liability to Tenant, (a) Landlord may install such signs, advertisements, notices or tenant identification information as it shall deem necessary or proper; provided, however, that any such signage specifically identifying Tenant or Tenant's business operation within the Building or Park shall be subject to Tenant's reasonable approval, (b) Landlord shall have the right at any time to control, change or otherwise alter the common areas as it shall deem necessary or proper; and (c) Landlord or Landlord's agent shall be permitted to inspect or examine the Leased Premises at any reasonable time upon reasonable notice (except in an emergency when no notice shall be required), and Landlord shall have the right to make any repairs to the Leased Premises which are necessary for its preservation; provided, however, that any repairs made by Landlord shall be at TENANT'S EXPENSE, EXCEPT AS PROVIDED IN SECTION 7.02 hereof. Landlord shall incur no liability to Tenant for such entry, nor shall such entry constitute an eviction of Tenant or a termination of this Lease, or entitle Tenant to any abatement of rent therefor.

ARTICLE 6 - UTILITIES AND SERVICES

Tenant shall obtain in its own name and pay directly to the appropriate supplier the cost of all utilities and services serving the Leased Premises. However, if any services or utilities are jointly metered with other property, Landlord shall make a reasonable determination of Tenant's proportionate share of the cost of such utilities and services (at rates that would have been payable if such utilities and services had been directly billed by the utilities or services providers) and Tenant shall pay such share to Landlord within fifteen (15) days after receipt of Landlord's written statement. Landlord shall not be liable in damages or otherwise for any failure or interruption of any utility or other Building service and no such failure or interruption shall entitle Tenant to terminate this Lease or withhold sums due hereunder. In the event of utility "deregulation", Landlord shall choose the service provider.

ARTICLE 7 - MAINTENANCE AND REPAIRS

SECTION 7.01. TENANT'S RESPONSIBILITY. During Lease Term, Tenant shall, at its own cost and expense, maintain the Leased Premises in good condition, regularly servicing and promptly making all repairs and replacements thereto, including but not limited to the electrical systems, heating and air conditioning systems, plate glass, floors, windows and doors, sprinkler and plumbing systems, and shall obtain a preventive maintenance contract on the heating, ventilating and air-conditioning systems, and provide Landlord with a copy thereof. The preventive maintenance contract shall meet or exceed Landlord's standard maintenance criteria, and shall provide for the inspection and maintenance of the heating, ventilating and air conditioning system on not less than a semi-annual basis. Notwithstanding the foregoing, and provided Tenant maintains a preventative maintenance contract approved by Landlord and subject to the acts and omissions of Tenant, Landlord warrants the electrical systems, heating and air conditioning systems, and sprinkler and plumbing systems for the first year of the Lease Term.

SECTION 7.02. LANDLORD'S RESPONSIBILITY. During the term of this Lease, Landlord shall maintain in good condition and repair, and replace as necessary, the roof, exterior walls, foundation and structural frame of the Building and the parking and landscaped areas, the costs of which shall be included in Operating Expenses; provided, however, that to the extent any of the foregoing items require repair because of the negligence, misuse, or default of Tenant, its employees, agents, customers or invitees, Landlord shall make such repairs solely at Tenant's expense.

SECTION 7.03. ALTERATIONS. TENANT SHALL NOT PERMIT ALTERATIONS (EXCLUDING THE INITIAL TENANT FINISH IMPROVEMENTS DESCRIBED IN EXHIBIT B) in or to the Leased Premises unless and until the plans have been APPROVED BY LANDLORD IN WRITING. AS A CONDITION OF SUCH APPROVAL, LANDLORD MAY REQUIRE TENANT TO REMOVE THE ALTERATIONS (EXCLUDING THE INITIAL TENANT FINISH IMPROVEMENTS DESCRIBED IN EXHIBIT B) and restore the Leased Premises upon termination of this Lease; otherwise, all such alterations shall at Landlord's option become a part of the realty and the property of Landlord, and shall not be removed by Tenant. Tenant shall ensure that all alterations (excluding THE INITIAL TENANT FINISH IMPROVEMENTS DESCRIBED IN EXHIBIT B) shall be made in accordance with all applicable laws, regulations and building codes, in a good and workmanlike manner and of quality equal to or better than the original construction of the Building. No person shall be entitled to any lien derived through or under Tenant for any labor or material furnished to the Leased Premises, and nothing in this Lease shall be construed to constitute a consent by Landlord to the creation of any lien. If any lien is filed against the Leased Premises for work claimed to have been done for or material claimed to have been furnished to Tenant, Tenant shall cause such lien to be discharged of record within thirty (30) days after filing. Tenant shall indemnify Landlord from all costs, losses, expenses and attorneys' fees in connection with any construction or alteration and any related lien.

ARTICLE 8 - CASUALTY

SECTION 8.01. CASUALTY. In the event of total or partial destruction of the Building or the Leased Premises by fire or other casualty, Landlord agrees to promptly restore and repair the Building Leased Premises and Common Areas; provided, however, Landlord's obligation hereunder shall be limited to the reconstruction of such of the Building, and Common Areas as were originally required to be made by Landlord, and with respect to TENANT'S TENANT FINISH IMPROVEMENTS ONLY THOSE, DESCRIBED ON EXHIBIT B. Rent shall proportionately abate during the time that the Leased Premises or part thereof are unusable because of any such damage. Notwithstanding the foregoing, if the Leased Premises are (i) so destroyed that they cannot be repaired or rebuilt within one hundred eighty (180) days from the casualty date ; or (ii) destroyed by a casualty which is not covered by the insurance required hereunder or, if covered, such insurance proceeds are not released by any mortgagee entitled thereto or are insufficient to rebuild the Building and the Leased Premises; then, in case of a clause (i) casualty, either Landlord or Tenant may, or, in the case of a clause (ii) casualty, then Landlord may, upon thirty (30) days' written notice to the other party, terminate this Lease with respect to matters thereafter accruing. Notwithstanding the foregoing and subject to the availability of space, Landlord agrees to exercise commercially reasonable efforts, in the event of a total or partial destruction of the Building as described above, to provide Tenant with temporary space until the Leased Premises are reconstructed. Such temporary space shall be provided to Tenant based upon mutually agreed upon terms and conditions.

SECTION 8.02. ALL RISK COVERAGE INSURANCE. During the Lease Term, Landlord shall maintain all risk coverage insurance on the Building, but shall not protect Tenant's property on the Leased Premises; and, NOTWITHSTANDING THE PROVISIONS OF SECTION 9.01, Landlord shall not be liable for any damage to Tenant's property, regardless of cause, including the negligence of Landlord and its employees, agents and invitees. Tenant hereby expressly waives any right of recovery against Landlord for damage to any property of Tenant located in or about the Leased Premises, however caused, including the negligence of Landlord and its employees, agents and invitees. NOTWITHSTANDING THE PROVISIONS OF SECTION 9.01 below, Landlord hereby expressly waives any rights of recovery against Tenant for damage to the Leased Premises or the Building which is insured against under Landlord's all risk coverage insurance. All insurance policies maintained by Landlord or Tenant as provided in this Lease shall contain an agreement by the insurer waiving the insurer's right of subrogation against the other party to this Lease.

ARTICLE 9 - LIABILITY INSURANCE

SECTION 9.01. TENANT'S RESPONSIBILITY. Landlord shall not be liable to Tenant or to any other person for (i) damage to property or injury or death to persons due to the condition of the Leased Premises, the Building or the common areas, or (ii) the occurrence of any accident in or about the Leased Premises or the common areas, or (iii) any act or neglect of Tenant or any other tenant or occupant of the Building or of any other person, unless such damage, injury or death is directly and solely the result of Landlord's negligence; and Tenant hereby releases Landlord from any and all liability for the same. Tenant shall be liable for, and shall indemnify and defend Landlord from, any and all liability for (i) any act or neglect of Tenant and any person coming on the Leased Premises or common areas by the license of Tenant, express or implied, (ii) any damage to the Leased Premises, and (iii) any loss of or damage or injury to any person (including death resulting therefrom) or property occurring in, on or about the Leased Premises, regardless of cause, except for any loss or damage from fire or casualty insured as PROVIDED IN SECTION 8.02 and except for that caused solely and directly by Landlord's negligence. This provision shall survive the expiration or earlier termination of this Lease.

SECTION 9.02. TENANT'S INSURANCE. Tenant shall carry general public liability and property damage insurance, issued by one or more insurance companies acceptable to Landlord, with the following minimum coverages:

A. Worker's Compensation: minimum statutory amount.

B. Commercial General Liability Insurance, including blanket, contractual liability, broad form property damage, personal injury, completed operations, products liability, and fire damage: Not less than $3,000,000 Combined Single Limit for both bodily injury and property damage.

C. All Risk Coverage, Vandalism and Malicious Mischief, and Sprinkler Leakage insurance, if applicable, for the full cost of replacement of Tenant's property.

D. Business interruption insurance.

The insurance policies shall protect Tenant and Landlord as their interests may appear, naming Landlord and Landlord's managing agent and mortgagee as additional insureds, and shall provide that they may not be canceled on less than thirty (30) days' prior written notice to Landlord. Tenant shall furnish Landlord with Certificates of Insurance evidencing all required coverages on or before the Commencement Date. If Tenant fails to carry such insurance and furnish Landlord with such Certificates of Insurance after a request to do so, Landlord may obtain such insurance and collect the cost thereof from Tenant.

ARTICLE 10 - EMINENT DOMAIN

If all or any substantial part of the Building or common areas shall be acquired by the exercise of eminent domain, Landlord may terminate this Lease by giving written notice to Tenant on or before the date that actual possession thereof is so taken. If all or any part of the Leased Premises shall be acquired by the exercise of eminent domain so that the Leased Premises shall become unusable by Tenant for the Permitted Use, Tenant may terminate this Lease as of the date that actual possession thereof is taken by giving written notice to Landlord. All damages awarded shall belong to Landlord; provided, however, that Tenant may claim dislocation damages if such amount is not subtracted from Landlord's award.

ARTICLE 11 - ASSIGNMENT AND SUBLEASE

Tenant shall not assign this Lease or sublet the Leased Premises in whole or in part without Landlord's prior written consent, which consent shall not be unreasonably withheld, delayed or denied (provided that it shall not be unreasonable for Landlord to withhold or deny its consent with respect to any proposed assignment or subletting to a third party that is already a tenant in the Building or the Park). In the event of any assignment or subletting, Tenant shall remain primarily liable hereunder, and any extension, expansion, rights of first offer, rights of first refusal or other options granted to Tenant under this Lease shall be rendered void and of no further force or effect unless otherwise expressly extended to an assignee by the terms hereunder. The acceptance of rent from any other person shall not be deemed to be a waiver of any of the provisions of this Lease or to be a consent to the assignment of this Lease or the subletting of the Leased Premises. Without in any way limiting Landlord's right to refuse to consent to any assignment or subletting of this Lease, Landlord reserves the right to refuse to give such consent if in Landlord's opinion (i) the Building or the Leased Premises are or may be in any way adversely affected; (ii) the business reputation of the proposed assignee or subtenant is unacceptable; or (iii) the financial worth of the proposed assignee or subtenant is insufficient to meet the obligations hereunder. Landlord further expressly reserves the right to refuse to give its consent to any subletting if the proposed rent is to be less than the then current rent for similar premises in the Park. Tenant agrees to reimburse Landlord for reasonable accounting and attorneys' fees incurred in conjunction with the processing and documentation of any such requested assignment, subletting or any other hypothecation of this Lease or Tenant's interest in and to the Leased Premises.

Notwithstanding the foregoing, Tenant may assign the Lease or sublease all or any portion of the Leased Premises without Landlord's consent to any of the following (a "Permitted Transferee"), provided that the Permitted Transferee's financial condition, creditworthiness and business reputation following the transfer are equal to or exceed those of Tenant: (i) any successor corporation or other entity resulting from a merger or consolidation of Tenant; (ii) any purchaser of all or substantially all of Tenant's assets; or (iii) any entity which controls, is controlled by, or is under common control with Tenant. Tenant shall give Landlord thirty (30) days prior written notice of such assignment or sublease. Any Permitted Transferee shall assume in writing all of Tenant's obligations under this Lease. Tenant shall nevertheless at all times remain fully responsible and liable for the payment of rent and the performance and observance of all of Tenant's other obligations under this Lease. Nothing in this paragraph is intended to nor shall permit Tenant to transfer its interest under this Lease as part of a fraud or subterfuge to intentionally avoid its obligations under this Lease (for example, transferring its interest to a shell corporation that subsequently files a bankruptcy), and any such transfer shall constitute a Default hereunder.

ARTICLE 12 - TRANSFERS BY LANDLORD

SECTION 12.01. SALE OF THE BUILDING. Landlord shall have the right to sell the Building at any time during the Lease Term, subject only to the rights of Tenant hereunder; and such sale shall operate to release Landlord from liability hereunder after the date of such conveyance.

SECTION 12.02. SUBORDINATION AND ESTOPPEL CERTIFICATE. Landlord shall have the right to subordinate this Lease to any mortgage presently existing or hereafter placed upon the Building by so declaring in such mortgage. Within ten (10) days following receipt of a written request from Landlord, Tenant shall execute and deliver to Landlord, without cost, any instrument which Landlord deems necessary or desirable to confirm the subordination of this Lease and an estoppel certificate in such form as Landlord may reasonably request certifying (i) that this Lease is in full force and effect and unmodified or stating the nature of any modification, (ii) the date to which rent has been paid, (iii) that there are not, to Tenant's knowledge, any uncured defaults or specifying such defaults if any are claimed, and (iv) any other matters or state of facts reasonably required respecting the Lease. Such estoppel may be relied upon by Landlord and by any purchaser or mortgagee of the Building. Notwithstanding the foregoing, if the mortgagee shall take title to the Leased Premises through foreclosure or deed in lieu of foreclosure, Tenant shall be allowed to continue in possession of the Leased Premises as provided for in this Lease so long as Tenant shall not be in default.

ARTICLE 13 - DEFAULT AND REMEDY

SECTION 13.01. DEFAULT. The occurrence of any of the following shall be a "Default":

(a) Tenant fails to pay any Monthly Rental Installment or Additional Rent within five (5) days after the same is due, or Tenant fails to pay any other amounts due Landlord from Tenant within ten (10) days after the same is due.

(b) Tenant fails to perform or observe any other term, condition, covenant or obligation required under this Lease for a period of thirty (30) days after written notice thereof from Landlord; provided, however, that if the nature of Tenant's default is such that more than thirty days are reasonably required to cure, then such default shall be deemed to have been cured if Tenant commences such performance within said thirty-day period and thereafter diligently completes the required action within a reasonable time.

(c) Tenant shall assign or sublet all or a portion of the Leased Premises in contravention of the provisions of Article 11 of this Lease.

(d) All or substantially all of Tenant's assets in the Leased Premises or Tenant's interest in this Lease are attached or levied under execution (and Tenant does not discharge the same within sixty (60) days thereafter); a petition in bankruptcy, insolvency or for reorganization or arrangement is filed by or against Tenant (and Tenant fails to secure a stay or discharge thereof within sixty (60) days thereafter); Tenant is insolvent and unable to pay its debts as they become due; Tenant makes a general assignment for the benefit of creditors; Tenant takes the benefit of any insolvency action or law; the appointment of a receiver or trustee in bankruptcy for Tenant or its assets if such receivership has not been vacated or set aside within thirty (30) days thereafter; or, dissolution or other termination of Tenant's corporate charter if Tenant is a corporation.

(e) In addition to the defaults and remedies described herein, the parties agree that if Tenant is in violation of the performance of any (but not necessarily the same) term or condition of this Lease three (3) or more times during any twelve (12) month period, regardless of whether such violations are ultimately cured, then such conduct shall, at Landlord's option, represent a separate Default.

SECTION 13.02. REMEDIES. Upon the occurrence of any Default, Landlord shall have the following rights and remedies, in addition to those allowed by law or in equity, any one or more of which may be exercised without further notice to Tenant:

(a) Landlord may apply the Security Deposit and/or re-enter the Leased Premises and cure any Default of Tenant, and Tenant shall reimburse Landlord as Additional Rent for any reasonable costs and expenses which Landlord thereby incurs; and Landlord shall not be liable to Tenant for any loss or damage which Tenant may sustain by reason of Landlord's action.

(b) Landlord may terminate this Lease or, without terminating this Lease, terminate Tenant's right to possession of the Leased Premises as of the date of such Default, and thereafter (i) neither Tenant nor any person claiming under or through Tenant shall be entitled to possession of the Leased Premises, and Tenant shall immediately surrender the Leased Premises to Landlord; and (ii) Landlord may re-enter the Leased Premises and dispossess Tenant and any other occupants of the Leased Premises by any lawful means and may remove their effects, without prejudice to any other remedy which Landlord may have. Upon the termination of this Lease, Landlord may declare the present value (discounted at the Prime Rate) of all rent which would have been due under this Lease for the balance of the Lease Term to be immediately due and payable, reduced by the reasonable fair market value rental of the Leased Premises for such balance of the Lease Term (determined from the present value of the actual minimum or base rents received and to be received from Landlord's reletting of the Leased Premises), whereupon Tenant shall be obligated to pay the same to Landlord, together with all loss or damage which Landlord may sustain by reason of Tenant's default ("Default Damages"), which shall include without limitation expenses of preparing the Leased Premises for re-letting, demolition, repairs, tenant finish improvements, brokers' commissions and reasonable attorneys' fees, it being expressly understood and agreed that the liabilities and remedies specified in this subsection (b) shall survive the termination of this Lease.

(c) Landlord may, without terminating this Lease, re-enter the Leased Premises and re-let all or any part thereof for a term different from that which would otherwise have constituted the balance of the Lease Term and for rent and on terms and conditions different from those contained herein, whereupon Tenant shall be immediately obligated to pay to Landlord as liquidated damages the present value (discounted at the Prime Rate) of the difference between the rent provided for herein and that provided for in any lease covering a subsequent re-letting of the Leased Premises, for the period which would otherwise have constituted the balance of the Lease Term, together with all of Landlord's Default Damages.

(d) Landlord may sue for injunctive relief or to recover damages for any loss resulting from the Default.

SECTION 13.03. LANDLORD'S DEFAULT AND TENANT'S REMEDIES. Landlord shall be in default if it fails to perform any term, condition, covenant or obligation required under this Lease for a period of thirty (30) days after written notice thereof from Tenant to Landlord; provided, however, that if the term, condition, covenant or obligation to be performed by Landlord is such that it cannot reasonably be performed within thirty (30) days, such default shall be deemed to have been cured if Landlord commences such performance within said thirty-day period and thereafter diligently undertakes to complete the same. Upon the occurrence of any such default, Tenant may sue for injunctive relief or to recover damages for any loss directly resulting from the breach, but Tenant shall not be entitled to terminate this Lease or withhold, offset or abate any sums due hereunder.

SECTION 13.04. LIMITATION OF LANDLORD'S LIABILITY. If Landlord shall fail to perform any term, condition, covenant or obligation required to be performed by it under this Lease and if Tenant shall, as a consequence thereof, recover a money judgment against Landlord, Tenant agrees that it shall look solely to Landlord's right, title and interest in and to the Building for the collection of such judgment; and Tenant further agrees that no other assets of Landlord shall be subject to levy, execution or other process for the satisfaction of Tenant's judgment.

SECTION 13.05. NONWAIVER OF DEFAULTS. Neither party's failure or delay in exercising any of its rights or remedies or other provisions of this Lease shall constitute a waiver thereof or affect its right thereafter to exercise or enforce such right or remedy or other provision. No waiver of any default shall be deemed to be a waiver of any other default. Landlord's receipt of less than the full rent due shall not be construed to be other than a payment on account of rent then due, nor shall any statement on Tenant's check or any letter accompanying Tenant's check be deemed an accord and satisfaction. No act or omission by Landlord or its employees or agents during the Lease Term shall be deemed an acceptance of a surrender of the Leased Premises, and no agreement to accept such a surrender shall be valid unless in writing and signed by Landlord.

SECTION 13.06. ATTORNEYS' FEES. If either party defaults in the performance or observance of any of the terms, conditions, covenants or obligations contained in this Lease and the non-defaulting party obtains a judgment against the defaulting party, then the defaulting party agrees to reimburse the non-defaulting party for reasonable attorneys' fees incurred in connection therewith.

ARTICLE 14 - LANDLORD'S RIGHT TO RELOCATE TENANT

[INTENTIONALLY OMITTED]

ARTICLE 15 - TENANT'S RESPONSIBILITY REGARDING ENVIRONMENTAL LAWS AND HAZARDOUS SUBSTANCES

SECTION 15.01. DEFINITIONS.

(a) "Environmental Laws" - All present or future federal, state and municipal laws, ordinances, rules and regulations applicable to the environmental and ecological condition of the Leased Premises, the rules and regulations of the Federal Environmental Protection Agency or any other federal, state or municipal agency or governmental board or entity having jurisdiction over the Leased Premises.

(b) "Hazardous Substances" - Those substances included within the definitions of "hazardous substances," "hazardous materials," "toxic substances" "solid waste" or "infectious waste" under Environmental Laws.

SECTION 15.02. COMPLIANCE. Tenant, at its sole cost and expense, shall promptly comply with the Environmental Laws including any notice from any source issued pursuant to the Environmental Laws or issued by any insurance company which shall impose any duty upon Tenant with respect to Tenant's use, occupancy, maintenance or alteration of the Leased Premises whether such notice shall be served upon Landlord or Tenant.

SECTION 15.03. RESTRICTIONS ON TENANT. Tenant shall operate its business and maintain the Leased Premises in compliance with all Environmental Laws. Tenant shall not cause or permit the use, generation, release, manufacture, refining, production, processing, storage or disposal of any Hazardous Substances on, under or about the Leased Premises, or the transportation to or from the Leased Premises of any Hazardous Substances, except as necessary and appropriate for its Permitted Use in which case the use, storage or disposal of such Hazardous Substances shall be performed in compliance with the Environmental Laws and the highest standards prevailing in the industry.

SECTION 15.04. NOTICES, AFFIDAVITS, ETC. Tenant shall immediately notify Landlord of (i) any violation by Tenant, its employees, agents, representatives, customers, invitees or contractors of the Environmental Laws on, under or about the Leased Premises, or (ii) the presence or suspected presence of any Hazardous Substances on, under or about the Leased Premises and shall immediately deliver to Landlord any notice received by Tenant relating to (i) and (ii) above from any source. Tenant shall execute affidavits, representations and the like within five (5) days of Landlord's request therefor concerning Tenant's best knowledge and belief regarding the presence of any Hazardous Substances on, under or about the Leased Premises.

SECTION 15.05. LANDLORD'S RIGHTS. Landlord and its agents shall have the right, but not the duty, upon advance notice (except in the case of emergency when no notice shall be required) to inspect the Leased Premises and

conduct tests thereon to determine whether or the extent to which there has been a violation of Environmental Laws by Tenant or whether there are Hazardous Substances on, under or about the Leased Premises. In exercising its rights herein, Landlord shall use reasonable efforts to minimize interference with Tenant's business but such entry shall not constitute an eviction of Tenant, in whole or in part, and Landlord shall not be liable for any interference, loss, or damage to Tenant's property or business caused thereby.

SECTION 15.06. TENANT'S INDEMNIFICATION. Tenant shall indemnify Landlord and Landlord's managing agent from any and all claims, losses, liabilities, costs, expenses and damages, including attorneys' fees, costs of testing and remediation costs, incurred by Landlord in connection with any breach by Tenant of its obligations under this Article 15. The covenants and obligations under this Article 15 shall survive the expiration or earlier termination of this Lease.

SECTION 15.07. LANDLORD'S REPRESENTATION. Notwithstanding anything contained in this Article 15 to the contrary, Tenant shall not have any liability to Landlord under this Article 15 resulting from any conditions existing, or events occurring, or any Hazardous Substances existing or generated, at, in, on, under or in connection with the Leased Premises prior to the Commencement Date of this Lease except to the extent Tenant exacerbates the same.

ARTICLE 16 - MISCELLANEOUS

SECTION 16.01. BENEFIT OF LANDLORD AND TENANT. This Lease shall inure to the benefit of and be binding upon Landlord and Tenant and their respective successors and assigns.

SECTION 16.02. GOVERNING LAW. This Lease shall be governed in accordance with the laws of the State of where the Building is located.

SECTION 16.03. GUARANTY. In consideration of Landlord's leasing the Leased Premises to Tenant, Tenant shall provide Landlord with a Guaranty of Lease executed by the guarantor(s) described in the Basic Lease PROVISIONS, ATTACHED HERETO AS EXHIBIT G. Notwithstanding the foregoing, Landlord agrees to release the Guaranty and Guarantor from its obligations therein in the event the following conditions are satisfied: (i) at any time during the Lease Term Tenant achieves a tangible net worth of Thirty Million Dollars ($30,000,000.00) or more and maintains such a tangible net worth for a consecutive twelve (12) month period; or (ii) at any time during the Lease Term Tenant achieves net earned income of Five Million Dollars ($5,000,000.00) or more and maintains such net earned income for a consecutive twelve (12) month period; as Landlord reasonably determines subparts (i) and (ii) based upon relevant financial and business documentation submitted by Tenant; and (iii) there remain no uncured Defaults at the time of terminating the Guaranty. As of the date of Landlord's reasonable determination that the foregoing conditions have been satisfied, the Guaranty shall be terminated and of no further force or effect and the Guarantor shall have no further liability thereunder, excluding, however, the obligations of Guarantor attributable to any period of time prior to termination of the Guaranty.

SECTION 16.04. FORCE MAJEURE. Landlord and Tenant (except with respect to the payment of any monetary obligation) shall be excused for the period of any delay in the performance of any obligation hereunder when such delay is occasioned by causes beyond its control, including but not limited to work stoppages, boycotts, slowdowns or strikes; shortages of materials, equipment, labor or energy; unusual weather conditions; or acts or omissions of governmental or political bodies.

SECTION 16.05. EXAMINATION OF LEASE. Submission of this instrument for examination or signature to Tenant does not constitute a reservation of or option for Lease, and it is not effective as a Lease or otherwise until execution by and delivery to both Landlord and Tenant.

SECTION 16.06. INDEMNIFICATION FOR LEASING COMMISSIONS. The parties hereby represent and warrant that the only real estate brokers involved in the negotiation and execution of this Lease are the Brokers. Landlord agrees to pay a commission to the Brokers pursuant to the terms of a separate written agreement between Landlord and the Brokers. Each party shall indemnify the other from any and all liability for the breach of this representation and warranty on its part and shall pay any compensation to any other broker or person who may be entitled thereto.

SECTION 16.07. NOTICES. Any notice required or permitted to be given under this Lease or by law shall be deemed to have been given if it is written and delivered in person or by overnight courier or mailed by certified mail, postage prepaid, to the party who is to receive such notice at the address specified in Article 1. If delivered in person, notice shall be deemed given as of the delivery date. If sent by overnight courier, notice shall be deemed given as of the first business day after sending. If mailed, the notice shall be deemed to have been given on the date which is three (3) business days after mailing. Either party may change its address by giving written notice thereof to the other party.

SECTION 16.08. PARTIAL INVALIDITY; COMPLETE AGREEMENT. If any provision of this Lease shall be held to be invalid, void or unenforceable, the remaining provisions shall remain in full force and effect.. This Lease represents the entire agreement between Landlord and Tenant covering everything agreed upon or understood in this transaction. There are no oral promises, conditions, representations, understandings, interpretations or terms of any kind as conditions or inducements to the execution hereof or in effect between the parties. No change or addition shall be made to this Lease except by a written agreement executed by Landlord and Tenant.

SECTION 16.09. FINANCIAL STATEMENTS. During the Lease Term and any extensions thereof, Tenant shall provide to Landlord on an annual basis, within one hundred twenty (120) days following the end of Tenant's fiscal year, a copy of Tenant's most recent financial statements prepared as of the end of Tenant's fiscal year. Such financial statements shall be certified and signed by Tenant who shall attest to the truth and accuracy of the information set forth in such statements. All financial statements provided by Tenant to Landlord hereunder shall be prepared in conformity with generally accepted accounting principles, consistently applied.

SECTION 16.10. REPRESENTATIONS AND WARRANTIES. The undersigned represent and warrant that (i) such party is duly organized, validly existing and in good standing (if applicable) in accordance with the laws of the state under which it was organized; and (ii) the individual executing and delivering this Lease has been properly authorized to do so, and such execution and delivery shall bind such party.

SECTION 16.11. AGENCY DISCLOSURE. Tenant acknowledges having reviewed the Agency Disclosure Statement and Tenant acknowledges that said Statement is signed and attached hereto and made a part hereof as EXHIBIT C. The broker identified as representing Landlord in Item J of Section 1.01 hereof, and its agents and employees, have represented only Landlord, and have not in any way represented Tenant, in the marketing, negotiation and completion of this lease transaction.

SECTION 16.12. OPTION TO EXTEND.

(A) GRANT AND EXERCISE OF OPTION. Provided that (i) Tenant has not been in Default beyond any applicable cure periods at any time during the Lease Term, (ii) the creditworthiness of Tenant is materially the same as or better than on the Commencement Date, (iii) Tenant named herein or Permitted Transferee (as defined herein) remains in possession of and has been continuously operating in substantially the entire Leased Premises throughout the Lease Term and (iv) the current use of the Leased Premises is consistent with the Permitted Use hereunder, Tenant shall have one (1) option to extend the Lease Term for one (1) additional period of five (5) years (the "Extension Term"). The Extension Term shall be upon the same terms and conditions contained in the Lease for the Lease Term except (i) the term of the Lease shall be five (5) years; and (ii) Tenant shall not have any further option to extend and (iii) the Minimum Annual Rent shall be adjusted as set forth herein ("Rent Adjustment"). Tenant shall exercise such option by delivering to Landlord, no later than six (6) months prior to the expiration of the Lease Term, written notice of Tenant's desire to extend the Lease Term. Tenant's failure to properly exercise such option shall waive it. If Tenant properly exercises its option to extend, Landlord shall notify Tenant of the Rent Adjustment no later than ninety (90) days prior to the commencement of the Extension Term. Tenant shall be deemed to have accepted the Rent Adjustment if it fails to deliver to Landlord a written objection thereto within five (5) business days after receipt thereof. If Tenant properly exercises its option to extend, Landlord and Tenant shall execute an amendment to the Lease (or, at Landlord's option, a new lease on the form then in use for the Building) reflecting the terms and conditions of the Extension Term, within thirty (30) days after Tenant's acceptance of the Rent Adjustment.

(B) MARKET RENT ADJUSTMENT. The Minimum Annual Rent for the Extension Term shall be an amount equal to ninety percent (90%) of the Minimum Annual Rent then being quoted by Landlord to prospective new tenants of the Building for space of comparable size and quality and with similar or equivalent improvements as are found in the Building, and if none, then in similar buildings in the vicinity, excluding free rent and other concessions; provided, however, that in no event shall the Minimum Annual Rent during the Extension Term be less than Five Dollars and Eighty Three Cents ($5.83) per rentable square foot of the Leased Premises. The Minimum Monthly Rent shall be an amount equal to one-twelfth (1/12) of the Minimum Annual Rent for the Extension Term and shall be paid at the same time and in the same manner as provided in the Lease.

SECTION 16.13. RIGHT OF FIRST OFFER. Provided that (i) Tenant has not been in Default beyond any applicable cure periods at any time during the Lease Term, (ii) the creditworthiness of Tenant is materially the same as or better than on the Commencement Date, (iii) Tenant named herein or a Permitted Transferee (as defined herein) remains in possession of and has been continuously operating in substantially the entire Leased Premises throughout the Lease Term and (iv) the current use of the Leased Premises is consistent with the Permitted Use hereunder, and subject to any rights of other tenants to the Offer Space, Landlord shall notify Tenant in writing ("Landlord's Notice")

before entering into a lease with a third party of the availability of rentable space within the Building as such space becomes available for leasing during the Lease Term (the "Offer Space"). Tenant shall have ten (10) business days from its receipt of Landlord's Notice to deliver to Landlord a written acceptance agreeing to lease the Offer Space on the terms and conditions contained in Landlord's Notice. In the event Tenant fails to notify Landlord of its acceptance within said ten (10) day period, such failure shall be conclusively deemed a waiver of Tenant's Right of First Offer and a rejection of the Offer Space, whereupon Tenant shall have no further rights with respect to the Offer Space and Landlord shall be free to lease the Offer Space to a third party. In the event Tenant accepts the Offer Space on the terms and conditions specified in the Landlord's Notice, the term for the Offer Space shall be coterminous with the term for the original Leased Premises; provided, however, that the minimum term for the Offer Space shall be sixty (60) months and the Term for the original Leased Premises shall be extended, to be coterminous with the term for the Offer Space. The Minimum Annual Rent for the Offer Space shall be equal to the rate which is then being quoted by Landlord to prospective new tenants for the Offer Space, excluding free rent and other concessions, provided, however, that in no event shall Tenant's Minimum Annual Rent per square foot for the Offer Space be less than the highest Minimum Annual Rent per square foot payable during the original Lease Term for the original Leased Premises. The Minimum Annual Rent for the original Leased Premises during any part of the extended term beyond the original Lease Term shall be an amount equal to Ninety Percent (90%) of the Minimum Annual Rent then being quoted by Landlord to prospective new tenants of the Building for space of comparable size and quality and with similar or equivalent improvements as are found in the Building, and if none, then in similar buildings in the vicinity, excluding free rent and other concessions, provided, however, that in no event shall the Minimum Annual Rent during any such extended term be less than Five Dollars and Eighty-Three Cents ($5.83) per rentable square foot of the original Leased Premises.

It is understood and agreed that Tenant's Right of First Offer is an ongoing and continuing right. To this end and in the event Tenant declines or fails to elect to lease the Offer Space, then Tenant's rights with respect to the offered portion of the Offer Space shall automatically terminate and thereafter be null and void as to such space; provided, however, that in the event such space subsequently becomes available for leasing, Landlord shall again offer such space to Tenant in accordance with the terms hereof, except that Tenant shall be provided only a five (5) day period to respond to Landlord's Notice. It is further understood and agreed that this Right of First Offer shall not be construed to prevent any tenant in the Building from extending or renewing its lease.

SECTION 16.14. OPTION TO EXPAND. WITHIN THE BUILDING - FIRST GENERATION SPACE. At any time within the twelve (12) months following the date of execution hereof and subject to the availability of space, Tenant or a Permitted Transferee shall have the option to expand the Leased Premises ("Expansion Option"), to occupy space consisting of a minimum of an additional 12,800 rentable square feet of any previously unleased, first generation space in the Building (the "Expansion Space"). In the event Tenant elects to exercise its Expansion Option, Landlord and Tenant hereby agree that (i) Tenant shall provide Landlord with one hundred twenty (120) days prior written notice of its desire to expand; and (ii) if said Expansion Space is available for lease to Tenant, the term for the Expansion Space shall be coterminous with the term for the original Leased Premises, and the Minimum Rent for the Expansion Space shall be equal to and amount of Four Dollars and Forty Five Cents ($4.45) per rentable square foot of the Expansion Space. Landlord shall provide Tenant with a tenant finish improvement allowance equal to Six Dollars ($6.00) per rentable square foot of the Expansion Space ("Landlord's Expansion Allowance"). Landlord's Expansion Allowance shall be applied solely toward the cost of constructing and completing the tenant finish improvements within the Expansion Space for Tenant's use and occupancy of the Expansion Space. The cost of any tenant finish improvements within the Expansion Space which exceed the amount of Landlord's Expansion Allowance shall be paid in full by Tenant to Landlord within thirty (30) days of Tenant's receipt of an invoice therefor. If Tenant properly exercises its Option to Expand, Landlord and Tenant shall execute an amendment to the Lease reflecting the above-described terms for the Expansion Option, within thirty (30) days after Tenant's receipt of Landlord's Notice advising that the Expansion Space is available. In the event Landlord notifies Tenant that the Expansion Space is not available for lease to Tenant, this Expansion Option shall remain in effect with respect to any space becoming available at any time during the Lease Term.

SECTION 16.15. EARLY OCCUPANCY. Landlord shall permit Tenant to take possession of the Leased Premises forty five (45) days prior to the Commencement Date for the purpose of installing Tenant's racking in the Leased Premises and Landlord shall permit Tenant to take occupancy of the Leased Premises for purposes of occupancy the Leased Premises ; provided, however, that all terms and conditions of this Lease shall become effective upon Tenant taking possession and occupancy of the Leased Premises, except for payment of Minimum Annual Rent and Annual Rental Adjustment which will commence on the Commencement Date.

SECTION 16.16. PARKING. During the Lease Term and any extensions thereof and provided Tenant is not in Default hereunder, Tenant shall have the non-exclusive use of a total 170 parking space consisting of 95 parking spaces in the parking area located in the front of the Building and 76 parking spaces located in the parking area located behind the Building. Only one vehicle shall be parking in each space at one time. In addition, Tenant agrees that its employees and agents will not park in spaces designated "visitor parking".

SECTION 16.17. CONTINGENCY. Landlord and Tenant hereby acknowledge and agree that this Lease shall be and is contingent for a period of forty-five (45) days following the execution date of this Agreement upon Tenant successfully securing tax abatement on the real property from the City of Columbus. If such contingency is not satisfied within said forty-five (45) day period, Tenant may terminate this Lease at its election, by providing Landlord with written notice on or before the expiration of said forty-five (45) day period verifying that (i) such contingency has not been satisfied; (ii) Tenant desires to terminate this Lease; and (iii) tendering to Landlord the reimbursement and liquidated damages payments described below. In the event Tenant elects to terminate this Lease as provided above, Tenant shall indemnify and hold harmless Landlord from and against all obligations, liabilities, costs and expenses incurred by Landlord through the date of Tenant's termination including, but not limited to , all design engineering, pre-construction and construction costs and construction management fees associated with the tenant finish improvements contemplated in this Lease. In addition, Landlord and Tenant acknowledge and agree that Landlord will suffer other damages and expenses not readily or easily ascertainable in the event Tenant terminates this Lease as provided above and as a condition precedent to Tenant's termination of the Lease, Tenant shall pay Landlord the sum of Five Hundred Thousand Dollars ($500,000.00) as liquidated damages for such other costs and expenses to be suffered by Landlord. In the event Tenant fails to provide Landlord with such written notice within said forty-five (45) day period, the contingency defined herein shall have no further force or effect, and Tenant shall have no further right to terminate this Lease, and that remainder of this Lease shall be deemed in full force and effect.

SECTION 16.18. TERMINATION OF INDEMNIFICATION AGREEMENT. Landlord and Tenant hereby acknowledge and agree that the Indemnification Agreement previously executed by Tenant and Guarantor shall be terminated and of no further force or effect upon the full execution of this Lease and that any obligation of Tenant to indemnify Landlord for such design engineering, pre-construction, or construction costs shall be governed by the terms of this Lease.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the day and year first above written.

WITNESS 1:

/S/ DAVID R. PATTEN
- ----------
(Signature)

DAVID R. PATTEN
- ----------
(Printed)

WITNESS 2:

/S/ LAUREN MCELHANEY
- ----------
(Signature)

LAUREN MCELHANEY
- ----------
(Printed)

LANDLORD:

DUKE-WEEKS REALTY LIMITED
PARTNERSHIP, an Indiana limited partnership

By: Duke-Weeks Realty Corporation,
its general partner

BY: /S/ J. KURT DEHNER

J. Kurt Dehner
Senior Vice President
Columbus Industrial

WITNESS 1:
/S/ EDWARD J. SITAR
- ----------
(Signature)

EDWARD J. SITAR
- ----------
(Printed)

WITNESS 2:

/S/ SCOTT ROBINS
- ----------
(Signature)

SCOTT ROBINS
- ----------
(Printed)

TENANT:
CONTINENTAL MANAGED PHARMACY
SERVICES, INC., an Ohio corporation

BY: /S/ AMY S. ANDRES

PRINTED: AMY S. ANDRES

TITLE: SENIOR VICE PRESIDENT, MARKETING
AND FULFILLMENT

FIRST LEASE AMENDMENT

THIS FIRST LEASE AMENDMENT (the "Amendment") is executed this 24th day of February 2000 by and between DUKE-WEEKS REALTY LIMITED PARTNERSHIP, an Indiana limited partnership ("Landlord"), and CONTINENTAL MANAGED PHARMACY SERVICES, INC., an Ohio corporation ("Tenant").

WHEREAS, Landlord and Tenant have entered into a certain lease contemporaneously with this Amendment (collectively, the "Lease"), whereby Tenant has leased from landlord certain premises consisting of approximately 74,780 rentable square feet (the "Leased Premises") located in Building No. 132, 2787 Charter Street, Columbus, Ohio 43228, located in Westbelt West Commerce Center; and

WHEREAS, Landlord and Tenant desire to incorporate additional provisions and to make certain modifications in the Lease;

NOW, THEREFORE, in consideration of the foregoing premises, the mutual covenants herein contained and each act performed hereunder by the parties, Landlord and Tenant hereby enter into this Amendment.

1. Amendment of Section 1.01L. Basic Lease Provisions. Address for Notices. Section 1.01L of the Lease is hereby amended by incorporating the following after the mailing address for Guarantor:

Guarantor's Lender:

General Electric Capital Corporation
Attention: MIM Account Manager
2325 Lakeview Parkway, Suite 700
Alpharetta, GA 30004-1976

With a copy to:

General Electric Capital Corporation
Attention: Corporate Counsel-Commercial Finance
201 High Ridge Road
Stamford, Connecticut 06927-5100

2. Amendment of Section 16.03. Guaranty. Section 16.03 of the Lease is hereby amended by incorporating the following as a second paragraph to this section: Landlord agrees to send (at the address specified in Section 1.01L of the Lease) General Electric Capital Corporation, (together with its successors and assigns "Lender"), as agent for Guarantor's primary lender, copies of all default notices required to be given to Tenant under the Lease and copies of all notices required to be given to Guarantor under the Guaranty and at the same time such notices are to be given to Tenant and/or Guarantor under the Lease and Guaranty, respectively. Landlord and Tenant further agree that with respect to any amendment of the Lease which increases Tenant's Minimum Annual Rent, increases Tenant's Additional Rent, extends the Lease Term, expands the Leased Premises, or accelerates the payment or amortization of Tenant's Minimum Annual Rent, Landlord and Tenant shall secure the consent of the Lender. Notwithstanding the foregoing, Landlord shall have no obligation to provide Lender with notice or seek Lender's consent, with respect to any issues other than as expressly contemplated by Section 16.03 of the Lease or expressly contemplated in the Guaranty.

3. Amendment of Section 16.15 Early Occupancy. Section 16.15 of the Lease is hereby amended to provide that Tenant may take possession of the Leased Premises on April 11, 2000 for the purpose of installing Tenant's racking in the Leased Premises and Tenant may take possession and occupancy of the Leased Premises for purposes of conducting its business operations within the Leased Premises on April 26, 2000. All other terms and conditions stated in Section 16.15 of the Lease shall remain unchanged.

4. Amendment of Article 16. Article 16 of the Lease is hereby amended by adding the following sections: Section 16.19 Miscellaneous. Landlord and Tenant hereby acknowledge and agree that any sums due, performance costs, financial obligation, damages or liability arising from Tenant's failure to perform any of the terms or conditions defined in this Lease shall be paid to Landlord as additional rent under the Lease.

5. Tenant's Representations and Warranties. The undersigned represents and warrants to Landlord that (i) Tenant is duly organized, validly existing and in good standing in accordance with the laws of the state under which it was organized; (ii) all action necessary to authorize the execution of this Amendment has been taken by Tenant; and (iii) the individual executing and delivering this Amendment on behalf of Tenant has been authorized to do so, and such execution and delivery shall bind Tenant. Tenant, at Landlord's request, shall provide Landlord with evidence of such authority.

6. Examination of Amendment. Submission of this instrument for examination or signature to Tenant does not constitute a reservation or option, and it is not effective until execution by and delivery to both Landlord and Tenant.

7. Definitions. Except as otherwise provided herein, the capitalized terms used in this Amendment shall have the definitions set forth in the Lease.

8. Incorporation. This Amendment shall be incorporated into and made a part of the Lease, and all provisions of the Lease not expressly modified or amended hereby shall remain in full force and effect. IN WITNESS WHEREOF, the parties have caused this Amendment to be executed on the day and year first written above. LANDLORD:

DUKE-WEEKS REALTY LIMITED PARTNERSHIP,
an Indiana limited partnership

By: Duke-Weeks Realty Corporation,
its General Partner

By: /s/ J. Kurt Dehner

J. Kurt Dehner
Senior Vice-President
Columbus Industrial

TENANT:

CONTINENTAL MANAGED PHARMACY SERVICES, INC.,
an Ohio corporation

By: /s/ Russel J. Corvese

Printed: Russel J. Corvese

Title: Senior Vice President

AGREEMENT OF LEASE

Between

REGENT PARK ASSOCIATES
As Landlord

And

AMERICAN DISEASE
MANAGEMENT ASSOCIATES
As Tenant

Dated: July 22, 1996

INDEX

AGREEMENT OF LEASE

AGREEMENT OF LEASE made this 22ND of JULY, 1996 between REGENT PARK ASSOCIATES, a New Jersey Partnership, having a principal place of business at c/o Eastman Management Corporation, 651 W. Mt. Pleasant Ave., Livingston, NJ 07039, hereinafter referred to as "Landlord"; and AMERICAN DISEASE MANAGEMENT ASSOCIATES a New Jersey Corporation, having an office and principal place of business at 2414 Morris Avenue, Union, New Jersey, hereinafter referred to as "Tenant".

WITNESSETH:

For and in consideration of the covenants herein contained, and upon the terms and conditions herein set forth, Landlord and Tenant agree as follows:

DEFINITIONS

For all purposes of this Lease and all agreements supplemental thereto or modifying this Lease, the following terms shall have the meaning specified:

"ADDITIONAL RENT"

ADDITIONAL RENT shall mean all sums payable by Tenant to Landlord pursuant to the various Articles herein in which said term is used.

"BASIC RENT"

BASIC RENT shall mean $38,713.50 per annum, payable in equal monthly installments on the first day of each month during the Term, in advance, in the amount of $3,226.13 to be paid at the office of Landlord, or such other place as Landlord may designate, without any set-off demand or deduction whatsoever, except that Tenant shall pay the first monthly installment of Basic Rent ($3,226.13) and Additional Rent ($1,305.81) simultaneously with the execution hereof, receipt of which Landlord hereby acknowledges. To the extent the actual Rentable Area of the Premises, as that term is herein defined, differs from that which is set forth herein, the Basic Rent shall be adjusted accordingly.

"BROKER"

Broker shall mean Eastman Management Corporation

"BUILDING"

BUILDING shall mean the building known as 5 N Regent Park, and located at 5 N Regent Street, Suite 506, Livingston, New Jersey.

"BUILDING HOLIDAY"

BUILDING HOLIDAY shall mean President's Day, Memorial Day, Independence Day, Labor Day, Columbus Day, Veteran's Day, Thanksgiving Day and the day after, Christmas Day, and New Year's Day as each of said holidays are celebrated in the state in which the Real Property is located.

"COMMENCEMENT DATE"

COMMENCEMENT DATE shall mean October 28, 1996.

In the event the COMMENCEMENT DATE shall fall on a day other than the first day of a month, then, in such event, the BASIC RENT and ADDITIONAL RENT payable hereunder shall be apportioned for the number of days remaining in that month until the last day thereof.

"EXCUSABLE DELAY"

EXCUSABLE DELAY shall mean a delay caused by strike, lock-out or other labor troubles, act of God, inability to obtain labor or materials, governmental restrictions, enemy action, civil commotion, fire, unavoidable casualty, or any other cause similar or dissimilar, beyond the reasonable control of either Landlord or Tenant, or due to the passing of time while waiting for an adjustment of insurance proceeds.

"GOVERNMENTAL AUTHORITY"

GOVERNMENTAL AUTHORITY shall mean the town, village, city, county, state, or federal government, or any agency or quasi-governmental agency having jurisdiction over the Real Property.

"PARKING SPACES"

PARKING SPACES shall mean the parking spaces located on the Real Property.

"PREMISES"

PREMISES shall mean the area cross hatched on the floor plan of the Building annexed hereto as Exhibit A and made a part hereof.

"REAL PROPERTY"

REAL PROPERTY shall mean the land upon which the Building is located and the Building collectively.

"RENTABLE AREA OF THE BUILDING"

RENTABLE AREA OF THE BUILDING shall mean 68,808 square feet.

"RENTABLE AREA OF THE PREMISES"

RENTABLE AREA OF THE PREMISES shall mean the sum of (1) the total number of square feet contained in the area shown on Exhibit A computed by measuring from the outside finish of the exterior of the Building wall(s) to the corridor side of the corridor walls or permanent partitions in the Premises, and to the center of partitions that separate the Premises from adjoining areas in the Building; plus (2) an appropriate adjustment of once percent (1%) for the Premises' allocable share of the Building that is used for public corridors, public toilets, air-conditioning rooms, fan rooms, janitor's closets, electrical closets, telephone closets, elevator shafts, flues, stacks, pipe shafts and vertical ducts with their enclosing walls. In computing Rentable Area of the Premises and Rentable Area of the Building, no deduction shall be made for columns and projections necessary for the structural integrity of the Building, and the measurements provided to Landlord by Landlord's architect shall be conclusive and binding upon the parties hereto. The Rentable area of the Premises is 3,687 square feet.

"SECURITY DEPOSIT"

SECURITY DEPOSIT shall mean $18,127.75 deposited by Tenant with Landlord simultaneously herewith. Said amount shall increase proportionately in the same percentage as any increase in Basic Rent. However, Tenant may split the above amount as $9,063.88 cash and the balance in the form of a L/C, as more fully described in Article 43 herein.

"STRUCTURAL REPAIRS"

STRUCTURAL REPAIRS shall mean repairs to the roof, foundation, and permanent exterior walls and support columns of the Building.

"TENANT'S PROPORTIONATE SHARE"

TENANT'S PROPORTIONATE SHARE is five point four Percent (5.4%). To the extent the actual Rentable Area of the Premises or the actual Rentable Area of the Building, as those terms are herein defined, differs from that which is set forth herein, Tenant's Proportionate Share shall be adjusted accordingly.

"TERM"

TERM shall mean a period of thirty six (36) months commencing on the Commencement Date or on the 1st day of the first full month after the Commencement Date if same shall not be on the first day of the month, and terminating on the Termination Date.

"TERMINATION DATE"

TERMINATION DATE shall mean thirty six (36) months from the later of the Commencement Date or the first day of the first full month after the Commencement Date if same shall not be on the first day of the month.

This Lease consists of this LEASE AGREEMENT and EXHIBIT A (floor plans of Premises), a WORK LETTER, RULES AND REGULATIONS.

ARTICLE I

1. RENT

1.1 Landlord hereby leases to Tenant and Tenant hereby hires from Landlord the Premises for the Term.

1.2 Tenant hereby covenants and agrees to pay, when due, the Basic Rent and all Additional Rent as herein provided.

1.3 Any installment or installments of Basic Rent or Additional Rent accruing hereunder, and all other sums payable by Tenant hereunder which are not paid when due (without regard to any otherwise applicable cure period), shall bear interest at the rate of two (2%) percent per month (unless such rate shall be unlawful, in which case the highest permitted legal rate shall apply). In addition, if Tenant is delinquent more than five (5) days in the payment of any Basic Rent or Additional Rent it shall pay to the Landlord a late charge equal to five ($.05) cents for each dollar of Basic Rent or Additional Rent which is delinquent.

1.4 In the event any check paid by Tenant for the payment of any installment or installments of Basic Rent or Additional Rent or for any other sums payable by Tenant hereunder is returned by Landlord's bank for insufficient or unavailable funds, Tenant shall pay to Landlord a Fifty ($50.00) Dollar handling and administration fee upon notice and demand by Landlord.

ARTICLE II

2. USE

2.1 The Premises are to be used only for executive, general, and administrative offices and for no other purpose. Neither Tenant nor any of Tenant's servants, agents, employees, invitees or licensees shall damage, disfigure or injure the Premises or any portion thereof or the Real Property; nor shall Tenant allow the emission of any offensive odors or noise from the Premises. Any office equipment or machines used by Tenant within the Premises which may interfere with the use or enjoyment of any other tenant or occupant of the Building or which may be heard from any public area in or about the building shall be placed and maintained by Tenant, at Tenant's sole expense, in a sound proof setting such as cork, rubber or vibration eliminators to eliminate any such noise or vibration. As an ancillary use, Tenant may mix pharmaceutical prescriptions in the space marked "Pharmaceutical" on the attached plan.

2.2 If any governmental license or permits, other than a certificate of occupancy, shall be required for the proper and lawful conduct of Tenant's business in the Premises, or any part thereof, and if failure to secure such license or permit would in any way affect Landlord, Tenant, at its expense shall duly procure and thereafter maintain such license or permit and submit the same to inspection by Landlord. Tenant shall, at all times, comply with the terms and conditions of each such license or permit.

2.3 Tenant shall not store, place or allow the storing or placement of any materials, debris or other obstructions of any nature in any hallway, lobby or other public areas of the interior of the Real Property or on the sidewalk, parking area or other area or areas abutting or adjacent to the Real Property.

2.4 Tenant shall not place anything on any floor of the Premises which will create a load in excess of the load per square foot which such floor was designed to carry.

2.5 Tenant shall not move any heavy equipment or bulky matter, including, but not limited to safes or large office equipment or furniture, into or out of the Building without first obtaining Landlord's consent. If the movement of such items requires any special handling, all such work shall be done in full compliance with applicable laws, ordinances, codes, rules and regulations and any other applicable governmental requirements. All such movements shall be made during hours designated by Landlord which will least interfere with the normal operation of the Building, and all damage directly or indirectly caused by such movement shall be promptly repaired by Tenant at Tenant's expense.

2.6 Landlord shall provide Tenant with up to four (4) undesignated parking spaces per one thousand (1,000) square feet of floor space of the Premises.

ARTICLE III

3. CHANGE OF COMMENCEMENT DATE

3.1 If, for any reason, the Premises are not, or will not be, ready for occupancy on the Estimated Commencement Date, this Lease shall nevertheless continue in full force and effect and Tenant shall have no right to rescind, cancel, or terminate same, nor shall Landlord be liable for damages, if any, sustained by Tenant by reason of inability to obtain possession thereof on such date. In such event, Landlord will give Tenant notice, oral or otherwise, at least three (3) days in advance of the date when Landlord expects the Premises to be ready for occupancy by Tenant, which date shall be the then Estimated Commencement Date.

3.2 If Tenant shall use or occupy all or any part of the Premises for the conduct of business prior to the Commencement Date, such use or occupancy shall be deemed to be under all of the terms, covenants and conditions of this Lease, including the covenant to pay Basic Rent and Additional Rent for the period from the commencement of said use or occupancy to and including the date immediately preceding the Commencement Date, without, however, affecting the Term or the Termination Date. The provisions of the foregoing sentence shall not be deemed to give to Tenant any right or ability to use or occupy the Premises prior to the Commencement Date without the written consent of Landlord.

ARTICLE IV

4. ACCEPTANCE

4.1 When Tenant takes possession of the Premises, Tenant shall be deemed to have accepted the Premises as being satisfactory and in good condition as of the date of such possession, unless Tenant gives notice to Landlord to the contrary within thirty (30) days thereafter.

ARTICLE V

5. COMPLIANCE WITH LAWS AND INSURANCE REQUIREMENTS

5.1 Tenant shall not do, or permit anything to be done in or to the Premises, or bring or keep anything therein which will, in any way, increase the cost of property or public liability insurance on the Real Property, or invalidate or conflict with the property insurance or public liability insurance policies covering the Real Property, any Building Fixtures, or any personal property kept therein, or obstruct or interfere with the rights of Landlord or of other tenants, or in any other way injure or annoy Landlord or other tenants, or subject Landlord to any liability for injury to persons or damage to property, or interfere with the good order of the Building, or conflict with the present or future laws, rules, or regulations of any Governmental Authority. Tenant hereby indemnifies and will hold Landlord harmless of and from all liability for injury to persons or damage occurring on the Premises, in the Building, or on the Real Property, whether occasioned by any act or omission of Tenant, or Tenant's agents, servants, employees, invitees, or licensees. Tenant agrees that any increase in insurance premiums on the Building or contents caused by the occupancy of Tenant and any expense or cost incurred in consequence of negligence, carelessness, or willful action of Tenant, Tenant's agents, servants, employees, invitees or licensees, shall be reimbursed to Landlord within ten (10) days of deemed therefore. Any amounts payable by Tenant hereunder shall be deemed Additional Rent.

ARTICLE VI

6. PERSONAL PROPERTY TAXES

6.1 Tenant agrees to pay all taxes imposed on the personal property of Tenant, the conduct of its business, and its use and occupancy of the Premise.

ARTICLE VII

7.1 ADDITIONAL RENT

7.1.1 Tenant hereby covenants and agrees to pay, as Additional Rent the amounts as set forth below.

7.2 TAXES

7.2.1 For each year or part of a year occurring within the Term, Tenant shall pay to Landlord, within thirty (30) days after Landlord's presentation of Landlord's Statement (as hereinafter defined), to Tenant therefor, as Additional Rent, Tenant's Proportionate Share of all real estate and personal property taxes (inclusive of municipal sewer and water rents and charges, if any) assessed against the Real Property and Building of which the Premises are a part .

7.2.2 As used herein, the term "Real Estate Taxes" shall mean those real estate taxes, assessments, sewer rents, rates and charges which shall be levied, imposed or assessed upon the Real Property, provided that, if because of any change in the method of taxation of real estate any other tax or assessment is imposed upon Landlord or the owner of the Real Property or upon or with respect to the Real Property or the rents or income therefrom in substitution for or in lieu of those taxes attributable to the Real Property, such other tax or assessment shall be deemed Real Estate Taxes for the purpose herein; provided, however, that Real Estate Taxes shall not include any gift, inheritance, estate, franchise, income, profits, capital or similar tax imposed, unless and to the extent any such tax shall be imposed or levied in lieu of Real Estate Taxes.

7.2.3 Landlord may take the benefit of the provisions of any statute or ordinance permitting any Real Estate Taxes to be paid over a period of time.

7.2.4 If Landlord shall receive any refund of Real Estate Taxes in respect of any tax year, Landlord shall deduct from such refund any expenses incurred in obtaining such refund, and out of the remaining balance of such refund, Landlord shall credit to Tenant Tenant's Proportionate Share of such refund provided however, that in no event shall any such refund reduce Tenant's Proportionate Share of Real Estate Taxes beyond that which was originally charged to Tenant as Additional Rent. Any expenses incurred by Landlord in contesting the validity of the amount of the assessed valuation of the Real Property or of any Real Estate Taxes, to the extent not offset by a tax refund, shall be included as an item of Real Estate Taxes for the tax year in which such contest shall be finally determined for the purpose of computing the Additional Rent due Landlord or any credit due to Tenant hereunder.

7.2.5 If the tax year for Real Estate Taxes shall be changed, then appropriate adjustment shall be made in the computation of the Additional Rent due to Landlord or any credit due to Tenant, in accordance with sound accounting principles to effectuate the changeover to any new tax year adopted by any taxing authority.

7.2.6 If the last year of the Term ends on any day other than the last day of a tax year, any payment due to Landlord or credit due to Tenant by reason of any increase in Real Estate Taxes shall be prorated and Tenant covenants to pay any amount due to Landlord within thirty (30) days after being billed therefore and Landlord covenants to credit any amount due to Tenant as the case may be. These covenants shall survive the expiration or termination of this Lease.

7.3 OPERATING EXPENSES

7.3.1 For each year or part of a year occurring within the Term, Tenant shall pay to Landlord within thirty (30) days after Landlord's presentation of Landlord's Statement (as hereinafter defined) to Tenant therefor, as Additional Rent, Tenant's Proportionate Share of the Operating Expenses attributable to the Real Property and Building.

7.3.2 As used herein, the term "Landlord's Operating Expenses" shall mean those costs or expenses paid or incurred by Landlord for operating, maintaining, and repairing (inclusive of Structural Repairs) the Building, any of its systems, or the Real Property, including the cost of electricity, gas, water, fuel, window cleaning, janitorial service, insurance of all kinds carried in good faith by Landlord and applicable to the Building or the Real Property, snow removal, maintenance and cleaning of the parking lot, landscape maintenance (including replanting and replacing flowers and other plantings), painting or repainting or redecorating of the public areas, maintenance of equipment and replacement of worn out mechanical or damaged equipment, uniforms, management fees, typical and customary office expenses, building supplies, sundries, sales or use tax on supplies or services, wages, salaries and other compensation, including applicable payroll taxes and benefits, of all persons engaged by Landlord for the operation, maintenance and repair of the Building and the Real Property including independent contractors' fees, replacement cost of tools and equipment, legal and accounting expenses, and any other expenses or costs, which in accordance with generally accepted accounting principles and the standard management practices for office buildings comparable to the Building would be considered as an expense of operating, maintaining, or repairing the Building and the Real Property. Excluded from Landlord's Operating Expenses are capital improvement costs (unless any such cost or costs are incurred as a cost savings measure (not to exceed the actual cost savings) that will, at least in part, be of benefit to Tenant), costs reimbursed by insurance or otherwise, the cost of work performed specifically for a tenant in the Building for which such tenant reimburses Landlord, costs in connection with preparing space for a new tenant and real estate broker's commissions.

7.4 LANDLORD'S STATEMENTS

7.4.1 On or about May first of each year of the Term, or within a reasonable period of time thereafter, Landlord shall submit to Tenant a statement ("Landlord's Statement") showing in reasonable detail Landlord's Operating Expenses and Real Estate Taxes during the preceding calendar year. Within ten (10) business days next following the submission of a Landlord's Statement Tenant shall pay to Landlord Tenant's Proportionate Share. Provided Tenant pays its Proportionate Share of said amount in accordance with the terms herein, Tenant or its representative shall have the right to examine Landlord's books and records with respect to the items in the foregoing Landlord's Statement during normal business hours at any time within twenty (20) days following the delivery by Landlord to Tenant of such Landlord's Statement. Tenant's failure to inspect during said time period shall be deemed a waiver of Tenant's right to so inspect and Tenant waives its right to request any such inspection after said twenty (20) day period. Unless Tenant shall take written exception to any item contained therein within thirty (30) days after the delivery of same, such Landlord's Statement shall be considered as final and accepted by Tenant and Tenant waives its right to take exception after said thirty (30) day period. In the event Tenant takes timely written exception to any item contained in Landlord's books and records with respect to the items in the foregoing Landlord's Statement, any payment made in accordance with this Paragraph 7.4.1 shall be deemed made in protest to the extent of such exception.

7.4.2 On the first day of each month following the submission of any Landlord's Statement which shows that Tenant is obligated to pay Additional Rent pursuant to this ARTICLE, Tenant shall pay to Landlord, on account of its potential obligation to pay such Additional Rent for the calendar year following the calendar year for which such Landlord's Statement shall have been rendered, a sum equal to one-twelfth (1/12) of the amount which the Tenant shall have paid as such Additional Rent for such prior calendar year. Such sum shall be due with each monthly installment of Basic Rent until submission of the next succeeding Landlord's Statement and shall be collectible by Landlord as Additional Rent. However, the Landlord may, at its discretion from time to time determine the new monthly account payments based on the Landlord's operating budget for the year to which the monthly account payments apply (Budget Billing). Such account payments may begin on January 1 of the subject year or thereafter whenever the account payments are determined with an appropriate retroactive adjustment to January 1 of that year.

7.4.3 In each Landlord's Statement there shall be a reconciliation as follows: Tenant shall be charged with any Additional Rent shown on such Landlord's Statement, which charge shall be reduced by the aggregate amount, if any, paid by Tenant on account thereof. Tenant shall pay any net balance due to Landlord within thirty (30) days as set forth above; any overpayment shall be applied by Landlord against the next accruing monthly installment of Additional Rent, or shall be paid over to Tenant upon termination of this Lease, subject to Landlord's rights and remedies hereunder.

7.4.4 Any Additional Rent under this ARTICLE shall be prorated for the final calendar year of the Term if such year covers a period of less than twelve (12) months. In no event shall any adjustment in Tenant's obligation to pay Additional Rent under this ARTICLE result in a decrease in the Basic Rent payable hereunder. Tenant's obligation to pay Additional Rent and Landlord's obligation to credit to Tenant any amount referred to in this ARTICLE for the final year of the Term shall survive the expiration or termination of this Lease.

ARTICLE VIII

8. RULES AND REGULATIONS

8.1 Tenant, on behalf of itself and its employees, agents, servants, invitees, and licensees, agrees to comply with the Rules and Regulations with respect to the Real Property which are set forth at the end of this Lease and are expressly made a part hereof. Landlord shall have the right to make reasonable amendments thereto from time to time for the safety, care, and cleanliness of the Real Property, the preservation of good order therein, and the general convenience of all the tenants and Tenant agrees to comply with such amended Rules and Regulations, after twenty (20) days written notice thereof from Landlord. All such amendments shall apply to all tenants in the Building, and will not materially interfere with the use and enjoyment of the Premises or the parking lot by Tenant.

ARTICLE IX

9. LANDLORD'S RIGHT OF ENTRY

9.1 Landlord and Landlord's agents and representatives shall have the right to enter into or upon the Premises, or any part thereof, at all reasonable hours for the following purposes: (1) examining the Premises; (2) making such repairs or alterations therein as may be necessary in Landlord's sole judgment for the safety and preservation thereof; (3) erecting, maintaining, repairing, or replacing wires, cables, conduits, vents or plumbing equipment running in, to, or through the Premises; or (4) showing the Premises to prospective purchasers or lessees of the Building or to prospective mortgagees or to prospective assignees of any such mortgagees or others; or (5) showing the Premises to prospective new tenants of the Premises during the last year of the Term. However, Landlord shall give Tenant prior notice, oral or otherwise, before commencing any non-emergency repair or alteration.

9.2 Landlord may enter upon the Premises at any time in case of emergency without prior notice to Tenant.

9.3 Landlord, in exercising any of its rights under this ARTICLE IX, shall not be deemed guilty of an eviction, or disturbance of Tenant's use or possession of the Premises and shall not be liable to Tenant for the same. The Basic Rent and Additional Rent as defined in this Lease shall in no way abate while said repairs or alterations are being made.

9.4 All work performed by or on behalf of Landlord in or on the Premises pursuant to this ARTICLE IX shall be performed with as little inconvenience to Tenant's business as possible, and in such manner as not unreasonably to interfere therewith.

ARTICLE X

10.1 MAINTENANCE BY TENANT

10.1.1 Tenant shall take good care of the Premises throughout the Term and shall preserve the same in the condition delivered to Tenant on the Commencement Date, normal wear and tear excepted. Tenant, at its sole cost, shall be responsible for the cleaning and maintenance of the Premises and shall retain and maintain its own janitorial services. Tenant further agrees not to injure, overload, deface, or commit waste of the Premises, the Building or the Real Property. Tenant shall be responsible for all injury or damage of any kind or character to the Real Property, including the windows, floors, walls, ceilings, lights, electrical equipment, plumbing and HVAC equipment, caused by Tenant or by anyone using or occupying the Premises by, through, or under the Tenant. In addition, Tenant shall, at its sole cost and expense, maintain a service contract with a reliable HVAC contractor reasonably acceptable to Landlord to perform regular monthly or other required service and maintenance to the HVAC system. If the Premises become infested with vermin, Tenant shall, at Tenant's expense, cause the same to be exterminated from time to time to the satisfaction of Landlord and shall employ such extermination company as shall be approved by Landlord.

10.2 MAINTENANCE BY LANDLORD

10.2.1 Landlord shall be responsible for making all Structural Repairs and shall maintain, repair and replace the parking area and the exterior of the Building, except those repairs or replacements arising from the negligence of Tenant, its agents, servants, employees, licensees, or invitees, which shall be the sole responsibility of Tenant.

ARTICLE XI

11. ALTERATIONS OR IMPROVEMENTS BY TENANT

11.1 Tenant shall make no changes in or to the Premises of any nature without Landlord's prior written consent and without first representing that the contemplated changes in or to the Premises will do nothing to increase the property or liability rates charged to Landlord for the Building. In the event Landlord consents to the contemplated changes and such changes result in an increase in the property or liability rates charged to Landlord for the Building, Tenant shall be responsible for such increase as Additional Rent. Subject to the aforementioned consent of Landlord, Tenant at Tenant's sole expense, may hire contractors approved by Landlord, or Landlord may elect, on Tenant's behalf, to make such alterations, installations, additions, or improvements in or to the Premises (collectively "Tenant Alterations") which are non-structural and which do not affect utility services, plumbing, electrical lines, sprinkler systems, HVAC systems or any other mechanical systems, in or to the Premises or Building or which involve any drywall construction. All such Tenant Alterations shall, upon installation, become the property of Landlord and shall remain upon and be surrendered with the Premises, unless otherwise required by Landlord to be removed by Tenant upon the expiration or termination of this Lease or unless Tenant, by notice to Landlord no later than thirty (30) days prior to the Termination Date, requests Landlord's consent to remove the same. If Landlord so consents the same shall be removed from the Premises by Tenant prior to the Termination Date at Tenant's sole expense. Nothing in this ARTICLE XI shall be construed to give Landlord title to or to prevent Tenant's removal of trade fixtures, movable office furniture and equipment, but upon removal of any such from the Premises or upon removal of any other installation as may be permitted by Landlord, Tenant shall immediately and at its expense, repair and restore the Premises to the condition existing prior to such Tenant Alterations, taking care during such removal. Tenant

shall repair any damage to the Premises or to the Real Property incurred during such removal. All property permitted or required to be removed by Tenant at the end of the Term which remains on the Premises after the Termination Date shall be deemed abandoned and may, at the election of Landlord, either be retained as Landlord's property or may be removed from the Premises by Landlord at Tenant's expense.

11.2 Prior to the commencement of any Tenant Alterations, Tenant shall at its sole expense, obtain all required permits, approvals, and certificates required by all Governmental Authorities. Upon completion of the Tenant Alterations, Tenant shall, at its sole expense, obtain certificates of final approval thereof. Tenant shall deliver to Landlord duplicates of the same prior to commencing the said Tenant Alterations and promptly upon completion of the same, as the case may be. Tenant shall carry and will cause Tenant's contractors and subcontractors to carry such workman's compensation, as required by law, general liability, (including, but not limited to completed operations, broad form property damage and hired and non-owned automobile coverage), personal and property damage insurance, and automobile liability insurance in amounts no less than the amounts set forth in ARTICLE XXXI below.

11.3 Upon completion of any Tenant alterations as defined herein, Tenant shall immediately deliver to Landlord (i) an unconditional, final Certificate of Occupancy, (ii) "as-built" final plans and drawings identical to those upon which Landlord granted its approval, and (iii) Tenant's architect's certification that the alterations, as completed, conform with all applicable local, county state and/or federal statutes, ordinances, rules, regulations and codes including, but not limited to the orders, rates and regulations of the National and local Boards of Fire Underwriters and any other body or bodies hereinafter exercising similar functions.

ARTICLE XII

12. ASSIGNMENT AND SUBLETTING

12.1 Tenant for itself, its heirs, distributees, successors, and assigns, expressly covenants that it shall not directly or indirectly by operation of law, merger, consolidation, reorganization, dissolution, change of majority ownership of Tenant, or otherwise, assign, (which for purposes of this Lease, shall include any such merger, consolidation, reorganization, dissolution or change of ownership of Tenant), mortgage, or encumber this Lease, or any part thereof, or permit the Premises to be used by others without the prior written consent of Landlord in each instance. Any attempt to do so by the Tenant shall be void. The consent by Landlord to any assignment, mortgage, encumbrance, subletting, or use of the Premises by others shall not constitute a waiver of Landlord's right to withhold its consent to any other assignment, mortgage, encumbrance, or use of the Premises by others. Without the prior written consent of Landlord, this Lease and the interest of Tenant therein or any assignee of Tenant therein, shall not pass by operation of law, and shall not be subject to garnishment or sale under execution in any suit or proceeding which may be brought against or by Tenant or any assignee of Tenant.

12.2 Landlord covenants and agrees that it will not unreasonably withhold its consent to Tenant's assigning or subletting all or a part of the Premises, provided, however, (1) that Tenant shall not be in default under any of the terms, covenants, conditions, provisions, and agreements of this Lease at the time of any notice or request for consent under the terms of this ARTICLE XII or at the effective date of such subletting or assigning; and (2) that such subletting or assigning shall not be made with a Tenant who shall be or who shall seek to use any portion of the Premises for a use incompatible with that customarily found in first-class office buildings. Notwithstanding the foregoing, the Premises may not be sublet or assigned to any employment agency, governmental department, labor union office, doctor's or dentist's office, dance or music studio, school or beauty salon and (3) that the proposed subtenant or assignee is not then an occupant of any part of the Building or a party who dealt with Landlord or Landlord's agent (directly or through a broker) with respect to space in the Building during the 12 months immediately preceding Tenant's request for Landlord's consent; and (4) that Tenant shall have granted to the Landlord or Landlord's agent the exclusive right to sublet the Premises or such portion thereof as Tenant proposes to sublet or to assign this Lease as the case may be.

12.3 If Tenant requests Landlord's consent to an assignment of this Lease or a subletting of all or any part of the Premises, Tenant shall submit to Landlord: (1) the name and address of the proposed assignee or subtenant; (2) the terms of the proposed assignment or subletting; (3) the nature of the proposed assignee's pr subtenant's business; and (4) such information as to the proposed assignee's or subtenant's financial responsibility and general reputation as Landlord may reasonably require.

12.4 Upon the receipt of such request and information from Tenant, Landlord shall have the option to be exercised in writing within thirty (30) days after such receipt, to either (1) cancel and terminate this Lease, if the request is to assign this Lease or to sublet all of the Premises, or if the request is to sublet a portion of the Premises only, to cancel and terminate this Lease with respect to such portion, in each case as of the date set forth in Landlord's notice of exercise of such option; or (2) to grant said request; or, (3) to deny such request.

12.5 In the event Landlord shall cancel this Lease, Tenant shall surrender possession of the Premises, or the portion of the Premises which is the subject of the request, as the case may be, on the date set forth in such notice in accordance with the provisions of this Lease relating to surrender of the Premises. If the Lease shall be canceled as to a portion of the premises only, the Basic Rent and Additional Rent payable by Tenant hereunder shall be reduced proportionately according to the ratio that the number of square feet in the portion of space surrendered bears to the square feet in the Rentable Area of the Premises.

12.6 In the event that Landlord shall consent to a sublease or assignment pursuant to the request from Tenant, Tenant shall cause to be executed by its assignee or subtenant an agreement to perform faithfully and to assume and be bound by all of the terms, covenants, conditions, provisions, and agreements of this Lease for the period covered by the assignment or sublease and to the extent of the space sublet or assigned. An executed copy of each sublease or assignment and assumption of performance by the sublessee or assignee, on a form acceptable to Landlord, shall be delivered to Landlord within thirty (30) days prior to the commencement of occupancy set forth in such assignment or sublease. No such assignment or sublease shall be binding on Landlord until Landlord has received such copies as required herein.

12.7 In no event shall any assignment or subletting (whether or not Landlord may have consented), release or relieve Tenant from its obligations to fully perform all of the terms, covenants, and conditions of this Lease on its part to be performed.

12.8 Without otherwise restricting the grounds upon which Landlord may otherwise withhold its consent, Landlord shall not be deemed to have unreasonably withheld its consent to such an assignment or subletting if "Landlord Consent Requirements" are not satisfied. Furthermore, Landlord may withhold its consent if, in its judgment, it determines that:

12.8.1 The proposed new use of the Premises is not, in Landlord's sole opinion, appropriate for the Building or in keeping with the character of the existing tenancies or is expressly prohibited under the terms of this Lease.

12.8.2 The proposed assignee's use or occupancy will make unreasonable or excessive demands on the Building's services, maintenance or facilities or will cause excessive traffic or unacceptable increase in density of traffic of the building.

12.8.3 Less than fifty (50%) percent of the Rentable Area Of The Building is then rented.

12.9 As used herein, "Landlord's Consent Requirements" shall mean the following minimum requirements which must be met by Tenant before Landlord shall consent to an assignment or subletting of all or part of the Premises:

12.9.1 The assignment or subletting shall be at any one time to no more than one (1) subtenant or assignee.

12.9.2 The assignment or subletting shall be for not less than 3,687 rentable square feet.

12.9.3 The assignment or subletting shall be for a term of not less than thirty six (36) months unless the unexpired portion of such Term of this Lease shall be less than thirty six (36) months, in which event for the unexpired portion or such Term.

12.9.4 The assignment or subletting shall not be to a then current Tenant or occupant of the Building if there is available space of a size sufficient to satisfy such tenant's or occupant's requirements.

12.10 If the Landlord shall consent to any subletting or assignment, in accord with the terms of this ARTICLE, one hundred percent of any rents received by the Tenant from such assignee or subtenant. in excess of the rents or other sums required to be paid by Tenant to Landlord, shall be paid by Tenant to Landlord.

12.11 Tenant shall reimburse Landlord for Landlord's costs and expenses (including without limitation the charges of any outside architectural, engineering, accounting or legal professionals retained by Landlord to review the proposed assignment or sublease, if any) incurred by Landlord in connection with any proposed subletting or assignment by Tenant. The amount of such costs and expenses shall be deemed to be Additional Rent under the terms of this Lease and shall be payable by Tenant upon demand, regardless of whether Landlord consents to or denies such assignment or sublease or elects to cancel this Lease as provided in paragraph 12.4 above.

12.12 Neither the Tenant nor any other person having an interest in the possession, use, occupancy or utilization of the Premises or any other portion of the Real Property shall enter into any lease, sublease, license, concession or other agreement for the use, occupancy or utilization of space in the Premises or any other portion of the Real Property which provides for any rental or other payment for such use, occupancy or utilization based in whole or in part upon the net income or profits derived from any person from the space in the Premises or any other portion of the Real Property so leased, used, occupied or utilized, other than an amount based upon a fixed percentage or percentages of gross receipts or gross sales.

ARTICLE XIII

13. SURRENDER

13.1 Upon the Termination Date or prior expiration of the Term, Tenant shall peaceably and quietly quit and surrender to Landlord the Premises, broom clean, in as good condition as on the Commencement Date, ordinary wear and tear, repairs and replacements by Landlord, alterations, additions, and improvements permitted hereunder, excepted, free and clear of all occupancies. Tenant's obligations to observe or perform this covenant shall survive the Termination Date or prior expiration of the Term. If the Termination Date falls on a Sunday or a legal holiday, this Lease shall expire at 12 noon on the business day first preceding said date.

ARTICLE XIV

14. HOLDING OVER

14.1 If Tenant holds possession of the Premises beyond the Termination Date or prior expiration of the Term, Tenant shall become a tenant from month-to-month at Double the Basic Rent and Additional Rent payable hereunder and upon all other terms and conditions of this Lease, and shall continue to be such month-to-month tenant until such tenancy shall be terminated by Landlord and such possession shall cease. Nothing contained in this Lease shall be construed as a consent by Landlord to the occupancy or possession by Tenant of the Premises beyond the Termination Date or prior expiration of the Term, and Landlord, upon said Termination Date or prior expiration of the Term shall be entitled to the benefit of all legal remedies that now may be in force or may be hereafter enacted relating to the speedy repossession of the Premises. In addition, Tenant shall indemnify and hold Landlord harmless from and against any loss, cost, liability or expense, including, but not limited to, attorney's fees resulting from such failure to vacate and also including any claims made by any succeeding tenant founded on such failure to vacate.

ARTICLE XV

15 ELECTRICITY

15.1 Throughout the Term, Landlord agrees to redistribute electrical energy to the Premises (not exceeding the present electrical capacity at the Premises), upon the following terms and conditions: (1) Tenant shall pay for such electrical energy as provided by this Paragraph; (2) Landlord shall not be liable in any way to Tenant, Tenant's agents, servants, employees, invitees or licensees, for any loss, damage or expense which Tenant, Tenant's agents, servants, employees, invitees or licensees may sustain or incur as a result of any failure, defect, or change in the quantity or character of electricity furnished to the Premises or if such quantity or character of electricity furnished to the Premises is no longer available or suitable for Tenant's requirements or due to any cessation, diminution or interruption of the supply thereof.

15.2 The Tenant shall, at its own cost and expense, pay all service and usage charges for gas, electric, sprinkler, or any other utility which is separately metered and billed to Tenant. With respect to any utility which is not separately metered and billed to Tenant, Tenant shall pay the charge assessed to Tenant by Landlord based upon Tenant's Proportionate Share. Landlord shall arrange for separate metering or sub-metering of Tenant's actual electricity usage (except for common areas) and Tenant shall pay to the utility or Landlord, as the case may be, the charges billed.

15.3 In no event shall Landlord be required or obligated to increase the electrical capacity of any portion of the Building's system, or to provide any additional wiring or capacity to meet Tenant's additional requirements, if any, beyond that which was servicing the Premises at the Commencement of the Lease Term. Tenant's use of electric energy in the Premises shall not at any time exceed the capacity of any of the electrical conductors and equipment in or serving the Premises. Tenant shall make no alteration to the existing electrical equipment or connect any fixtures, appliances, or equipment without the prior written consent of Landlord in each instance. Should Landlord grant such consent, all additional risers or other equipment required therefore shall be provided by Landlord and the cost thereof shall be paid by Tenant upon Landlord's demand.

15.4 Landlord shall not be liable in the event of any interruption in the supply of electricity, or for any consequence thereof and Tenant agrees that such supply may be interrupted for inspection, repairs, replacement and in emergencies.

15.5 The failure of Landlord to furnish any service hereunder shall not be construed as a constructive eviction of Tenant and shall not excuse Tenant from failing to perform any of its obligations hereunder and shall not give Tenant any claims against Landlord for damages for failure to furnish such service.

ARTICLE XVI

16. QUIET ENJOYMENT

16.1 Landlord covenants and agrees that, upon the performance by Tenant of all of the covenants, agreements, and provisions hereof on Tenant's part to be kept and performed, Tenant shall have, hold, and enjoy the Premises, subject and subordinate to the rights set forth in ARTICLE XXI, free from any interference whatsoever by, from, or through the Landlord, provided, however, that no diminution or abatement of the Basic Rent, Additional Rent, or other payment to Landlord shall be claimed by or allowed to Tenant for inconvenience or discomfort arising from the making of any repairs, improvements or additions to the Premises or the Real Property, nor for any space taken to comply with any law, ordinance, or order of any governmental authority, except as and if provided for herein.

ARTICLE XVII

17. AIR AND LIGHT

17.1 This Lease does not grant any rights to air and light.

ARTICLE XVIII

18. DEFAULT

18.1 Each of the following, whether occurring before or after the Commencement Date, shall be deemed a Default by Tenant and a breach of this Lease: (1) the filing of a petition by or against Tenant for adjudication as a bankrupt, or for reorganization, or for arrangement under any bankruptcy act; (2) the commencement of any action or proceeding for the dissolution or liquidation of Tenant, whether instituted by or against Tenant, or for the appointment of a receiver or trustee of the property of Tenant under any state or federal statute for relief of debtors; (3) the making by Tenant of an assignment for the benefit of creditors; (4) the suspension of business by Tenant or any act by Tenant amounting to a business failure; (5) the filing of a tax lien or a mechanics' lien against any property of Landlord or Tenant, which filing is not bonded or removed within five (5) days after notice thereof from Landlord; (6) Tenant's causing or permitting the Premises to be vacant, for a period in excess of ten (10) days or abandonment of the Premises by Tenant; (7) failure by Tenant to pay Landlord when due the Basic Rent, Additional Rent or any other sum by the time required by the terms of this Lease which failure is not cured within five (5) days after notice thereof from Landlord; (8) a failure by Tenant in the performance of any other term, covenant, agreement, or condition of this Lease on the part of Tenant to be performed, which failure, if curable, is not cured within fifteen (15) days (or such longer period as may be necessary, so long as Tenant is diligently and continuously undertaking such cure) after notice thereof from Landlord; (9) a default by Tenant under any other lease or sublease with Landlord.

18.2 Notwithstanding anything herein to the contrary, Landlord shall not be required to provide Tenant with more than two (2) notices of default during the Term of this Lease, regardless of the cause giving rise to, or the nature of the default. Tenant herein waives any notice requirements found elsewhere in this Lease beyond the number described herein.

ARTICLE XIX

19. LANDLORD'S RIGHTS UPON TENANT'S DEFAULT

19.1 Upon a Default by Tenant the following provisions shall apply and Landlord shall have the rights and remedies set forth therein which rights and remedies may be exercised upon or at any time following the occurrence of a Default unless, prior to such exercise, Landlord shall agree in writing with Tenant that the Default has been cured by Tenant in all respects.

19.2 Except for the first two (2) occurrances of Defaults which Tenant immediately cures within the applicable cure period, Landlord shall have the right to accelerate all Basic Rent and all expense installments due hereunder and otherwise payable in installments over the remainder of the Term, and, at Landlord's option, any other Additional Rent and/or other charges to the extent that such Additional Rent and/or other charges can be determined and calculated to a fixed sum; and the amount of accelerated rent and other charges, without further notice or demand for payment, shall be due and payable by Tenant within five (5) days after Landlord has so notified Tenant. Additional Rent and/or other charges which has not been included, in whole or in part, in accelerated rent, shall be due and payable by Tenant during the remainder of the Term, in the amounts and at the times otherwise provided for in this Lease.

Notwithstanding the foregoing or the application of any rule of law based on election of remedies or otherwise, if Tenant fails to pay the accelerated rent in full when due, Landlord thereafter shall have the right by notice to Tenant, (i) to terminate Tenant's further right to possession of the Premises and (ii) to terminate this Lease under paragraph 19.3 below; and if Tenant shall have paid part but not all of the accelerated rent, the portion thereof attributable to the period equivalent to the part of the Term remaining after Landlord's termination of possession or termination of this Lease shall be applied by Landlord against Tenant's obligations owing to Landlord as determined by the applicable provisions of paragraphs 19.4 and 19.5 below.

19.3 By notice to Tenant, Landlord shall have the right to terminate this Lease as of a date specified in the notice of termination and in such case, Tenant's rights, including any based on any option to renew, to the possession and use of the Premises shall end absolutely as of the termination date specified in such notice; and this Lease shall also terminate in all respects except for the provisions hereof regarding Landlord's damages and Tenant's liabilities arising prior to, out of and following the Default and the ensuing termination.

Following such termination (as well as upon any other termination of this Lease by expiration of the Term or otherwise) Landlord immediately shall have the right to recover possession of the Premises; and to that end, Landlord may enter the Premises and take possession, without the necessity of giving Tenant any notice to quit or any other further notice, with or without legal process or proceedings, and in so doing Landlord may remove Tenant's property (including any improvements or additions to the Premises which Tenant made, unless made with Landlord's consent which expressly permitted Tenant to not remove the same upon expiration of the Term), as well as the property of others as may be in the Premises, and make disposition thereof in such manner as Landlord may deem to be commercially reasonable and necessary under the circumstances.

19.4 Unless and until Landlord shall have terminated this Lease under paragraph 19.2 above, Tenant shall remain fully liable and responsible to perform all of the covenants and to observe all the conditions of this Lease throughout the remainder of the Term; and, in addition and without regard to whether Landlord shall have terminated this Lease, Tenant shall pay to Landlord, upon demand and as Additional Rent, the total sum of all costs, losses and expenses, including reasonable counsel fees, as Landlord incurs, directly or indirectly, because of any Default having occurred. If Landlord either terminates Tenant's right to possession without terminating this Lease or terminates this Lease and Tenant's leasehold estate as above provided, Landlord shall have the unrestricted right to relet the Premises or any part(s) thereof to such tenant(s) on such provisions and for such period(s) as Landlord may deem appropriate. It is understood that Landlord shall have no obligation to have the Premises available for reletting or otherwise endeavor to relet so long as Landlord (or any related entity) has other comparable vacant space or property available for leasing to others and that notwithstanding non-availability of other space or property Landlord's obligation to mitigate damages shall be limited to such efforts as Landlord, in its sole reasonable judgment, deems appropriate.

19.5 The damages which Landlord shall be entitled to recover from Tenant shall be the sum of:

(1) all Basic Rent, Additional Rent and other charges accrued and unpaid as of the termination date; and

(2) (i) all costs and expenses incurred by Landlord in recovering possession of the Premises, including removal and storage of Tenant's property, improvements and alterations therefrom, (ii) the costs and expenses of restoring the Premises to the condition in which the same were to have been surrendered by Tenant as of the expiration of the Term, or, in lieu thereof, the costs and expenses of remodeling or altering the Premises or any part for reletting the same, (iii) the costs of reletting (exclusive of those covered by the foregoing (ii)), including brokerage fees and reasonable counsel fees, and (iv) any overhead expenses related to the vacancy of the Premises for each month or part between the date of termination and the reletting of the entire Premises; and

(3)all Basic Rent, Additional Rent and other charges to the extent that the amount(s) of Additional Rent or other charges have been determined otherwise payable by Tenant over the remainder of the Term as originally stated in this Lease notwithstanding any earlier termination of this Lease by Landlord due to Tenant's default.

Less, deducting from the total determined under subparagraphs (1), (2) and (3), all rent and all other Additional Rent to the extent determinable as aforesaid, (to the extent that like charges would have been payable by Tenant) which Landlord receives from other tenant(s) by reason of the leasing of the Premises or part during or attributable to any period falling within the otherwise remainder of the Term.

The damage sums payable by Tenant under the preceding provisions of this paragraph 19.5 shall be payable on demand from time to time as the amounts are determined. In lieu of the damages payable in subparagraph (3) of this paragraph 19.5, in the event Landlord so elects or relets the Premises (or part thereof) during or attributable to any period falling within the otherwise remainder of the Term, Landlord shall be entitled to recover from Tenant, in a single action, as liquidated damages for such sum (in addition to the damages otherwise set forth herein), an amount calculated to equal the damages set forth in such subparagraph (4), provided that for the purpose of calculating said liquidated damage amount, Additional Rent and other charges shall be fixed, from the date of such election or commencement of reletting, as the amount of Additional Rent and other charges which would have been paid by Tenant, had Tenant not defaulted, as of the date of such election or commencement of reletting and, the deduction, if any, therefrom as set forth above shall be the fair market rental value of the Premises at the date of such election or the then fixed rent payable by the terms of such reletting as the case may be.

19.6 Any sums payable by Tenant hereunder, which are not paid after the same shall be due, shall bear interest from that day until paid at the rate of interest stated at paragraph 1.3.

19.7 Landlord shall be entitled to injunctive relief in case of the violation, or attempted or threatened violation, of any covenant, agreement, condition or provision of this Lease, or to a decree compelling performance of any covenant, agreement, condition or provision of this Lease.

19.8 In addition to any applicable lien, none of which are to be deemed waived by Landlord, Landlord shall have, at all times, and Tenant hereby grants to Landlord, a valid lien and security interest to secure payment of all rentals and other sums of money becoming due under this Lease from Tenant, and to secure payment of any damages or loss which Landlord may suffer by reason of the breach by Tenant of any covenant, agreement or condition contained herein, upon all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant presently or which may hereafter be situated on the Premises, and all proceeds therefrom, and such property shall not be removed therefrom without the consent of Landlord until all arrearages in rent as well as any and all other sums of money then due to Landlord hereunder shall first have been paid and discharged and all covenants, agreements and conditions hereof have been fully complied with and performed by Tenant. Upon the occurrence of an event of default by Tenant, Landlord may, in addition to any other remedies provided herein, enter upon the Premises and take possession of any and all goods, wares, equipment, fixtures, furniture, improvements and other personal property of Tenant situated on the Premises, without liability for trespass or conversion, and sell the same at public or private sale, with or without having such property at the sale, after giving Tenant reasonable notice of the time and place of any public sale or of the time after which any private sale is to be made, at which sale Landlord or its assigns may purchase unless otherwise prohibited by law. Unless otherwise provided by law, and without intending to exclude any other manner of giving Tenant reasonable notice, the requirement of reasonable notice shall be met if such notice is given in the manner prescribed in ARTICLE XXVI of this Lease at least five (5) days before the time of sale. The proceeds from any such disposition, less any and all expenses connected with the taking of possession, holding and selling of the property (including reasonable attorney's fees and other expenses), shall be applied as a credit against the indebtedness secured by the security interest granted herein. Any surplus shall be paid to Tenant or as otherwise required by law; and Tenant shall pay any deficiencies forthwith. Upon request by Landlord, Tenant agrees to execute and deliver to Landlord a financing statement in form sufficient to perfect the security interest of Landlord in the aforementioned property and proceeds thereof under the provisions of the Uniform Commercial Code in force in the State of New Jersey.

19.9 For the purpose of this ARTICLE XIX, in the event of Tenant's voluntary or involuntary bankruptcy, should the Tenant as Debtor-in-Possession or a Trustee appointed by the Bankruptcy Court, attempt to provide adequate assurance of Tenant's ability to continue to operate out of the Premises, adequate assurance shall mean, at a minimum, the following:

(i) The Trustee or Debtor-in-Possession has and will continue to have sufficient unencumbered assets after the payment of all secured obligations and administrative expenses to assure Landlord that the Trustee or Debtor-in-Possession will have sufficient funds to fulfill

the obligations of Tenant under this Lease, and to keep the Demised Premises properly staffed with sufficient employees to conduct a fully operational, actively promoted business in the Premises; and

(ii) The Bankruptcy Court shall have entered an Order segregating sufficient cash payable to Landlord and/or the Trustee or Debtor-in-Possession shall have granted a valid and perfected first lien and security interest and/or mortgage in property of Tenant, Trustee or Debtor-in-Possession, acceptable as to value and kind to Landlord, to secure to Landlord the obligation of the Trustee or Debtor-in-Possession to cure the monetary and/or non-monetary defaults under this Lease within the time periods set forth above.

ARTICLE XX

20. LANDLORD'S REMEDIES CUMULATIVE; EXPENSES

20.1 All rights and remedies of Landlord herein enumerated shall be cumulative, and none shall exclude any other right or remedy allowed by law. For the purposes of any suit brought or based hereon, at Landlord's option, this Lease shall be construed to be a divisible contract, to the end that if Landlord so elects, successive actions may be maintained on this Lease as successive periodic sums mature hereunder.

20.2 Tenant shall pay, upon demand, all of Landlord's costs, charges and expenses, including reasonable fees of counsel, agents and others retained by Landlord, incurred in enforcing Tenant's obligations hereunder.

ARTICLE XXI

21. SUBORDINATION, ESTOPPEL AND ATTORNMENT

21.1 This Lease is subject and subordinate to the lien of any and all mortgages (which term shall include both construction and permanent financing and shall include deeds of trust and similar security instruments) and all ground or other underlying leases from which Landlord's title is derived ("ground leases") which may now or hereafter encumber or otherwise affect the Real Property or Landlord's leasehold therein, and to any and all renewals, extensions, modifications, recasting or refinancing thereof. This clause shall be self operative and no further instrument of subordination need to be required by any mortgagee, trustee or ground lessee. Nevertheless, if requested by Landlord, Tenant shall promptly execute such subordination certificate or other subordination document requested. Landlord may execute said certificate or other document on behalf of Tenant if Tenant does not execute said certificate or other document within five (5) days after receiving it and Tenant hereby designates Landlord its attorney-in-fact for such purpose. Tenant agrees that if any proceedings are brought for the foreclosure of any such mortgage, Tenant if requested to do so by the purchaser at the foreclosure sale or the grantee of any deed given in lieu of foreclosure, shall attorn to such purchaser or grantee, shall recognize the purchaser or grantee as the Landlord under this Lease, and shall make all payments required hereunder to such new Landlord without any deduction or set-off of any kind whatsoever. Tenant agrees that if any proceedings are successfully brought for the termination of any ground lease, or if any other remedy is successfully exercised by any ground lessor whereby the ground lessor succeeds to the interests of tenant under the ground leases, Tenant, if requested to do so by the ground lessor, shall attorn to the ground lessor, shall recognize the ground lessor as the Landlord under this Lease, and shall make all payments required hereunder to such new Landlord without deduction or set-off. Anything contained in the provisions of this Section to the contrary notwithstanding any such Mortgagee may at any time subordinate the lien of its Mortgage to the operation and effect of this Lease without obtaining the Tenant's consent thereto, by giving the Tenant written notice thereof, in which event this Lease shall be deemed to be senior to such Mortgage without regard to their respective date of execution, delivery and/or recordation among the land records of the State of New Jersey and thereafter such Mortgagee shall have the same rights as to this Lease as it would have had, were this Lease executed and delivered before the execution of such Mortgage.

21.2 Tenant agrees at any time and from time to time upon not less than five (5) days prior written request by Landlord, to execute, acknowledge and deliver to Landlord a statement in writing certifying that this Lease is unmodified and in full force and effect (or, if there have been modifications, that the same are in full force and effect as modified and stating the modifications) and the dates to which the Basic Rent and Additional Rent have been paid, and stating whether Tenant knows of any default by Landlord under this Lease, and, if so , specifying each such known default, it being intended that any such statement delivered pursuant to this paragraph 21.2 may be relied upon by a prospective purchaser of Landlord's interest or a mortgagee of Landlord's interest or assignee of any mortgage upon Landlord's interest in the Real Property.

21.3 If, in connection with obtaining financing on the premises, the real property, or improvements thereto, the Landlord's mortgage lender shall request reasonable modifications to this Lease as a condition to such financing, Tenant agrees to promptly execute said modification document incorporating such modifications, provided that said modifications do not increase the monetary obligations of the Tenant or materially adversely affect the Tenant's use of the Premises.

ARTICLE XXII

22. DAMAGE BY FIRE OR OTHER CASUALTY

22.1 If the Premises shall be damaged by fire or other casualty not arising from the fault or negligence of Tenant or its servants, agents, employees, invitees or licensees or, if such damage, irrespective of cause, shall be insured: (1) except as otherwise provided in sub-section (2) hereof, the damage shall be repaired by and at the expense of Landlord (subject to Landlord's receipt of applicable insurance proceeds) and the Basic Rent and Additional Rent until such repairs shall be made shall be equitably abated according to the part of the premises which is usable by Tenant, unless such damage was caused by the fault or negligence of Tenant or its servants, agents, employees, invitees, or licensees, in which case no abatement of Basic Rent or Additional Rent shall be made. Landlord agrees, at its expense, to repair promptly any damage to the Premises, except that Tenant agrees to repair or replace its own furniture, furnishings and equipment. No penalty shall accrue due to an Excusable Delay. (2) If the Premises are totally damaged or are rendered wholly untenantable by fire or other casualty, or if Landlord's architect certifies that it cannot be repaired within one hundred twenty (120) days of the casualty or if Landlord shall decide not to restore or repair the same, or shall decide to demolish the Building or to rebuild it, then Landlord shall, within ninety (90) days after such fire or other casualty, give Tenant a notice of such circumstance or decision, and thereupon the Term shall expire ten (10) days after such notice is given, and Tenant shall vacate the Premises and surrender the same to Landlord. (3) If Landlord fails to complete the repair and restoration of the Premises within six (6) months from the date of the casualty (subject to Excusable Delays) then Tenant shall have the right to cancel and terminate this Lease upon the delivery of a notice to Landlord delivered within fifteen (15) days after the expiration of the aforesaid six (6) months period. (4) Landlord agrees that it shall diligently pursue all repair and restoration work required on its part to be completed hereunder.

ARTICLE XXIII

23. MUTUAL WAIVER OF SUBROGATION

23.1 Subject to paragraph 10.11 herein, each party hereby waives any and all rights of recovery against the other for or arising out of damage to or destruction of the Premises or the Real Property and any other property of the other from causes to the extent insured under standard fire and extended coverage insurance policies or endorsements to the extent that its insurance policies then in effect permit such waiver. If at any time during the Term any insurance carrier which shall have issued a policy to either of the parties covering the Real Property, the Premises or any of the property of Tenant, shall refuse to consent to the waiver of the right to recovery with respect to any loss payable under such policy, or if such carrier shall consent to such waiver only upon the payment of an additional premium (unless such additional premium is voluntarily paid by one of the parties hereto), or shall cancel a consent previously given, or shall cancel or threaten to cancel any policy previously issued and then in full force and effect, then in any such event, the waiver in this paragraph 23.1 shall thereupon be of no further force and effect as to the loss, damage or destruction covered by such policy except as hereinafter provided. If, however, at any time thereafter such consent shall be obtained therefore from any existing or any substitute insurance carrier, the waiver hereinabove provided for shall again become effective.

ARTICLE XXIV

24. CONDEMNATION

24.1 If the Premises shall be acquired or condemned by eminent domain proceeding, or by giving of a deed in lieu of thereof, then and in that event, the Term shall cease and terminate from the date of title-vesting pursuant to such proceeding or agreement. If only a portion of the Premises shall be so acquired or condemned, this Lease shall cease and terminate at Landlord's option, and if such option is not exercised by Landlord, an equitable adjustment of the Basic Rent and Additional payable by Tenant for the remaining portion of the Premises shall be made. If 25 % or more of the Premises shall be acquired or condemned, the Tenant shall also have the option to terminate this Lease. In the event of a termination under this ARTICLE XXIV, other than for the adjustment of Basic Rent and Additional Rent as hereinbefore mentioned, Tenant shall have no claim whatsoever against Landlord including(without limitation) any claim for the value of any unexpired Term; nor shall Tenant be entitled to claim or receive any portion of any amount that may be awarded as damages or paid as a result of such proceedings or as the result of any agreement made by the condemning authority with Landlord. Tenant shall assert no claim, including (without limitation) any claim for the value of any unexpired Term, against the condemning authority that may in any way impair or diminish Landlord's claims against such condemning authority.

ARTICLE XXV

25. CHANGES SURROUNDING BUILDING

25.1 This Lease shall not be affected or impaired by any change, alteration or addition in, to or of any sidewalk, alley, street, landscape or structure adjacent to or around the Building or Real Property, except as provided in ARTICLE XXIV.

25.2 Any changes in the arrangement or location of any public portion of the Building not contained in the Premises or any part thereof shall not constitute an eviction or disturbance of Tenant's use or possession of the Premises provided such change does not unreasonably interfere with Tenant's use of or ingress to and from the Premises and Landlord shall be free to make such changes or alterations without liability to Tenant

25.3 Landlord may designate a name and address for the Building and may change the same from time to time as Landlord sees fit or as may be required by law.

ARTICLE XXVI

26. NOTICES

26.1 Except as may be otherwise expressly provided in this Lease, notices by either party to the other shall be in writing and shall be sent by registered or certified mail, by overnight mail by a reputable overnight delivery service, by facsimile transmission or by hand delivery, addressed to Landlord or Tenant at their respective addresses hereinabove set forth (or to the appropriate facsimile number in the case of delivery by facsimile transmission) or to such other address as either party shall hereafter designate by notice as aforesaid. All notices properly addressed shall be deemed served upon receipt by the addressee or, in the case of notice by mail, three (3) days after the date of mailing, except that notice of change of address shall not be deemed served until received by the addressee.

ARTICLE XXVII

27. NO WAIVER

27.1 No delay or forbearance by Landlord, no act or undertaking by Landlord and/or no waiver by Landlord of any breach by Tenant of any of the terms, covenants, agreements, or conditions of this Lease shall be deemed to constitute a waiver of any current (unless Landlord so agrees in writing) or succeeding breach thereof, or a waiver of any breach of any of the terms, covenants, agreements and conditions herein contained.

27.2 No employee of Landlord or of Landlord's agents shall have any authority to accept the keys of the Premises prior to the Termination Date and the delivery of keys to any employee of Landlord or Landlord's agents shall not operate as an acceptance of a termination of this Lease or an acceptance of a surrender of the Premises.

27.3 The receipt by Landlord of the Basic Rent and Additional Rent with knowledge of the breach of any covenant of this Lease shall not be deemed a waiver of such breach. No payment by Tenant or receipt by Landlord of a lesser amount than the monthly Basic Rent or a lesser amount of the Additional Rent then due shall be deemed to be other than on account of the earliest stipulated amount then due, nor shall any endorsement or statement on any check or any letter or other instrument accompanying any check or payment as Basic Rent or Additional Rent be deemed an accord and satisfaction and Landlord may accept such check or payment without prejudice to Landlord's right to recover the balance of such Basic Rent or Additional Rent or pursue any other remedy provided in this Lease.
27.4 The failure of Landlord to enforce any of the Rules and Regulations as may be set by Landlord from time to time against Tenant or against any other tenant in the Building shall not be deemed a waiver of any such Rule or Regulation.

ARTICLE XXVIII

28. LANDLORD'S RESERVED RIGHTS

28.1 Landlord reserves the following rights: (1) if during or prior to the last ninety (90) days of the Term Tenant vacates the Premises, to decorate, remodel, repair, alter or otherwise prepare the Premises for re-occupancy and, (2) to masterkey all locks to the Premises

28.2 Landlord may enter upon the Premises and may exercise either of the foregoing rights hereby reserved without being deemed to have caused an eviction or disturbance of Tenant's use and possession of the Premises and without being liable in any manner to Tenant.

ARTICLE XXIX

29. LANDLORD'S LIABILITY

29.1 Landlord, as well as Landlord's owners, servants, employees, agents, or licensees shall not be liable for any injury or damage to persons or property resulting from fire, explosion, falling plaster, steam, gas, electricity, water, rain, snow, or leaks from any part of the Building or from the pipes, appliances, plumbing, or the roof, street, subsurface, or from any other place or by dampness, offensive odors or noise or by any other cause of whatsoever nature, unless caused by or due to the gross negligence of Landlord or its agents.

29.2 Should Tenant enter the Premises prior to the Commencement of this Lease for the purpose of making any installations, alterations or improvements as may be permitted by Landlord, Landlord shall have no liability or obligation for the care or preservation of Tenant's property, for personal injury, or otherwise.

29.3 Tenant agrees to take such steps, at its own cost, as it may deem necessary and adequate for the protection of itself, and its agents, employees, invitees, and licensees against personal injury and property damage, by insurance, as a self-insurer or otherwise.

ARTICLE XXX

30. TENANT'S LIABILITY

30.1 Tenant shall hold Landlord harmless from and indemnify Landlord for all expenses, damages, or fines, incurred or suffered by Landlord by reason of any breach, violation, or non-performance by Tenant, its agents, servants, employees, invitees, or licensees of any covenant or provision of this Lease, or by reason of damage to persons or property caused by moving property of or for Tenant in or out of the Building, or by the installation or removal of furniture or other property of or for Tenant or by reason of or arising out of the carelessness, negligence or improper conduct of Tenant, or its agents, servants, employees, invitees, and licensees in the use or occupancy of the Premises, Building or Real Property. Any such expense shall be deemed Additional Rent, due in the next calendar month after it is incurred.

ARTICLE XXXI

31. TENANT'S INSURANCE

31.1 Notwithstanding the agreement in paragraph 29.2 above, and in addition thereto, Tenant covenants to provide on or before the Commencement Date for the benefit of Landlord and Tenant, a comprehensive policy of liability insurance to include hired and non-owned automobile coverage, protecting Landlord and Tenant against any liability whatsoever occasioned by any occurrence on or about the Premises or any appurtenances thereto. Such policy is to be written by insurance companies admitted to do business in the State of New Jersey with a Best's Rating of A or better and a financial size of 7 or better. The limits of liability thereunder shall not be less than the amount of Two Million ($2,000,000.00) Dollars per occurrence and per location with respect to any one person, with respect to any one accident, and with respect to property damage and with a Four Million ($4,000,000.00) Dollar aggregate. Such insurance may be carried under a blanket policy covering the Premises and other locations of Tenant, if any. In addition, Tenant covenants to provide on or before the Commencement Date for the benefit of Landlord and Tenant, an automobile policy for owned vehicles with a combined single limit (Bodily Injury and Property Damage) of One Million ($1,000,000.00) Dollars per occurrence.

31.2 Prior to the time such insurance is first required by this ARTICLE XXXI to be carried by Tenant, and thereafter, at least thirty (30) days prior to the expiration of any such policy, Tenant agrees to deliver to Landlord either a duplicate original of the aforesaid policy or a certificate evidencing such insurance, including the Landlord and the then current managing agent as an additional insured, together with evidence of payment for the policy. Said policy or certificate shall contain an endorsement that such insurance may not be canceled except upon thirty (30) days notice to Landlord.

31.3 Upon failure at any time on the part of Tenant to procure and deliver to Landlord the policy or certificate of insurance, as hereinabove provided, stamped "Premium Paid" by the issuing company at least thirty (30) days before the expiration of the prior insurance policy or certificate, if any, or to pay the premiums therefore, Landlord shall be at liberty, from time to time, as often as such failure shall occur, to procure such insurance and to pay the premium therefore, and any sums paid for insurance by Landlord shall be and become, and are hereby declared, to be Additional Rent hereunder for the collection of which Landlord shall have all the remedies provided for in this Lease or by law for the collection of rent. Payment by Landlord of such premium or the carrying by Landlord of any such policy shall not be deemed to waive or release the default of Tenant with respect thereto. Tenant's failure to provide and keep in force the aforementioned insurance shall be regarded as a Default hereunder entitling Landlord by exercise any or all of the remedies as provided in this Lease in the event of Default.

ARTICLE XXXII

32. MECHANICS' LIENS

32.1 Subject to paragraph 18.1(5) herein, any mechanic's lien filed against the Real Property for work claimed to have been done for, or materials claimed to have been furnished to, Tenant shall be bonded or discharged by Tenant within five (5) days after notice of filing, at Tenant's expense. Notwithstanding anything herein to the contrary, Tenant shall forever indemnify and hold Landlord harmless from and against any and all claims arising from said liens including all costs, expenses, losses, fines and penalties, including, without limitation, reasonable attorneys fees related thereto or resulting therefrom. This clause shall survive the Term of this Lease.

32.2 Neither Tenant nor anyone acting under color of authority of Tenant shall have any power, right or authority to bind Landlord to any act, contract or agreement which will impose, create or be deemed to be the basis for the imposition of a mechanic's lien or any other lien or claim upon or against the Premises, Building or Real Property or Landlord's interest therein. Landlord shall have nor responsibility or liability to Tenant or anyone acting under color of authority of Tenant, including, but not limited to, any contractor, subcontractor, supplier, materialman, workman, or other person, firm or corporation who shall participate in the construction of any improvements, additions, alterations, changes or replacements in, on or to the Premises.

ARTICLE XXXIII

33. NOTICE OF FIRE AND ACCIDENTS

33.1 Tenant shall give Landlord immediate notice in case of fire or accident on the Premises or, in case of fire or accident involving Tenant, its servants, agents, employees, invitees, or licensees, in the Building or on the Real Property.

ARTICLE XXXIV

34. RELEASE OF LANDLORD

34.1 The term "Landlord" as used in this Lease means only the owner for the time being of the Real Property or the lessee of a lease of the Real Property. In the event of any transfer of title to or lease of the Real Property, the Landlord shall be and hereby is entirely freed and relieved of all covenants and obligations of Landlord accruing from and after the date of said transfer hereunder and this Lease shall be deemed and construed as a covenant running with the Land without further agreement between the parties or their successors in interest.

34.2 Landlord, as well as Landlord's owners, servants, employees, agents or licensees shall be under no personal or recourse liability with respect to any of the provisions of this Lease, and if Landlord is in breach or default with respect to its obligations or otherwise, Tenant shall look solely to the equity of Landlord in the Real Property for the satisfaction of Tenant's remedies. It is expressly understood and agreed that Landlord's liability under the terms, covenants, conditions, and obligations of this Lease shall in no event exceed the loss of its equity in the Real Property.

ARTICLE XXXV

35. USE OF SECURITY DEPOSIT

35.1 In the event of a default of Tenant in respect of any of the terms, covenants or conditions of this Lease, without regard to any provision in this Lease regarding notice to cure, Landlord may use, apply or retain the whole or any part of the Security Deposit to the extent required for the payment of any Basic Rent, Additional Rent, or any other sum as to which Tenant is in default, or for any sum which Landlord may expend or may be required to expend by reason of Tenant's Default in respect to any of the terms, covenants, or conditions of this Lease, including but not limited to, any damages or deficiency accrued before or after summary proceedings or other re-entry by Landlord. In the event that Landlord may at any time or from time to time use, apply or retain the whole or any part of the Security Deposit as aforesaid, Tenant shall immediately restore the Security Deposit to the sum thereof prior to any such use, application or retention. In the event that Tenant shall fully and faithfully comply with all of the terms, covenants, and conditions of this Lease, the remaining amount of the Security Deposit shall be returned to Tenant, without

interest, after the Termination Date and after delivery of possession of the entire Premises to Landlord.

35.2 In the event of a sale of the Real Property or a leasing thereof, Landlord shall have the right to transfer the Security Deposit to the vendee or lessee, as the case may be, and Landlord shall thereupon be released by Tenant from all liability for the return of such Security Deposit transferred to the new Landlord; and Tenant agrees to look to the new Landlord solely for the return of the Security Deposit; and it is agreed that the provisions thereof shall apply to every transfer or assignment made of the Security Deposit to a new Landlord. Tenant further covenants that it will not assign or encumber, or attempt to assign or encumber the Security Deposit and that neither Landlord nor its successors or assigns shall be bound by any such assignment, or attempted encumbrance.

ARTICLE XXXVI

36. SIGNS

36.1 Tenant shall have the right and privilege of erecting at the Premises only such exterior signs as are required by the Tenant for the purpose of identifying the Tenant, provided that the Tenant obtains prior written approval of Landlord, who shall have the absolute right to control the size, material, design and content of such signs which signs shall be consistent aesthetically with the signs erected or to be erected on or adjacent to the Building of which the Premises are a part. The said signs shall comply with the ordinances, rules, regulations, and/or standards of any applicable governmental boards and bureaus having jurisdiction thereof. The erection of such signs shall not cause any damage to the Building or its improvements, and in any event Tenant shall be responsible at its cost and expense for the repair of any such damage caused by sign installation as hereinabove referred to. It is expressly understood and agreed that the Tenant shall not erect roof signs, and at the termination of the Term and any renewal term, Tenant, at its cost shall remove all signs and repair all damage occasioned by said removal.

36.2 Landlord will erect and maintain a directory identifying all tenants of the Building.

ARTICLE XXXVII

37. GLASS

37.1 The Tenant expressly covenants and agrees to immediately replace any broken glass in the windows or other apertures of the Premises which may become damaged or destroyed at its cost and expense, unless said damage is the result of the acts of the Landlord, its agents, employees, servants and business invitees. Tenant covenants and agrees that it will either carry plate glass insurance or, in lieu thereof, Tenant will self insure and will, at its own cost and expense, replace the said plate glass hereinabove referred to. If Tenant obtains insurance coverage, it shall furnish to Landlord a certificate of insurance evidencing such coverage together with such renewals thereof, as shall be required during the Term of the Lease.

ARTICLE XXXVIII

38. HAZARDOUS WASTE, AIR, WATER AND GROUND POLLUTION

38.1 Tenant hereby warrants that its Standard Industrial Classification (SIC) code is . If Tenant's SIC code shall ever change it shall immediately notify Landlord of such change. Tenant shall not (either with or without negligence) cause or permit the escape, disposal or release of any biological or chemically active or other hazardous substances, or materials. Tenant shall not allow the storage or use of such substances or materials in any manner not sanctioned by law or by the highest standards prevailing in the industry for the storage and use of such substances or materials, nor allow to be brought into the Premises, Building or Real Property any such materials or substances except to use in the ordinary course of Tenant's business, and then only after written notice is given to Landlord of the identity of such substances or materials. Without limitation, hazardous substances and materials shall include those described in the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, as amended, 42 U.S.C. Section 6901 et seq., any applicable state or local laws and the regulations adopted under these acts. If any lender or governmental agency shall ever require testing to ascertain whether or not there has been release of hazardous materials, then the reasonable costs thereof shall be reimbursed by Tenant to Landlord upon demand as additional charges if such requirement applies particularly to the Premises. In addition, Tenant shall execute affidavits, representations and the like from time to time at Landlord's request concerning Tenant's knowledge and belief regarding the presence of hazardous substances or materials on the Premises. In all events, Tenant shall indemnify Landlord in the manner elsewhere provided in this Lease from any release of hazardous materials on the Premises occurring while Tenant is in possession, or elsewhere if caused by Tenant or persons acting under Tenant. The within covenants shall survive the expiration or earlier termination of the Lease Term. The Tenant expressly covenants and agrees to indemnify, defend, and save the Landlord harmless against any claim, damage, liability, costs, penalties, or fines which the Landlord may suffer as a result of Air, Water or Ground Pollution (hereinafter referred to as ("Pollution") caused by the Tenant in its use of the Premises. The Tenant covenants and agrees to notify the Landlord immediately of any claim or notice served upon it with respect to any such claim that the Tenant is causing Pollution; and the Tenant, in any event, will take immediate steps to halt, remedy or cure any Pollution caused by the Tenant by its use of the Premises. The foregoing covenant shall survive the expiration or termination of the within Lease.

ARTICLE XXXIX

39. ISRA COMPLIANCE; CONDITION PRECEDENT TO ASSIGNMENT AND SUBLEASE

39.1 Tenant shall not cause the Premises to be used as an "Industrial Establishment" as defined under the New Jersey Industrial Site Remediation Act, N.J.S.A. 13:1K-6 et seq. ("the Act") and all regulations promulgated pursuant to the Act. Tenant shall, at Tenant's own expense, comply with the Act, Tenant shall, at Tenant's own expense, provide all information within Tenant's control requested by Landlord or the Bureau of Industrial Site Evaluation for the preparation of submissions, declarations, reports and plans pursuant to the Act. If the New Jersey Department of Environmental Protection (DEP) or any successor agency shall determine that a clean-up plan be prepared and that a clean-up be undertaken because of any spills or discharges of hazardous substances or wastes at the Premises or elsewhere if Tenant or persons acting under Tenant or on behalf of Tenant caused such release, then Tenant shall, at Tenant's own expense, prepare and submit the required plans and carry out the approved plans. Tenant shall indemnify, defend and save harmless Landlord from all costs, expenses, fines, suits, procedures, claims and actions of any kind arising out of or in any way connected with any such spills or discharges of hazardous substances or wastes at the Premises or elsewhere if caused by Tenant or persons acting under Tenant or on behalf of Tenant. Tenant's obligations and liability under this Paragraph shall survive the Term of this Lease and shall continue so long as Landlord remains responsible for any spills or discharges or hazardous substances or wastes at the Premises. Tenant also agrees to cooperate with the Landlord in obtaining ISRA approval.

39.2 As a condition precedent to Tenant's right to sublet the Premises or to assign this Lease, Tenant shall, at Tenant's own expense, first comply with ISRA and all other Environmental Laws, and fulfill all of Tenant's environmental obligations under this Lease pursuant to this ARTICLE which also arise upon termination of Tenant's Lease Term. If this condition shall not be satisfied, the Landlord shall have the right to withhold consent to sublet or assignment.

ARTICLE XL

40. TENANT RELOCATION

40.1 Notwithstanding any other provisions of this Lease to the contrary, the Landlord reserves the right, from time to time upon 120 days advance written notice to the Tenant, to relocate Tenant to equivalent substituted space of approximately equal square footage in the Building. Such substituted space shall then constitute the Premises under this Lease and this Lease shall remain in full force and effect without modification except as may be appropriate to take into account any differences in the square footage of such substituted space. In such event the Landlord shall pay all of Tenant's reasonable costs of moving and reinstallation of telephone and other equipment in the substituted space. In addition, Landlord shall reimburse Tenant for decorating and preparation of the substituted space, in such manner as shall be similar or equal to that which existed in the Premises; and the reimbursement costs shall be so limited.

40.2 In the event Tenant shall fail or refuse to relocate to the substituted space when the same shall become available, then and thereafter, during the period of Tenant's continued occupancy in the Premises, Tenant shall be deemed and shall be a holdover tenant of the Premises and shall be liable to Landlord therefore as well as being liable to Landlord for its tenancy of the substituted space.

ARTICLE XLI

41. NET RENT

41.1 It is agreed between Landlord and Tenant that, except as otherwise specifically provided in this Lease, the Basic Rent shall be absolutely net to Landlord, so that the Lease shall yield, net, to Landlord the Basic Rent specified on Page One hereof in each month during the term of the Lease, and any other costs or expense relating to the Leased Premises which may arise or become due during or following the Term of this Lease, shall be paid by the Tenant, in accordance with the terms hereof.

ARTICLE XLII

42. MISCELLANEOUS

42.1 ENTIRE AGREEMENT: This Lease contains the entire agreement between the parties, and any attempt hereafter made to change, modify, discharge, or effect an abandonment of it in whole or in part shall be void and ineffective unless in writing and signed by the party against whom enforcement of the change, modification, discharge, or abandonment is sought.

42.2 JURY TRIAL WAIVER: Landlord and Tenant do hereby waive trial by jury in any action, proceeding, or counterclaim brought by either of the parties hereto against the other on any matter whatsoever arising out of or in any connection with this Lease, the relationship of Landlord and Tenant, Tenant's use or occupancy of the Premises, and/or any claim, injury or damage, or any emergency or statutory remedy.

42.3 FORCE MAJEURE: If, by reason any circumstance or condition constituting Excusable Delay, Landlord shall be unable to fulfill its obligations under this Lease or shall be unable to supply a service which Landlord is obligated to supply, this Lease and Tenant's obligation to pay Basic Rent and Additional Rent hereunder shall in no way be affected, impaired, or excused.

42.4 BROKER: Tenant represents that it has not dealt with any real estate broker in connection with this Lease, other than the Broker. Tenant indemnifies and holds Landlord harmless of and from any and all claims, liabilities, costs, or damages Landlord may incur as a result of a breach of this representation, or as a result of any claim asserted on the basis of allegations that would involve (if true) a breach of this representation.

42.5 SEPARABILITY: If any term or provision of this Lease or the application thereof to any person or circumstance shall, to any extent, be invalid or unenforceable, the remainder of this Lease, or the application of such term or provision to persons or circumstances other than those to which it is held invalid or unenforceable, shall not be affected thereby and all other terms and provisions of this Lease shall be valid and enforced to the fullest extent permitted by law.

42.6 INTERPRETATION:

42.6.1 Whenever in this Lease any words of obligation or duty are used, such words or expressions shall have the same force and effect as though made in the form of covenants.

42.6.2 Words of any gender used in this Lease shall be held to include any other gender, and words in singular number shall be held to include the plural, when the sense requires.

42.6.3 All pronouns and any variations thereof shall be deemed to refer to the neuter, masculine, feminine, singular, or plural as the identity of the Tenant requires.

42.6.4 No rules of construction shall apply by reason of the identity of the draftsperson of the Lease. No remedy or election given by any provision in this Lease shall be deemed exclusive unless so indicated, but each shall, wherever possible, be cumulative with all other remedies in law or equity except as otherwise specifically provided. Each provision hereof shall be deemed both a covenant and a condition and shall run with the land.

42.6.5 If, and to the extent that, any of the provisions of any Rider to this Lease conflict or are otherwise inconsistent with any of the preceding provisions of this Lease, or of the Rules and Regulations appended to this Lease, whether or not such inconsistency is expressly noted in the Rider, the provisions of the Rider shall prevail, and in case of inconsistency with said Rules and Regulations, shall be deemed a waiver of such Rules and Regulations with respect to Tenant to the extent of such inconsistency.

42.6.6 Tenant agrees that all of Tenant's covenants and agreements herein contained providing for the payment of money and Tenant's covenant to remove mechanics' liens shall be deemed conditions as well as covenants, and that if default be made in any such covenants, Landlord shall have all of the rights provided for herein.

42.6.7 The parties mutually agree that the headings and captions contained in this Lease are inserted for convenience of reference only, and are not to be deemed part of or to be used in construing this Lease.

42.6.8 The covenants and agreements herein contained shall, subject to the provisions of this Lease, bind and inure to the benefit of Landlord, its successors and assigns, and Tenant, its successors and assigns except as otherwise provided herein.

42.6.9 It is further understood and agreed that wherever the provisions of this Lease require that Landlord shall approve or consent, Landlord agrees not to unreasonably withhold such prompt approval and consent and wherever Tenant is required to do anything to the satisfaction of Landlord it shall be deemed except as set forth in ARTICLE XII that reasonable satisfaction of Landlord will be sufficient.

42.6.10 This Lease has been executed and delivered in the State of New Jersey and shall be construed in accordance with the laws of the State of New Jersey, and Landlord and Tenant acknowledge that all of the applicable statutes of the State of New Jersey are superimposed on the rights, duties, and obligations of Landlord and Tenant hereunder and this Lease shall not otherwise provide that which said statutes prohibit.

42.6.11 Landlord has made no representations or promises with respect to the Premises or the Real Property, except as expressly contained herein. Tenant has inspected the Premises and agrees to take the same in an "as is" condition, except as otherwise expressly set forth. Landlord shall have no obligation, except as herein set forth, to do any work in and to the Premises to render them ready for occupancy and use by Tenant.

42.6.12 Tenant shall not record this Lease or a memorandum thereof.

42.7 FINANCIAL STATEMENTS: Tenant agrees at Landlord's request to file periodically with the Landlord or its mortgagee(s) copies of such financial information as is commercially reasonable in light of the request.

42.8 PARKING: Tenant shall not use more than the number of undesignated parking spaces allotted and referred to in this Lease. ARTICLE XLIII

43. LETTER OF CREDIT

43.1 (a) On or before execution of this Lease, Tenant shall deposit with Landlord a Letter of Credit ("L/C") in the amount of nine thousand sixty three dollars and eighty eight cents ($9,063.88) (as such amount may be reduced in accordance with Section 43.6, the "L/C Amount") as security for the full and punctual performance by Tenant of Tenant's covenants and obligations under this Lease. Tenant may, at its option, convert the entire cash security deposit balance to an L/C. If the amount referred to above and hereafter shall then mean the new amount for all purposes.

(b) The L/C shall be (I) unconditional and irrevocable, (ii) issued by a bank acceptable to Landlord, (iii) payable at a branch located in New Jersey, (iv) payable to Landlord solely upon presentation of sight draft, (v) transferable by the beneficiary without additional charge, (vi) payable in multiple drafts, (vii) subject to Section 43.3, for a period commencing upon issuance and expiring no earlier than (the "L/C Expiration Date") and (viii) in form reasonably acceptable to Landlord.

43.2 If Tenant defaults in the performance and observance of any of the terms, covenants and conditions of this Lease (including, without limitation, the payment of Base Rent or, Additional Rent or any other sums due under this Lease, beyond the expiration of any applicable notice and grace period, Landlord may, at its option, draw upon the L/C, in whole or in part, or any funds then being held by Landlord as security or Tenant's obligations under this Lease, and use, apply or retain all or any portion of such money only to the extent required for the payment of any Basic Rent, or Additional Rent or any other sum as to which Tenant is in default whether such damages or deficiency accrue or accrues before or after summary proceedings or re-entry by Landlord. If Landlord draws upon the L/C of Credit, Tenant shall deposit with Landlord within five (5) business days thereafter a supplemental or new L/C meeting the same requirements set forth in Section 43.1 (a) and (b), or cash in credit issues on behalf of Tenant and then held by Landlord pursuant to this Article XLIII plus the amount of any cash deposited by Tenant (but excluding any cash proceeds of any L/C drawn by Landlord) shall not be less than the L/C Amount. In the event Tenant does not deposit with Landlord a supplemental or new L/C as provided hereinabove, Tenant shall be considered in Default of the Lease and Landlord reserves all of its rights as contained in this Lease.

43.3 Notwithstanding anything in Section 43.1(b) to the contrary, Tenant may deliver a L/C that expires prior to the L/C Expiration Date, provided that (i) such L/C shall be for a term of not less than one (1) year and expressly provides that the L/C shall automatically be renewed for successive one-year period unless the issuer shall have provided the beneficiary with written notice of such non-renewal at least thirty (30) days prior to the then expiration date of the L/C and (ii) at least thirty (30) days prior to the expiration of said L/C, Tenant shall deliver to Landlord a supplemental or new L/C meeting the same requirements set forth in Section 43.1(b). The failure of Tenant to timely deliver a new or supplemental L/C in accordance with the provisions of the Article XLIII or Landlord's receipt of notice from the issuing bank that the L/C will not be renewed shall entitle Landlord to draw down the L/C and hold and apply such proceeds to Tenant on the terms and conditions of this Article XLIII.

43.4 (a) If, at the L/C Expiration Date, Landlord has not drawn upon the L/C (unless Landlord shall have been prevented or restrained from doing so by the order of a court of jurisdiction), the L/C shall be returned to Tenant within thirty (30) business days thereafter.

(b) If, at the L/C Expiration Date, Landlord has the L/C drawn upon by Landlord, the proceeds which shall not be used, applied or retained by Landlord pursuant to Section 43.2 shall be returned to Tenant.

43.5 In the event of a sale of the Building, Landlord shall transfer the L/C and the unutilized proceeds of any draw down thereof to the transferee and upon such transfer Landlord shall thereupon be released by Tenant from all liability for the return of such security. Tenant shall look solely to the new landlord for the return of the security. The provisions hereof shall apply to every transfer or assignment made of the security to a new landlord. If sixty (60) days prior to the date of such sale, Landlord shall be holding the L/C, Tenant shall upon thirty (30) days prior notice deliver a substitute L/C meeting the same requirements set forth in Section 43.1(b) and naming the new landlord as the new beneficiary thereof provided that Landlord simultaneously deliver to Tenant (or to the issuing bank) the L/C held by Landlord for cancellation. In the event Tenant shall fail to comply with its obligations to deliver a new L/C as set forth herein, Landlord may draw upon the L/C and transfer the proceeds thereof to the new landlord. If Landlord shall transfer the L/C in accordance with its term to the new landlord, Tenant shall pay Landlord all fees and

charges of the issuer of the L/C within ten (10) days after demand therefor.

43.6 Tenant shall not assign or encumber or attempt to assign or encumber the L/C or any moneys drawn from such L/C and neither Landlord nor its successors or assigns shall be bound by such assignment, encumbrance, attempted assignment or attempted encumbrance. In the event that any bankruptcy, insolvency, reorganization or other debtor-creditor proceedings shall be instituted by or against Tenant, its successors or assigns, or any guarantor of Tenant hereunder, Landlord may draw upon the L/C, in whole or in part, and use, apply or retain all or a portion of such money for the payment of any rent as to which Tenant is in default for periods prior to the institution of such proceedings and the balance, if any, shall be held by Landlord in accordance with Section 43.4(b).

IN WITNESS WHEREOF, the parties hereto have executed this Lease on the date first above written.

WITNESS:

/s/ Linda Haneveld
- --------------------

LANDLORD:
REGENT PARK ASSOCIATES
By: Janfel-Regent Park Corp.

/s/ Peter Schofel

By: Peter Schofel, Vice President

WITNESS:

/s/ Linda Haneveld
- --------------------

TENANT:
American Disease
Management Associates

/s/ Bruce Blake

By: Bruce Blake, President

FIRST AMENDMENT OF
AGREEMENT OF LEASE
JUNE 15, 1999

Between: FIVE REGENT PARK ASSOCIATES (Landlord)
a New Jersey Partnership
c/o Eastman Management Corporation
651 West Mount Pleasant Avenue
Livingston, New Jersey 07039

And: AMERICAN DISEASE MANAGEMENT ASSOCIATES (Tenant)
#5N Regent Street
Livingston, New Jersey 07039

RE: #5N Regent Street
Livingston, New Jersey 07039

Lease Dated July 22, 1996

WITNESSETH

WHEREAS, on July 22, 1996, the parties entered into a Lease Agreement for office space in the building known as #5N Regent Street, Livingston, New Jersey; and herein referred to as the "Lease";

WHEREAS, both parties now desire to further amend the aforesaid Lease Agreements by extending schedule and other term modify terms;

NOW THEREFORE, for and in consideration of the mutual covenants set forth, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree to amend the original Lease Agreement, dated July 22, 1996 and subsequent Amendment of Lease as follows;

1. The lease Term as defined in the Lease shall be extended for a period of twenty (24) months beginning November 1, 1999.

2. Beginning November 1, 1999 the Basic Rent shall be $49,774.50 per annum payable in advance in equal monthly installments of $4,147.88

3. Landlord shall refund a portion of the total Security Deposit held by Landlord pursuant to the Lease in following manner: On January 31, 2000. April 30,2000, July 31,2000, and October 31,2000, Landlord shall refund to Tenant $1,782.00 of Security Deposit

4. In all other respects, except as expressly modified herein, the said Lease and Lease Amendments between the parties are hereby ratified and confirmed.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date first written above.

WITNESS: (Landlord)
FIVE REGENT PARK ASSOCIATES
By: Janfel-JBS Corp., a General Partner

/s/ Ronald D. Debiasse
- ----------

By: /s/ Peter Schofel

Peter Schofel, Vice President

ATTEST: (Tenant)
AMERICAN DISEASE MANAGEMENT
ASSOCIATES

/s/ Elizabeth Williams
- ----------

By: /s/ Bruce Blake

Bruce Blake, President

SECOND AMENDMENT OF
AGREEMENT OF LEASE
FEBRUARY 11, 2000

Between: FIVE REGENT PARK ASSOCIATES (Landlord)
a New Jersey Partnership
c/o Eastman Management Corporation
651 West Mount Pleasant Avenue
Livingston, New Jersey 07039

And: AMERICAN DISEASE MANAGEMENT ASSOCIATES (Tenant)
#5N Regent Street
Livingston, New Jersey 07039

RE: Lease Dated July 22, 1996
First Amendment Dated June 15, 1999

WITNESSETH

WHEREAS, on July 22, 1996, the parties entered into a Lease Agreement for office space in the building known as #5N Regent Street, Livingston, New Jersey; and a First Amendment of Agreement of Lease dated June 15, 1999 herein referred to as the "Lease";

WHEREAS, the parties now desire to amend the aforesaid Lease Agreement by taking additional space in the Building in Suite 512 as shown on the sketch attached hereto as Exhibit "A" ("Expansion Area"); extending the term and modifying other terms of the Lease.

NOW THEREFORE, for and in consideration of the mutual covenants set forth, the receipt and sufficiency of which are mutually acknowledged, the parties hereto agree to amend the original Lease Agreement, dated July 22, 1996 and subsequent Amendment of Lease as follows;

1. Contingency: This Amendment shall be contingent upon Landlord's obtaining a Release and Early Termination Agreement from the current lessee of Suite 512 within 30 days of execution of this Amendment. If such release is not obtained within said 30 day period, this Amendment shall be null and void and of no effect.

2. Beginning on the date Landlord substantially completes the work set forth in paragraph 3 below, ("Expansion Area Commencement Date"), the Basic Rent, as the term is defined in the Lease for the Expansion Area shall be in the amount of $33,750.00 per annum or $2,812.50 per month. Tenant shall also pay, as additional Rent for the Expansion Area, the initial amount of $1,041.66 per month.

3. Beginning on the Expansion Area Commencement Date, the Premises as defined in the Lease shall be expanded by 2,500 square feet. The total Rentable Area of the Premises and Expansion Area shall be 6,187, and the Tenant's Proportionate Share shall be 9.00%.

4. Landlord shall perform in the Expansion Area, the renovation work as outlined on the attached floor plan, Exhibit A, as soon as practical upon the execution of this Amendment and satisfaction of the Contingency.

5. The Lease Term, as that term is defined on page 2 of the Original Lease Agreement shall be for a period of thirty-six (36) months from the Expansion Area Commencement Date. The Term for the original Premises shall be extended

6. Paragraph 3 of the First Amendment of Agreement of Lease shall be deleted and replaced with the following:

   "Landlord shall refund a portion of the total Security Deposit held by Landlord pursuant to the Lease in following manner: On April 1, 2000. July 1, 2000, October 1,2000, and December 1, 2000, Landlord shall refund to Tenant $781.00 of Security Deposit"

7. Effective upon the Expansion Area Commencement Date, all references to the term Expansion Area shall also have the same meaning as Premises in the Lease except, except as otherwise modified herein.

8. Tenant shall not disclose any facts or terms of this Agreement to any third party including former, current or future tenants of the Building.

9. In all other respects, except as expressly modified herein, the said Lease and Lease Amendments between the parties are hereby ratified and confirmed. Any terms not herein defined shall have the same meaning as in the Lease.

IN WITNESS WHEREOF, the parties have hereunto set their hands on the date first written above.

WITNESS:

/s/ Joanne Tufano
- ----------

ATTEST:

/s/ Elizabeth Williams
- ----------]

(Landlord)
FIVE REGENT PARK ASSOCIATES
By: Janfel-JBS Corp., a General Partner

By: /s/ Peter Schofel

Peter Schofel, Vice President

(Tenant)
AMERICAN DISEASE MANAGEMENT ASSOCIATES

By: /S/ Bruce Blake

Bruce Blake, President

February 8, 1999

VIA FEDERAL EXPRESS

Mr. Recie Bomar
196 Old River Road, #612
Lincoln, Rhode Island 02865

RE: MIM CORPORATION

Dear Recie:

MIM Corporation, a Delaware corporation (the "Company"), is pleased to offer you employment as the Vice President - Sales and Marketing of the Company, on the terms and subject to the conditions set forth below. The terms and conditions of your employment, upon your execution and delivery of this letter to us, will be as follows:

1. POSITION AND DUTIES: Vice President - Sales and Marketing of the Company, with overall responsibility for sales and marketing areas 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 and its subsidiaries' products and services;

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

(iii) the hiring and termination of personnel in support of the sales and marketing group, 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. TERM: Subject to the execution and delivery of this letter, a Non-Qualified Stock Option Agreement substantially in the form attached hereto as Exhibit A (the "Option Agreement") and the Restrictive Covenants attached hereto as Exhibit B, your employment shall commence and shall continue until terminated by you or the Company. The first year of your employment shall terminate on December 31, 1999. Each year of your employment thereafter shall coincide with the calendar year.

3. BASE COMPENSATION: Your base salary shall be at the rate of $180,000.00 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 twelve (12) months after the commencement of your employment and every twelve (12) months thereafter. However, any increase in your compensation shall be in the Company's sole and absolute discretion.

4. BONUS COMPENSATION: During your employment, you shall be eligible to receive bonus compensation under the Company's 1998 executive bonus program (the "Bonus Program") established for the benefit of senior executives of the Company. During your first year of employment ending December 31, 1999, you will only be entitled to receive the cash component of the Bonus Program pro-rata based on the number of days you were employed by the Company during the first year of your employment bears to a full calendar year.

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

any year of your employment relates, 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. Attached hereto as Exhibit C is an outline of the Bonus Program and your entitlements thereunder as well as an example of the way in which the Bonus Program would affect your grants thereunder. The terms and conditions of the Bonus Program shall be subject to the completion of definitive documentation with respect thereto. If there shall exist any conflict between this Agreement (including Exhibit B) and the definitive documentation governing the Bonus Program, the definitive documentation (and not this agreement) shall control.

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

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

6. RELOCATION ALLOWANCE: The Company will provide you with a $25,000 relocation allowance in connection with your relocation to the Company's chief executive offices located in Elmsford, NY, You will receive your relocation allowance upon the later to occur of (i) the completion of the move to your new primary residence in the Elmsford, NY vicinity, and seven days from and after your first day of employment with the Company.

7. SIGNING BONUS: The Company will pay you, within seven days from and after your first date of employment, $25,000, net of applicable withholding.

You agree that you will repay to the Company all amounts paid to you or on your behalf under Sections 6 and 7 hereof if you terminate your employment with the Company on or before March 1, 2000. In such event, all such amounts will be repaid by you on or before the last day of your employment.

8. PARTICIPATION IN HEALTH BENEFIT PLANS; VACATION: 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 maintained by or on behalf of the Company, commensurate with your position with the Company. Nothing in this agreement shall preclude the Company from terminating or amending any such plans or coverage so as to eliminate, reduce or otherwise change any benefit payable thereunder. You shall also be entitled to receive $3,000.00 toward life insurance premiums, grossed up for federal and state taxes. You will be entitled to three weeks of vacation in 1999 and four weeks of vacation thereafter. All such benefits may be amended or modified from time to time or terminated by the Company in its sole and absolute discretion.

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

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

10. SEVERENCE; CHANGE OF CONTROL:

If, within the three-month period following a "Change of Control" (as defined below), you are terminated by the Company or a successor entity or you elect to terminate your employment after the Company or such successor entity materially reduces your duties and responsibilities, or assigns you duties materially inconsistent with your position prior to such Change of Control, then you shall be entitled to receive 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).

11. RESTRICTIVE COVENANTS: Contemporaneously with the commencement of your employment, you shall execute and deliver the Restrictive Covenants substantially in the form attached hereto as Exhibit B, whereby, among other things, you will agree to not compete with the "Business" of the Company (as defined) during the term of your employment and for a period of one year following such termination and to not disclose to any third party any trade secrets or proprietary information relating to the Company, now or hereafter acquired by you.

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

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

14. AMENDMENTS AND WAIVERS:

This agreement may not be modified, amended, waived, discharged or terminated orally, but only by an instrument in writing signed by the party against whom enforcement of the change, waiver, discharge or termination is sought.

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

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

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

Sincerely yours,

MIM Corporation

BY: /S/ BARRY A. POSNER

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

AGREED TO AND ACCEPTED BY:

/S/ RECIE BOMAR
- ---
Name: Mr. Recie Bomar

EXHIBIT B

RESTRICTIVE COVENANTS

COVENANT AGAINST COMPETITION; OTHER COVENANTS. The Executive acknowledges that (i) the principal business of the Company is the provision of a broad range of services designed to promote the cost-effective delivery of pharmacy benefits, including pharmacy benefit management services, claims processing and/or the purchasing of pharmaceutical products on behalf of pharmacy networks and long term care facilities (including assisted living facilities and nursing homes) (such business, and any and all other businesses that after the date hereof, and from time to time during the Term, become material with respect to the Company's then-overall business, herein being collectively referred to as the "Business"); provided, however, that Business shall not include any areas of business and/or services that the Company is not engaged in at such time that the Company is sold, merged, consolidated or any other event that would constitute a "Change of Control" (as defined in Section 9 of the Agreement), regardless of whether the successor or acquiring entity is then engaged in such other areas of business and/or services; (ii) the Company is dependent on the efforts of a certain limited number of persons who have developed, or will be responsible for developing the Company's Business; (iii) the Company's Business is national in scope; (iv) the Executive's work for the Company has given and will continue to give him access to the confidential affairs and proprietary information of the Company; (v) the covenants and agreements of the Executive contained in these Restrictive Covenants are essential to the business and goodwill of the Company; and (vi) the Company would not have entered into the Agreement (as defined below) but for the covenants and agreements set forth herein. Accordingly, the Executive covenants and agrees that:

(a) At any time during his employment with the Company and ending one year following (i) termination of the Executive's employment with the Company (irrespective of the reason for such termination) or (ii) payment of any severance, whichever occurs last, the Executive shall not engage, directly or indirectly (which includes, without limitation, owning, managing, operating, controlling, being employed by, giving financial assistance to, participating in or being connected in any material way with any person or entity other than the Company), anywhere in the United States in (i) the Business and (ii) any material component of the Business; provided, however, that the Executive's ownership as a passive investor of less than two percent (2%) of the issued and outstanding stock of a publicly held corporation shall not be deemed to constitute competition.

(b) During and after the period during which the Executive is employed, the Executive shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, except in connection with the Business and affairs of the Company and its affiliates, all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by the Executive heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the "Confidential Company Information"), including, without limitation, information

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

(c) During the period commencing on the date hereof and ending two years following the date upon which the Executive shall cease to be an employee of the Company or its affiliates, the Executive shall not, without the Company's prior written consent, directly or indirectly, (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 behalf of the Executive or any other person or entity) any employee or independent contractor who has left the employment or other service of the Company or any of its affiliates within one year of the termination of such employee's or independent contractor's employment or other service with the Company and its affiliates, 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 the Executive's termination of employment with the Company. During such period, the Executive will not, whether for his own account or for the account of any other person, firm, corporation or other business organization, intentionally interfere with the Company's or any of its affiliates' relationship with, or endeavor to entice away from the Company or any of its affiliates, any person who during the Term is or was a customer or client of the Company or any of its affiliates.

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

RIGHTS AND REMEDIES UPON BREACH OF RESTRICTIVE COVENANTS.

(a) The Executive acknowledges and agrees 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 the Executive breaches, or threatens 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):

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

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

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

Agreed to and accepted by:

/s/ Recie Bomar
- ----------
Recie Bomar

EXHIBIT C

ANNUAL CASH BONUS	Target: Up to 40% of annual salary (At plan:1/2on corporate financial results; 1/2 on individual results)	$72,000
GRANTS OF LONG-TERM INCENTIVES:	Deferred compensation performance units (Target value: $25 in 2002)	15,000 units
	Performance shares (Target share price for early vesting: $25-$30)	25,000 shares
	Subject to the terms and conditions of a stock option agreement options to purchase the common stock, par value $0.0001 per share of the Company. The options shall vest in three equal annual installments commencing on the first anniversary date of the Executive's employment with the Company, at an exercise price equal to the average of the bid and asked on the date the Executive commences employment with the Company	75,000 shares

GENERAL DESCRIPTION
OF LONG-TERM INCENTIVES:

UNITS: By 2001 net after-tax earnings are targeted to grow to $27 million. At that level, each performance unit granted ("performance Unit") would be worth $25. Below net after-tax earnings of $21.6 million, Performance Units would be worth $0. At net after-tax earnings of $21.6 million to $27 million, the Performance Units would grow at a predetermined amount from a threshold value of $10. Above $27 million, units can grow in value from $25 to $40 at $32 million of net after-tax earnings.

PERFORMANCE SHARES: Restricted shares that would vest at end of 2006. IF EPS target or $1.08 is achieved in 2001, vesting will occur in early 2002, with similar provisions in subsequent years ($1.25 EPS in 2002, full vesting in early 2003, etc.).

NOTE: Vesting of "Performance Units", "Performance Shares' and options will accelerate upon "change in control", as defined in the Bonus Program documentation. Performance Units, Performance Shares and unvested options forfeited upon termination of employment, with vested options exercised within thirty (30) days following termination (or in the case of death, within a year from death.

EXHIBIT 21

Parent:

MIM Corporation*

First Tier Subsidiaries:

MIM Health Plans, Inc.*
MIMRx.com, Inc. *
Pro-Mark Holdings, Inc.*
MIM Investment Corporation*
MIM IPA, Inc.**
Continental Managed Pharmacy Services, Inc.***
MIM Funding LLC*

Second Tier Subsidiaries:

Continental Pharmacy, Inc.***
Automated Scripts, Inc.***
Preferred Rx, Inc.***
Valley Physicians Services, Inc.***
Health Management Ventures, Inc.****
American Disease Management Associates, LLC*

* Each of these corporations has been incorporated under the laws of the State of Delaware.

** This corporation has been incorporated under the laws of the State of New York.

*** Each of these corporations has been organized under the laws of the State of Ohio and each of the corporations identified as second tier subsidiaries are direct subsidiaries of Continental Managed Pharmacy Services, Inc.

**** This corporation has been incorporated under the laws of the State of Wisconsin.

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MIM CORPORATION

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