FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended June 30, 2001

OR

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

For the transition period from ______________ to __________________

Commission file number 0-28740

MIM CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	05-0489664
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

100 Clearbrook Road, Elmsford, NY 10523
(Address of principal executive offices)

(914) 460-1600
(Registrant's telephone number, including area code)

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

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

Yes _X_ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

On August 2, 2001 there were outstanding 21,323,941 shares of the Company's common stock, $.0001 par value per share ("Common Stock").

INDEX

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

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

	June 30, 2001 (Unaudited)	December 31, 2000
ASSETS		
Current assets		
Cash and cash equivalents	$ 696	$ 1,290
Receivables, less allowance for doubtful accounts of $6,182 and $8,333 at June 30, 2001 and December 31, 2000, respectively	65,361	60,808
Inventory	2,395	2,612
Prepaid expenses and other current assets	1,509	1,680
Total current assets	69,961	66,390
Property and equipment, net	10,425	10,813
Due from officer	2,080	2,012
Other assets, net	2,588	2,163
Intangible assets, net	39,890	39,023
Total assets	$ 124,944	$ 120,401
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 563	$ 592
Current portion of long-term debt	35	165
Accounts payable	3,118	2,964
Claims payable	42,278	39,337
Payables to plan sponsors and others	25,256	29,040
Accrued expenses	4,862	5,476
Total current liabilities	76,112	77,574
Capital lease obligations, net of current portion	1,346	1,621
Other non current liabilities	133	589
Minority interest	-	1,112
Stockholders' equity		
Preferred stock, $.0001 par value; 5,000,000 shares authorized, 250,000 Series A junior participating shares issued and outstanding	-	-
Common stock, $.0001 par value; 40,000,000 shares authorized, 20,697,771 and 21,547,312 shares issued and outstanding at June 30, 2001 and December 31, 2000, respectively	2	2
Treasury stock at cost	(2,934)	(338)
Additional paid-in capital	99,990	97,010
Accumulated deficit	(49,705)	(56,398)
Stockholder notes receivable	-	(771)
Total stockholders' equity	47,353	39,505
Total liabilities and stockholders' equity	$ 124,944	$ 120,401

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

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

	Three months ended June 30, 2001 (Unaudited)	Three months ended June 30, 2000	Six months ended June 30, 2001 (Unaudited)	Six months ended June 30, 2000
Revenue	$ 106,851	$ 89,107	$ 212,887	$ 169,624
Cost of revenue	93,417	80,782	187,817	154,488
Gross profit	13,434	8,325	25,070	15,136
Selling, general and administrative expenses	9,370	7,310	17,773	13,529
TennCare reserve adjustment	-	-	(980)	-
Amortization of goodwill and other intangible assets	559	256	1,079	514
Income from operations	3,505	759	7,198	1,093
Interest income (expense), net	(24)	323	19	714
Income before taxes	3,481	1,082	7,217	1,807
Income taxes	271	-	524	-
Net income	$ 3,210	$ 1,082	$ 6,693	$ 1,807
Basic income per common share	$ 0.16	$ 0.06	$ 0.32	$ 0.10
Diluted income per common share	$ 0.15	$ 0.06	$ 0.32	$ 0.09
Weighted average common shares used in computing basic income per share	20,428	18,832	20,657	18,821
Weighted average common shares used in computing diluted income per share	20,987	18,957	20,967	19,218

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

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

	Six Months Ended June 30, 2001	Six Months Ended June 30, 2000
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 6,693	$ 1,807
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	3,488	2,020
Provision for losses on receivables	737	108
Issuance of stock to employees	28	-
Changes in assets and liabilities, net of acquired assets:		
Receivables	(5,290)	7,522
Inventory	217	(580)
Prepaid expenses and other current assets	171	(83)
Due from officer	(68)	(60)
Other assets	43	(804)
Accounts payable	154	1,345
Claims payable	2,941	(4,429)
Payables to plan sponsors and others	(3,784)	2,723
Accrued expenses	(614)	(2,094)
Other non current liabilities	(456)	985
Net cash provided by operating activities	4,260	8,460
Cash flows from investing activities:		
Purchase of property and equipment	(1,718)	(4,356)
Stockholder loans, net	-	757
Cost of acquisitions, net of cash acquired	(1,946)	-
Purchase of investment securities	-	(4,000)
Maturities of investment securities	-	4,033
Net cash used in investing activities	(3,664)	(3,566)
Cash flows from financing activities:		
Principal payments on capital lease obligations	(304)	(288)
Repayment of long term debt	(130)	340
Exercise of stock options	1,840	334
Purchase of treasury stock	(2,596)	-
Net cash (used in) provided by financing activities	(1,190)	386
Net (decrease) increase in cash and cash equivalents	(594)	5,280
Cash and cash equivalents--beginning of period	1,290	15,306
Cash and cash equivalents--end of period	$ 696	$ 20,586

(continued)

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

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest	$ 145	$ 209

SUPPLEMENTAL DISCLOSURE OF NONCASH INFORMATION:

Reclassification of stockholder notes to other assets	$ 771	$ -
Contribution of minority interest to additional paid-in capital upon dissolution of subsidiary	$ 1,112	$ -

MIM CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
(In thousands, except per share amounts)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements of MIM Corporation and its subsidiaries (collectively, the "Company" or "MIM") have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "Commission"). Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of the Company's management, all adjustments considered necessary for a fair presentation of the financial statements, primarily consisting of normal recurring adjustments, have been included. The results of operations and cash flows for the six months ended June 30, 2001, are not necessarily indicative of the results of operations or cash flows, which may be reported for the remainder of 2001.

These unaudited consolidated interim financial statements should be read in conjunction with the Company's audited consolidated financial statements, notes and information included in the Company's Annual Report on Form 10-K (the "Form 10-K") for the fiscal year ended December 31, 2000, filed with the Commission.

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

NOTE 2 - EARNINGS PER SHARE

The following table sets forth the computation of basic earnings per share and diluted earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Numerator:				
Net income	$ 3,210	$ 1,082	$ 6,693	$ 1,807
Denominator - Basic:				
Weighted average number of common shares outstanding	20,428	18,832	20,657	18,821
Basic income per share	$ 0.16	$ 0.06	$ 0.32	$ 0.10
Denominator - Diluted:				
Weighted average number of common shares outstanding	20,428	18,832	20,657	18,821
Common share equivalents of outstanding stock options	559	125	310	397
Total shares outstanding	20,987	18,957	20,967	19,218
Diluted income per share	$ 0.15	$ 0.06	$ 0.32	$ 0.09

NOTE 3 - MINORITY INTEREST

On June 28, 2001 a Certificate of Dissolution was obtained from the State of Rhode Island and Providence Plantations for the dissolution of MIM Strategic Marketing, LLC ("Strategic"), which had been originally organized December 8, 1995. The Company does not have any repayment obligation to the minority interest investor under Strategic's operating agreement or under the laws of the state of its formation. As a result of this dissolution the minority interest balance of $1,112 has been reclassified to additional paid in capital.

NOTE 4 - STOCKHOLDER NOTES RECEIVABLE

In March 2001, the Company reclassified stockholders notes receivable of approximately $771 from a reduction of stockholders' equity to other assets. Although the loans did not originate from the issuance of, or were otherwise collateralized by, the Company's equity securities, the Company initially classified the promissory notes in equity due to the nature of the borrowers' relationship to the Company at the time of the notes' origination. At that time, the borrowers were affiliated (through common ownership) with an individual (the "Founder") who was the President and majority stockholder of the Company. As such, the borrowers and the Company were entities under common control at that time and the promissory notes were therefore treated as equity. This stockholder is no longer President or a majority stockholder of the company and accordingly, the borrowers and the Company are no longer considered to be entities under common control.

NOTE 5 - TREASURY STOCK

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

NOTE 6 - COMMITMENTS AND CONTINGENCIES

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 a Federal and State of Tennessee investigation in connection with conduct involving, among others, two former officers of the Company occurring prior to the Company's August 1996 initial public offering. The definitive agreement covering that settlement was executed on June 15, 2000, and required payment of $775 in 2000, payment of $900 in 2001, and payment of $525 in 2002. $975 and $1,425 were outstanding at June 30, 2001 and December 31, 2000, respectively, and are included in accrued expenses and other non-current liabilities.

NOTE 7 - ACQUISITIONS

On August 4, 2000, the Company acquired all of the issued and outstanding membership interests 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 2,700 shares of MIM common stock valued at the time of the acquisition at $5,000.

On May 1, 2001, the Company acquired Community Prescription Services' ("CPS") share of its joint venture for $1,500. Additional expenses were incurred by the Company in connection with the acquisition. The acquisition was treated as a purchase for financial reporting purposes. The Company recorded a total of $1,611 of goodwill in connection with this acquisition which will be amortized over the useful life of five years. Goodwill has been recorded based on management estimates and the allocation will be finalized based on an appraisal. Operating results of CPS, which are included in the accompanying statement of income from the date of acquisition, were not material to the results of operations for the six months ended June 30, 2001.

ADIMA Pro Forma Financial Information

The following unaudited consolidated pro forma financial information for the three and six months ended June 30, 2000, has been prepared assuming ADIMA was acquired as of January 1, 2000, 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 necessarily indicative of the results that would have been realized had the acquisition occurred on January 1, 2000. In addition, this pro forma financial information is not intended to be a projection of future operating results.

Pro forma Income Statement
(In thousands, except per share amounts)
(Unaudited)

	Three Months ended June 30, 2000	Six Months ended June 30, 2000
Revenues	$ 93,605	$ 178,184
Net income	1,776	2,982
Basic income per common share	0.08	0.14
Diluted income per common share	0.08	0.14

NOTE 8 - 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. In January 2001, the Company adopted these standards. The Company currently does not engage in derivative activity and the adoption of these standards did not have any effect on its results of operations, financial position or cash flows.

In January 2001, the Company adopted Emerging Issues Task Force Issue No. 00-22 ("EITF 00-22"), "Accounting for `Points' and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future". EITF 00-22, states, among other things, that rebates received from pharmaceutical manufacturers should be recognized as a reduction of revenue. Prior to adoption of EITF 00-22, the Company recorded the difference between the net rebates received and the rebates shared with customers as a reduction of cost of revenue. The adoption of EITF 00-22 required the Company to classify $7,249 and reclassify $6,584 of rebates shared as reductions of revenue for the three month periods ended June 30, 2001 and 2000, respectively. For the six month periods ended June 30, 2001 and 2000, $14,999 and $15,171 of rebates shared were classified as reductions of revenue.

In June 2001, the Financial Accounting Standards Board issued Statements of Financial Accounting Standards ("SFAS") No. 141, "Business Combinations," and No. 142, "Goodwill and Other Intangible Assets," which establishes accounting and reporting standards governing business combinations, goodwill and intangible assets. SFAS No. 141 requires all business combinations initiated after June 30, 2001, to be accounted for using the purchase method. SFAS No. 142 states that goodwill is no longer subject to amortization over its estimated useful life. Rather, goodwill will be subject to at least an annual assessment for impairment by applying a fair-value based test. Under the new rules, an acquired intangible asset should be separately recognized and amortized over its useful life (unless an indefinite life) if the benefit of the intangible asset is obtained through contractual or other legal rights, or if the intangible asset can be sold, transferred, licensed, rented or exchanged regardless of the acquirer's intent to do so. The Company is required to adopt these standards on January 1, 2002, until which time the Company will continue to amortize its existing goodwill and intangible assets. The Company has not determined the impact that the adoption of these standards will have on future financial statements.

NOTE 9 - RECLASSIFICATIONS

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

* * * *

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following management's discussion and analysis should be read in conjunction with the consolidated financial statements of MIM Corporation and its subsidiaries (collectively, "MIM" or the "Company"), the related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2000 filed with the U.S. Securities and Exchange Commission (the "Commission") (the "Form 10-K"), as well as the Company's unaudited consolidated interim financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2001, filed with the Commission (this "Report").

This Report contains statements not purely historical and which may be considered forward looking statements within the meaning of Section 27A of the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Company's expectations, hopes, beliefs, intentions or strategies regarding the future. Forward looking statements may include statements relating to the Company's business development activities, sales and marketing efforts, the status of material contractual arrangements including the negotiation or re-negotiation of such arrangements, future capital expenditures, the effects of regulation and competition on the Company's business, future operating performance and the results, 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, and 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 health 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 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 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.

Business

The Company derives its revenues primarily from agreements to provide PBM services, which includes prescription mail service to the members of health plan sponsors in the United States. The Company also provides specialty pharmacy services to chronically ill or genetically impaired patients that require injection and infusion therapies, as well as infusion therapies and home healthcare products and services to patients recently discharged from hospitals.

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 June 30, 2001, the Company provided PBM services to 132 health plan sponsors with an aggregate of approximately 7.1 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 30.4% of the Company's revenues at June 30, 2001, compared to 48.2% of the Company's revenues at June 30, 2000.

Results of Operations

Three months ended June 30, 2001 compared to three months ended June 30, 2000

Revenues for the quarter were up 20% to $106.9 million compared with $89.1 million for the second quarter a year ago. Commercial PBM and mail order revenues accounted for $8.6 million of the $17.8 million increase, as a result of an increase in contracted lives. Specialty pharmaceutical revenue, which includes revenues derived from ADIMA, contributed $9.1 million of the additional revenue during the period. For the three months ended June 30, 2001, 27.3% of the Company's revenues were generated from capitated contracts, compared to 33.3% for the same period in 2000.

Cost of revenue for the three months ended June 30, 2001, was $93.4 million, compared with $80.8 for the same period in 2000, an increase of $12.6 million. Cost of revenue increased due to the additional cost of revenue resulting from the inclusion of ADIMA's operations and increases in commercial PBM and mail order costs resulting from increases in contracted lives. Gross margin as a percentage of revenue totaled 12.6% for the three months ended June 30, 2001 compared to 9.3% for the same period in 2000. Gross margins were positively impacted by lower utilization on the Company's capitated contracts and an increase in specialty pharmaceutical revenue. Specialty pharmaceutical gross margins are higher than those historically realized in the Company's PBM and mail order businesses.

Selling, general and administrative expenses were $9.4 million for the three months ended June 30, 2001, or 8.8% as a percentage of revenue, compared to $7.3 million for the three months ended June 30, 2000 or 8.2% as a percentage of revenue. This increase of $2.1 million was primarily the result of the Company's increased operating expenses as a result of its acquisition of ADIMA in August 2000, as well as increased operating expenses due to the relocation and modernization of the mail service facility in 2000, and increased sales and marketing expenses.

For the three months ended June 30, 2001, the Company recorded amortization of goodwill and other intangibles of $0.6 million compared to $0.3 million for the same period in 2000. This increase primarily reflects the increased of goodwill associated with the acquisition of ADIMA in August 2000. The acquisition of CPS in April 2001 accounted for less then $0.1 million of the increase in amortization of goodwill and other intangibles.

Interest income, net, decreased by $0.3 million for the three months ended June 30, 2001 compared to the three months ended June 30, 2000, primarily due to the excess cash on hand as of June 30, 2000, used to acquire ADIMA during the third quarter of 2000.

For the three months ended June 30, 2001, the Company recorded net income of $3.2 million or $0.15 per diluted share. This compares with net income of $1.1 million, or $0.06 per diluted share for the three months ended June 30, 2000.

Earnings before interest, taxes, depreciation and amortization was $5.4 million for the three-month period ended June 30, 2001, compared to $1.8 million for the three-month period ended June 30, 2000.

Six months ended June 30, 2001 compared to six months ended June 30, 2000

Revenues for the six months ending June 30, 2001, were up 25.5% to $212.9 million compared with $169.6 million for the same period a year ago. Commercial PBM and mail order revenues accounted for $24.5 million of the $43.3 million increase, as a result of an increase in contracted lives. Specialty pharmaceutical revenue, which includes revenues derived from ADIMA, contributed $18.8 million of the additional revenue during the period. For the six months ended June 30, 2001, 26.3% of the Company's revenues were generated from capitated contracts, compared to 35.6% for the same period in 2000.

Cost of revenue for the six months ended June 30, 2001, was $187.8 million, compared to $154.5 for the same period in 2000, an increase of $33.3 million. Cost of revenue increased due to the additional costs of revenue resulting from the inclusion of ADIMA's operations and increases in commercial PBM and mail order costs resulting from increases in contracted lives. These increases were partially offset by a decrease in cost of revenue as a result of additional rebates received in the first quarter of 2001 for prior years. Gross margin as a percentage of revenue totaled 11.8% for the six months ended June 30, 2001 compared to 8.9% for the same period in 2000. Gross margins were positively impacted by lower pharmaceutical utilization on the Company's capitated contracts and an increase in specialty pharmaceutical revenue. Specialty pharmaceutical gross margins are higher than those historically realized in the Company's PBM and mail order businesses.

Selling, general and administrative expenses were $17.8 million for the six months ended June 30, 2001, or 8.3% as a percentage of revenue, compared to $13.5 million for the six months ended June 30, 2000, or 8.0% as a percentage of revenue. These increases were primarily the result of the Company's increased operating expenses as a result of its acquisition of ADIMA in August 2000, as well as increased operating expenses due to the relocation and modernization of the Company's mail service facility in 2000, and increased sales and marketing expenses.

For the six months ended June 30, 2001, the Company recorded amortization of goodwill and other intangibles of $1.1 million compared to $0.5 million for the same period in 2000. This increase primarily reflects the inclusion of goodwill associated with the acquisition of ADIMA in August 2000. The acquisition of CPS in April 2001 accounted for less then $0.1 million of the increase in amortization of goodwill and other intangibles.

Interest income, net, decreased by $0.7 million for the six months ended June 30, 2001 compared to the six months ended June 30, 2000, primarily due to the excess cash on hand as of June 30, 2000, used to acquire Adima during the third quarter.

For the six months ended June 30, 2001, the Company recorded net income of $6.7 million or $0.32 per diluted share as compared to $1.8 million, or $0.09 per diluted share for the same period a year ago.

Earnings before interest, taxes, depreciation and amortization was $10.7 million for the six months ended June 30, 2001, and $3.1 million for the six months ended June 30, 2000.

Liquidity and Capital Resources

The Company utilizes both funds generated from operations and funds available to it under its credit facility for capital expenditures and other working capital needs. For the six months ended June 30, 2001, net cash generated by the Company from operations totaled $4.3 million. This was primarily due to net income of $6.7 million, partially offset by an increase in receivables, an increase in claims payable and a decrease in payables to plan sponsors and others. Receivables and claims payables have increased as a result of higher revenues from increased business in the first and second quarters of 2001. The change in payables to plan sponsors and others reflects the fulfillment of obligations to the MCOs for prior quarter rebate share payables.

Net cash used in investing activities was $3.7 million. The Company purchased property and equipment equal to approximately $1.7 million, which included the final payment for the automation system at the mail service facility. In addition, $1.5 million was used for the acquisition of CPS.

For the six months ended June 30, 2001, net cash used in financing activities was $1.2 million. The repurchase of the Company's shares, in a private transaction was the majority of cash used in financing activities. This was partially offset by proceeds from the exercise of stock options by Company employees.

At June 30, 2001, the Company had a working capital deficit of $6.2 million compared to a working capital deficit of $11.2 million at December 31, 2000.

On November 1, 2000, the Company entered into a $45 million 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 of up to $45 million 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 $1.6 million which are included in other assets and are being amortized over the term of the Facility. The Facility contains various covenants that, among other things, require the Company to maintain certain financial ratios, as defined in the agreements governing the Facility. As of June 30, 2001, there are no amounts outstanding under this Facility.

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. Management does not presently believe that there are any current matters of a material nature, threatened or pending, and which could 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 carryforwards 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. In 1998, the company underwent 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 existing at the time of the "change in control" totaled approximately $34.8 million, which are subject to a limitation as a result of this change. The annual limitation is approximately $2.7 million. Actual utilization in any year will vary based on the Company's tax position in that year. In 2001, the company has not recorded a provision for federal income taxes as a result of the Company's existing net operating loss carryforwards.

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 or available credit under the Facility to fund the Company's anticipated working capital and other cash needs for at least the next 12 months. The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its PBM, fulfillment or specialty pharmacy businesses, which the Company would expect to fund from cash on hand, the Facility, other future indebtedness or, if appropriate, the sale or exchange of equity securities of the Company.

Other Matters

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 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 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. The company has not experienced material adverse affects from this new rule.

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 winter months. The resulting increase in pharmaceutical costs impacts the profitability of capitated contracts. Capitated business represented approximately 27.3% of the Company's revenues while fee-for-service business (including mail order services and specialty) represented approximately 72.7% of the Company's revenues for the three months ended June 30, 2001 as compared to 33.3% and 66.7% for the three months ended June 30, 2000, 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 25% 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 from plan sponsors. The greater proportion of fee-for-service contracts with the Company's customers in 2001 as compared to prior years mitigates the potential adverse effects of any such 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 is authorized to repurchase up to $5 million of the Company's Common Stock from time to time on the open market or in private transactions.

* * * *

Item 3. 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	2005	Thereafter
Long-term debt:						
Variable rate instruments	$ 35					
Weighted average rate	6.80%					

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 June 30, 2001, 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 June 30, 2001, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable, payables to plan sponsors and others, and debt approximate fair value due to their short-term nature.

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

* * * *

PART II

OTHER INFORMATION

Item 1. Legal Proceedings

Until settled on April 2, 2001, the Company had been engaged in commercial arbitration with Tennessee Health Partnership ("THP") over a number of commercial disputes surrounding the parties' relationship. 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. Early in 2001, the Company reached an agreement in principle with THP under which the Company paid THP $1.3 million in satisfaction of all claims between the parties. The terms of the settlement were favorable to the Company and $1 million of excess reserves were credited to income during the first quarter of 2001.

Item 2. Changes in Securities and Use of Proceeds

As of June 30, 2001, 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 United States Securities and Exchange Commission (the "Commission") and declared effective by the Commission on August 14, 1996, has all been used.

The Company expended a relatively insignificant portion of the Offering proceeds on expansion of 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 such expansion. The Company determined not to apply any material portion of the Offering proceeds to fund the expansion of this business.

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

(a) The Company's annual meeting of stockholders (the "Annual Meeting") was held on June 28, 2000.

(b) At the Annual Meeting, the election of seven (7) directors to the Board of Directors, each to serve for a one (1) year term, was submitted to a vote of the stockholders and the stockholders elected the following directors: Richard H. Friedman, Richard A. Cirillo, Esq., Louis DiFazio, Ph.D., Harold Ford, Michael Kooper, Louis A. Luzzi, Ph.D. and Ronald K. Shelp.

(c) The votes in favor of and against the election of each director were as follows:

Name	For	Withheld
Richard H. Friedman	17,006,941	117,436
Richard A. Cirillo	17,006,941	117,436
Louis DiFazio, Ph.D.	17,006,941	117,436
Harold Ford	17,006,941	117,436
Michael Kooper	17,006,941	117,436
Louis A. Luzzi, Ph.D.	17,006,941	117,436
Ronald K. Shelp	17,006,941	117,436

Also approved were the following proposals:

Approval and ratification of MIM Corporation 2001 Incentive Stock Plan with 950,000 shares of Common Stock reserved for issuance thereunder (15,756,152 shares in favor, 510,725 shares against, 857,500 shares withheld and zero broker non-votes); and

Approval of the appointment of Arthur Andersen LLP as independent accountants for the year 2001 (17,093,702 shares in favor, 22,525-shares against, 8,050 shares withheld and zero broker non-votes).

(d) Not applicable.

Item 5. Other Information

None.

* * * *

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
10.75	Employment letter, dated as of June 21, 2001, between MIM Corporation and Donald Foscato *
10.76	Employment letter, dated as of June 18, 2001, between MIM Health Plans, Inc. and Donald Dindak *
10.77	Employment letter, dated as of June 19, 2001, between MIM Health Plans, Inc and Michael Sicilian *

----

* Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Regulation S-K 601 (iii).

(b) Reports on Form 8-K

None.

* * * *

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on August 14, 2001.

MIM CORPORATION

Date: August 14, 2001

/s/ Donald Foscato

Donald Foscato
Chief Financial Officer

Exhibit Index

(Exhibits being filed with this Quarterly Report on Form 10-Q)

Exhibit Number	Description
10.75	Employment letter, dated as of June 21, 2001, between MIM Corporation and Donald Foscato *
10.76	Employment letter, dated as of June 18, 2001, between MIM Health Plans, Inc. and Donald Dindak *
10.77	Employment letter, dated as of June 19, 2001, between MIM Health Plans, Inc and Michael Sicilian *

----

* Indicates a management contract or compensatory plan or arrangement required to be filed as an exhibit pursuant to Regulation S-K 601 (iii).

June 21, 2001

Mr. Donald A. Foscato
61 Thrush Lane
New Canaan, CT 06840

Re: MIM Corporation and Subsidiaries

Dear Don:

MIM Corporation, a Delaware corporation (the "Company"), is pleased to offer you employment as the Company's Chief Financial Officer, on the terms and subject to the conditions set forth below. The terms and conditions of your employment would be as follows:

1. POSITION AND DUTIES: Chief Financial Officer.

In such capacity, you shall be the principal financial and accounting officer of the Company and shall be responsible for all financial reporting and other matters typical of a Chief Financial Officer. In such capacity, you will faithfully perform the duties of said office and position and such other duties of an executive, managerial and administrative nature as are specified and designated from time to time by the Company's Board of Directors.

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

2. BASE COMPENSATION: Your base salary will be at an annual rate of $200,000.00 per year, payable bi-weekly, or at such other times as other employees of the Company are paid.

3. LONG-TERM INCENTIVE COMPENSATION: As further compensation hereunder, effective upon the later to occur of the date you commence your employment with the Company and the date you execute definitive agreements with respect to each such grant, the Company would grant to you (i) 120,000 options ("Options") to purchase the Company's common stock, par value $0.0001 per share ("Common Stock"); (ii) 5,000 performance units ("Performance Units"), having the terms and conditions set forth in a definitive agreement with respect to the Performance Units; and (iii) 20,000 performance shares ("Performance Shares") of Common Stock, having the terms and conditions set forth in a definitive agreement with respect to the Performance Shares. The Options shall vest in equal installments on the first, second and third anniversary dates of your employment. The grant and vesting of your options would be subject to the terms and conditions set forth in the form of Option Agreement. Such options shall be priced at the closing stock price on the trading day immediately preceding your first day of employment with the Company.

4. TRANSPORTATION ALLOWANCE: During your employment, the Company will provide you with a monthly allowance of $1000 for the use of an automobile.

5. PARTICIPATION IN HEALTH AND OTHER BENEFIT PLANS During your employment with the Company, you shall be permitted, if and to the extent eligible, to participate in all employee health and other related benefit plans, policies and practices now or hereafter available to members of senior management generally and maintained by or on behalf of the Company, including the Company's medical expense reimbursement plan (the "MERP") and a life insurance policy equal to three times your then annual salary. 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. Alternatively, at your election, in lieu of medical benefits, the Company will reimburse you for preexisting health benefits at a monthly rate equal to the lesser of (i) $495;

and (ii) the monthly amount that the Company contributes to its employees towards medical and other health benefits.

During the first year of your employment, you shall be eligible to participate in the Company's 1998 Cash Bonus Program For Key Employees. During the first calendar year of your employment, you would participate pro rata based on the number of days during calendar year 2001 that you were employed by the Company.

6. EXPENSES: Subject to such policies as may from time to time be established by the Company's Board of Directors, the Company would pay or reimburse you for all reasonable and necessary expenses (which shll include professional fees and dues reasonably necessary to the performance of your duties hereunder) actually incurred or paid by you during the term of your employment in the performance of your duties, upon submission and approval of expense statements, vouchers or other supporting information in accordance with the then customary practices of the Company.

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

7. TERMINATION; SEVERANCE CHANGE OF CONTROL: If your employment with the Company is terminated for any reason whatsoever, whether by you or the Company, the Company would not be liable for, or obligated to pay you any bonus compensation or any other compensation contemplated hereby not already paid or not already accrued at the date of such termination, and no other benefits shall accrue or vest subsequent to such date. If you are terminated by the Company (or any successor) other than for "Cause" (as defined below), you will be entitled to receive severance payments equal to six months of salary at your then current salary level, payable in accordance with the Company's then applicable payroll practices and subject to all applicable federal, state and local withholding. For purposes of this Agreement, "Cause" shall mean any of the following: (1) Commission by you of criminal conduct which involves moral turpitude; (2) acts which constitute fraud or self-dealing by or on th3e part of you against the Company, including, without limitation, misappropriation or embezzlement; (3) your willful engagement in conduct which is materially injurious to the Company; or (4) your gross misconduct in the performance of duties as an employee of the Company, including, without limitation, failure to obey lawful written instructions of the Board of Directors of the Company, any committee thereof or any executive officer of the Company or failure to correct any conduct which constitutes a breach of any written agreement between you and the Company or of any written policy promulgated by the Board of Directors of either the Company, any committee thereof or any executive officer of the Company, in either case after not less than ten days' notice in writing to you of the Company's intention to terminate you if such failure is not corrected within the specified period (or after such shorter notice period if the Company in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company). In addition, if you are terminated by the Company (or any successor) within one year of a "Change of Control" (as defined below) or, within such one (1) year period, you elect to terminate your employment after the Company or a successor entity materially reduces your authority, duties and responsibilities, or assigns you duties materially inconsistent with your position or positions with the Company or a successor entity immediately prior to such Change of Control, (I) you shall receive severance payments equal to six months of your then current salary (and reimbursement for expenses incurred prior to the effective date of the termination of employment; (II) all outstanding unvested Options granted to you (or hereafter under the Bonus Program) and held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and you shall become vested in any pension or other deferred compensation other than pension or deferred compensation under a plan intended to be qualified under Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended; (III) all Performance Units granted under the Bonus Program and held by you shall vest and become immediately payable at any time and from time to time from and after the termination date, at the maximum target rate set forth in the Bonus Program; (IV) all Performance Shares granted under the Bonus Program and held by you shall vest and become immediately transferable free of any restrictions on transfer-ability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by you and all other restrictions imposed thereon shall cease other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of your employment with the Company or any successor entity, as the case may be; and (vi) you shall have no further rights to any other compensation or benefits hereunder on

or after the termination of employment or any other rights hereunder.

For purposes of this Agreement, "Change of Control" means the occurrence of one or more of the following: (i) a "person" or "group" within the means the meaning of sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act") becomes the "beneficial owner" (within the meaning of Rule l3d-3 under the Exchange Act) of securities of the Company (including options, warrants, rights and convertible and exchangeable securities) representing 30% or more of the combined voting power of the Company's then outstanding securities in any one or more transactions unless approved by at least two-thirds of the Board of Directors then serving at that time; provided, however, that purchases by employee benefit plans of the Company and by the Company or its affiliates shall be disregarded; or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the operating assets of the Company; or (iii) a merger or consolidation, or a transaction having a similar effect, 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), unless such merger, consolidation or similar transaction is with a subsidiary of the Company or with another company, a majority of whose outstanding capital stock is owned by the same persons or entities who own a majority of the Company's Common Stock at such time; or (iv) at any annual or special meeting of stockholders of the Company at which a quorum is present (or any adjournments or postponements thereof), or by written consent in lieu thereof, directors (each a "New Director" and collectively the "New Directors") then constituting a majority of the Company's Board of Directors shall be duly elected to serve as New Directors and such New Directors shall have been elected by stockholders of the Company who shall be an (I) "Adverse Person(s)"; (II) "Acquiring Person(s)"; or (III) "40% Person(s)" (as each of the terms set forth in (I), (II), and (III) hereof are defined in that certain Amended and Restated Rights Agreement, dated May 20, 1999, between the Company and American Stock Transfer & Trust Company, as Rights Agent.

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

9. OTHER TERMS: Your employment, restrictive covenants and option agreements will include other customary and usual terms, provisions, conditions and representations as are found in the Company's similar arrangements with its employees.

10. CONDITION TO EMPLOYMENT: Your employment is conditioned on the approval of your employment and this letter agreement by the Board of Directors of the Company.

Please call me to discuss any questions or comments that you may have regarding these terms. After I receive your agreement to the foregoing, definitive documentation will be prepared. I look forward to hearing from you and working with you. Best regards.

Sincerely yours,

MIM CORPORATON

By: /s/ Barry A. Posner

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

Agreed to and Accepted By:

/s/ Donald A. Foscato

Donald A. Foscato

Exhibit A

RESTRICTIVE COVENANTS

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

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

(b) During and after the period during which you are employed, you shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, except in connection with the Business and affairs of the Company and its affiliates, all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by you heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansions of product, service, or geographic markets of the Company and its affiliates, (ii) sales figures, contracts, agreements, and undertakings with or with respect to customers, (iii) profit or loss figures, and (iv) customers, clients, suppliers, sources of supply and customer lists, and shall not disclose such Confidential Company Information to anyone outside of the Company except with the Company's express written consent and except for Confidential Company Information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of you or is received from a third party not under an obligation to keep such information confidential and without breach of these Restrictive Covenants or the Agreement. Notwithstanding the foregoing, this section (b) shall not apply to the extent that you are acting to the extent necessary to comply with legal process; provided that in the event that you are subpoenaed to testify or to produce any information or documents before any court, administrative agency or other tribunal relating to any aspect pertaining to the Company, you shall immediately notify the Company thereof.

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

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

Rights and Remedies upon Breach of Restrictive Covenants.

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

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

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

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

Agreed to and accepted by:

/s/ Donald A. Foscato

- ---------------------

Donald A. Foscato

June 18, 2001

Mr. Donald Dindak
420 Diehl Drive
Mckeesport, PA 15132

Re: MIM Health Plans and Subsidiaries

Dear Don:

MIM Health Plans, Inc., a Delaware corporation (the "Company"), a wholly owned subsidiary of MIM Corporation ("MIM") is pleased to offer you employment as the President of the Company's BioScrip injectable division, on the terms and subject to the conditions set forth below. The terms and conditions of your employment would be as follows:

1. POSITION AND DUTIES: President of the Company's BioScrip injectable division.

In such capacity, you shall be responsible for all sales and marketing activities of the BioScrip injectable division and all other aspects of that division that are not utilized by Scrip PBM on a shared basis. including the sales representatives exclusively dedicated to BioScrip injectable sales and the pull through of patients through data analysis (that is, "patient pull through"). Accounts. In such capacity, you will faithfully perform the duties of said office and position and such other duties of an executive, managerial and administrative nature as are specified and designated from time to time by the Company's Board of Directors.

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

2. BASE COMPENSATION: Your base salary will be at an annual rate of $200,000.00 per year, payable bi-weekly, or at such other times as other employees of the Company are paid.

3. LONG-TERM INCENTIVE COMPENSATION: As further compensation hereunder, effective upon the later to occur of the date you commence your employment with the

Company and the date you execute definitive agreements with respect to each such grant, the Company would grant to you (i) 100,000 options ("Options") to purchase the Company's common stock, par value $0.0001 per share ("Common Stock"); (ii) 5,000 performance units ("Performance Units"), having the terms and conditions set forth in a definitive agreement with respect to the Performance Units; and (iii) 15,000 performance shares ("Performance Shares") of Common Stock, having the terms and conditions set forth in a definitive agreement with respect to the Performance Shares. The Options shall vest in equal installments on the first, second and third anniversary dates of your employment. The grant and vesting of your options would be subject to the terms and conditions set forth in the form of Option Agreement. Such options shall be priced at the closing stock price on the trading day immediately preceding your first day of employment with the Company. The granting of the incetive compensation set forth above is subject to the approval of the Company's stockholders at this year's annual meeting scheduled to be held on June 28, 2001.

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

5. PARTICIPATION IN HEALTH AND OTHER BENEFIT PLANS During your employment with the Company, you shall be permitted, if and to the extent eligible, to participate in all employee health and other related benefit plans, policies and practices now

or hereafter available to members of senior management generally and maintained by or on behalf of the Company, including the Company's medical expense reimbursement plan (the "MERP") and a life insurance policy equal to three times your then annual salary. 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.

During the first year of your employment, you shall be eligible to participate in the Company's 2001 Cash Bonus Program For Key Employees. During the first calendar year of your employment, you would participate pro rata based on the number of days during calendar year 2001 that you were employed by the Company.

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

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

7. TERMINATION; SEVERANCE CHANGE OF CONTROL: If your employment with the Company is terminated for any reason whatsoever, whether by you or the Company, the Company would not be liable for, or obligated to pay you any bonus compensation or any other compensation contemplated hereby not already paid or not already accrued at the date of such termination, and no other benefits shall accrue or vest subsequent to such date. If you are terminated by the Company (or any successor) other than for "Cause" (as defined below), you will be entitled to receive severance payments equal to six months of salary at your then current salary level, payable in accordance with the Company's then applicable payroll practices and subject to all applicable federal, state and local withholding. For purposes of this Agreement, "Cause" shall mean any of the following: (1) Commission by you of criminal conduct which involves moral turpitude; (2) acts which constitute fraud or self-dealing by or on the part of you against the Company or MIM, including, without limitation, misappropriation or embezzlement; (3) your willful engagement in conduct which is materially injurious to the Company or MIM; or (4) your gross misconduct in the performance of duties as an employee of the Company or MIM, including, without limitation, failure to obey lawful written instructions of the Board of Directors of the Company or MIM, any committee thereof or any executive officer of the Company or MIM or failure to correct any conduct which constitutes a breach of any written agreement between you and the Company or MIM or of any written policy promulgated by the Board of Directors of either the Company or MIM, any committee thereof or any executive officer of the Company or MIM, in either case after not less than ten days' notice in writing to you of the Company's intention to terminate you if such failure is not corrected within the specified period (or after such shorter notice period if the Company or MIM in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company or MIM). In addition, if you are terminated by the Company or MIM (or any successor or either) within one year of a "Change of Control" (as defined below) or, within such one (1) year period, you elect to terminate your employment after the Company or MIM or a successor entity (A) materially reduces your authority, duties and responsibilities assigns you duties materially inconsistent with your position or positions with the Company or MIM or a successor entity immediately prior to such Change of Control or (B) requires you to relocate your residence in order to perform your duties with the Company, MIM or that successor entity, (I) you shall receive severance payments equal to six months of your then current salary (and reimbursement for expenses incurred prior to the effective date of the termination of employment; (II) all outstanding unvested Options granted to you (or hereafter under the Bonus Program) and held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and you shall become vested in any pension or other deferred compensation other than

pension or deferred compensation under a plan intended to be qualified under Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended; (iv) all Performance Units granted under the Bonus Program and held by you shall vest and become immediately payable at any time and from time to time from and after the termination date, at the maximum target rate set forth in the Bonus Program; (v) all Performance Shares granted under the Bonus Program and held by you shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by you and all other restrictions imposed thereon shall cease other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of your employment with the Company or any successor entity, as the case may be; and (vi) you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

For purposes of this Agreement, "Change of Control" means the occurrence of one or more of the following: (i) a "person" or "group" within the means the meaning of sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act") becomes the "beneficial owner" (within the meaning of Rule l3d-3 under the Exchange Act) of securities of MIM (including options, warrants, rights and convertible and exchangeable securities) representing 30% or more of the combined voting power of MIM's then outstanding securities in any one or more transactions unless approved by at least two-thirds of MIM's Board of Directors then serving at that time; provided, however, that purchases by employee benefit plans of MIM and by MIM or its affiliates shall be disregarded; or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the operating assets of MIM or the Company; or (iii) a merger or consolidation, or a transaction having a similar effect, where (A) the Company or MIM is not the surviving corporation, (B) the majority of the Common Stock of MIM is no longer held by the stockholders of MIM immediately prior to the transaction, or (C) the MIM's Common Stock is converted into cash, securities or other property (other than the common stock of a company into which MIM or the Company is merged), unless such merger, consolidation or similar transaction is with a subsidiary of the Company or MIM or with another company, a majority of whose outstanding capital stock is owned by the same persons or entities who own a majority of MIM's Common Stock at such time; or (iv) at any annual or special meeting of stockholders of MIM at which a quorum is present (or any adjournments or postponements thereof), or by written consent in lieu thereof, directors (each a "New Director" and collectively the "New Directors") then constituting a majority of MIM's Board of Directors shall be duly elected to serve as New Directors and such New Directors shall have been elected by stockholders of MIM who shall be an (I) "Adverse Person(s)"; (II) "Acquiring Person(s)"; or (III) "40% Person(s)" (as each of the terms set forth in (I), (II), and (III) hereof are defined in that certain Amended and Restated Rights Agreement, dated May 20, 1999, between MIM and American Stock Transfer & Trust Company, as Rights Agent.

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

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

10. OTHER TERMS: Your employment, restrictive covenants and option agreements will include other customary and usual terms, provisions, conditions and representations as are found in the Company's similar arrangements with its employees.

11. CONDITION TO EMPLOYMENT: Your employment is conditioned on the approval of your employment and this letter agreement by the Board of Directors of the Company.

Please call me to discuss any questions or comments that you may have regarding these terms. After I receive your agreement to the foregoing, definitive documentation will be prepared. I look forward to hearing from you and working with you. Best regards.

Sincerely yours,

MIM HEALTH PLANS, INC.

By: /s/ Barry A. Posner

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

Agreed to and Accepted By:

/s/ Donald Dindak

Donald Dindak

Exhibit A

RESTRICTIVE COVENANTS

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

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

(b) During and after the period during which you are employed, you shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, except in connection with the Business and affairs of the Company and its affiliates, all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by you heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the "Confidential Company Information"), including, without limitation, information with respect to (i) the strategic plans, budgets, forecasts, intended expansions of product, service, or geographic markets of the Company and its affiliates, (ii) sales figures, contracts, agreements, and undertakings with or with respect to customers, (iii) profit or loss figures, and (iv) customers, clients, suppliers, sources of supply and customer lists, and shall not disclose such Confidential Company Information to anyone outside of the Company except with the Company's express written consent and except for Confidential Company Information which is at the time of receipt or thereafter becomes publicly known through no wrongful act of you or is received from a third party not under an obligation to keep such information confidential and without breach of these Restrictive Covenants or the Agreement. Notwithstanding the foregoing, this section (b) shall not apply to the extent that you are acting to the extent necessary to comply with legal process; provided that in the event that you are subpoenaed to testify or to produce any information or documents before any court, administrative agency or other tribunal relating to any aspect pertaining to the Company, you shall immediately notify the Company thereof.

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

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

Rights and Remedies upon Breach of Restrictive Covenants.

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

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

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

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

Agreed to and accepted by:

/s/ Donald Dindak

\- ------------------

Donald Dindak

June 19, 2001

Mr. Michael J. Sicilian
78 Fountain Drive
Ringwood,NJ 07456

Re: MIM Health Plans and Subsidiaries

Dear Michael:

MIM Health Plans, Inc., a Delaware corporation (the "Company"), a wholly owned subsidiary of MIM Corporation ("MIM") is pleased to offer you employment as the President of the Company's BioScrip Infusion division, on the terms and subject to the conditions set forth below. The terms and conditions of your employment would be as follows:

1. POSITION AND DUTIES: President of the Company's BioScrip infusion division.

In such capacity, you shall be responsible for all sales, marketing and operations of the Company's BioScrip infusion division, including the Company's American Disease Management Associates, LLC subsidiary. In such capacity, you will faithfully perform the duties of said office and position and such other duties of an executive, managerial and administrative nature as are specified and designated from time to time by the Company's and MIM's Board of Directors.

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

2. BASE COMPENSATION: Your base salary will be at an annual rate of $225,000.00 per year, payable bi-weekly, or at such other times as other employees of the Company are paid.

3. LONG-TERM INCENTIVE COMPENSATION: As further compensation hereunder, effective upon the later to occur of the date you commence your employment with the Company and the date you

execute definitive agreements with respect to each such grant, the Company would grant to you (i) 100,000 options ("Options") to purchase the Company's common stock, par value $0.0001 per share ("Common Stock"); (ii) 5,000 performance units ("Performance Units"), having the terms and conditions set forth in a definitive agreement with respect to the Performance Units; and (iii) 15,000 performance shares ("Performance Shares") of Common Stock, having the terms and conditions set forth in a definitive agreement with respect to the Performance Shares. The Options shall vest in equal installments on the first, second and third anniversary dates of your employment. The grant and vesting of your options would be subject to the terms and conditions set forth in the form of Option Agreement. Such options shall be priced at the closing stock price on the trading day immediately preceding your first day of employment with the Company.

4. TRANSPORTATION ALLOWANCE: During your employment, the Company will provide you with a monthly allowance of $1000 for the use of an automobile.

5. PARTICIPATION IN HEALTH AND OTHER BENEFIT PLANS During your employment with the Company, you shall be permitted, if and to the extent eligible, to participate in all employee health and other related benefit plans, policies and practices now or hereafter available to members of senior management generally and maintained by or on behalf of the Company, including the Company's medical expense reimbursement plan (the "MERP") and a life insurance policy equal to three times your then annual salary. 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.

During the first year of your employment, you shall be eligible to participate in the Company's 2001 Cash Bonus Program For Key Employees. During the first calendar year of your employment, you would participate pro rata based on the number of days during calendar year 2001 that you were employed by the Company.

6. EXPENSES: Subject to such policies as may from time to time be established by the Company's Board of Directors, the Company would pay or reimburse you for all reasonable and necessary expenses actually incurred or paid by you during the term of your employment in the performance of your duties, upon

submission and approval of expense statements, vouchers or other supporting information in accordance with the then customary practices of the Company.

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

7. TERMINATION; SEVERANCE CHANGE OF CONTROL: If your employment with the Company is terminated for any reason whatsoever, whether by you or the Company, the Company would not be liable for, or obligated to pay you any bonus compensation or any other compensation contemplated hereby not already paid or not already accrued at the date of such termination, and no other benefits shall accrue or vest subsequent to such date. If you are terminated by the Company (or any successor) other than for "Cause" (as defined below), you will be entitled to receive severance payments equal to six months of salary at your then current salary level, payable in accordance with the Company's then applicable payroll practices and subject to all applicable federal, state and local withholding. For purposes of this Agreement, "Cause" shall mean any of the following: (1) Commission by you of criminal conduct which involves moral turpitude; (2) acts which constitute fraud or self-dealing by or on the part of you against the Company or MIM, including, without limitation, misappropriation or embezzlement; (3) your willful engagement in conduct which is materially injurious to the Company or MIM; or (4) your gross misconduct in the performance of duties as an employee of the Company or MIM, including, without limitation, failure to obey lawful written instructions of the Board of Directors of the Company or MIM, any committee thereof or any executive officer of the Company or MIM or failure to correct any conduct which constitutes a breach of any written agreement between you and the Company or MIM or of any written policy promulgated by the Board of Directors of either the Company or MIM, any committee thereof or any executive officer of the Company or MIM, in either case after not less than ten days' notice in writing to you of the Company's intention to terminate you if such failure is not corrected within the specified period (or after such shorter notice period if the Company or MIM in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company or MIM). In addition, if (A) you are terminated by

the Company or MIM (or any successor or either) within one year of a "Change of Control" (as defined below) or (B) your salary is reduced after the Change of Control from your current level immediately prior to the Change of Control, or within such one (1) year period, you elect to terminate your employment after the Company or MIM or a successor entity materially reduces your authority, duties and responsibilities, or assigns you duties materially inconsistent with your position or positions with the Company or MIM or a successor entity immediately prior to such Change of Control, (I) you shall receive severance payments equal to six months of your then current salary (and reimbursement for expenses incurred prior to the effective date of the termination of employment; (II) all outstanding unvested Options granted to you (or hereafter under the Bonus Program) and held by you shall vest and become immediately exercisable and shall otherwise be exercisable in accordance with their terms and you shall become vested in any pension or other deferred compensation other than pension or deferred compensation under a plan intended to be qualified under Section 401(a) or 403(a) of the Internal Revenue Code of 1986, as amended; (iv) all Performance Units granted under the Bonus Program and held by you shall vest and become immediately payable at any time and from time to time from and after the termination date, at the maximum target rate set forth in the Bonus Program; (v) all Performance Shares granted under the Bonus Program and held by you shall vest and become immediately transferable free of any restrictions on transferability of the Performance Shares (other than restrictions on transfer imposed under Federal and state securities laws) by you and all other restrictions imposed thereon shall cease other than those restrictions, limitations and/or obligations contained in the Bonus Program that expressly survive the termination of your employment with the Company or any successor entity, as the case may be; and (vi) you shall have no further rights to any other compensation or benefits hereunder on or after the termination of employment or any other rights hereunder.

For purposes of this Agreement, "Change of Control" means the occurrence of one or more of the following: (i) a "person" or "group" within the means the meaning of sections 13(d) and 14(d) of the Securities and Exchange Act of 1934 (the "Exchange Act") becomes the "beneficial owner" (within the meaning of Rule l3d-3 under the Exchange Act) of securities of MIM (including options, warrants, rights and convertible and exchangeable securities) representing 30% or more of the combined voting power of MIM's then outstanding securities in any one or more transactions unless approved by at least two-thirds of MIM's Board of Directors then serving at that time; provided, however, that purchases by employee benefit plans of MIM and by MIM or its affiliates shall be disregarded; or (ii) any sale, lease, exchange or other transfer (in one transaction or a series of related transactions) of all, or substantially all, of the operating assets of MIM or the Company; or (iii) a merger or consolidation, or a transaction having a similar effect, where (A) the Company or MIM is not the surviving corporation, (B) the majority of the Common Stock of MIM is no longer held by the stockholders of MIM immediately prior to the transaction, or (C) the MIM's Common Stock is converted into cash, securities or other property (other than the common stock of a company into which MIM or the Company is merged), unless such merger, consolidation or similar transaction is with a subsidiary of the Company or MIM or with another company, a majority of whose outstanding capital stock is owned by the same persons or entities who own a majority of MIM's Common Stock at such time; or (iv) at any annual or special meeting of stockholders of MIM at which a quorum is present (or any adjournments or postponements thereof), or by written consent in lieu thereof, directors (each a "New Director" and collectively the "New Directors") then constituting a majority of MIM's Board of Directors shall be duly elected to serve as New Directors and such New Directors shall have been elected by stockholders of MIM who shall be an (I) "Adverse Person(s)"; (II) "Acquiring Person(s)"; or (III) "40% Person(s)" (as each of the terms set forth in (I), (II), and (III) hereof are defined in that certain Amended and Restated Rights Agreement, dated May 20, 1999, between MIM and American Stock Transfer & Trust Company, as Rights Agent.

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

9. OTHER TERMS: Your employment, restrictive covenants and option agreements will include other customary and usual terms, provisions, conditions and representations as are found in the Company's similar arrangements with its employees.

10. CONDITION TO EMPLOYMENT: Your employment is conditioned on the approval of your employment and this letter agreement by the Board of Directors of the Company.

Please call me to discuss any questions or comments that you may have regarding these terms. After I receive your agreement to the foregoing, definitive documentation will be prepared. I look forward to hearing from you and working with you. Best regards.

Sincerely yours,

MIM HEALTH PLANS, INC.

By: /s/ Barry A. Posner

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

Agreed to and Accepted By:

/s/ Michael J. Sicilian
- -----------------------

Michael J. Sicilian

Exhibit A

RESTRICTIVE COVENANTS

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

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

(b) During and after the period during which you are employed, you shall keep secret and retain in strictest confidence, and shall not use for his benefit or the benefit of others, except in connection with the Business and affairs of the Company and its affiliates, all confidential matters relating to the Company's Business and the business of any of its affiliates and to the Company and any of its affiliates, learned by you heretofore or hereafter directly or indirectly from the Company or any of its affiliates (the

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

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

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

Rights and Remedies upon Breach of Restrictive Covenants.

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

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

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

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

Agreed to and accepted by:

/s/ Michael J. Sicilian

\- --------------------------

Michael J. Sicilian