FORM 10-Q/A

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

[X] AMENDMENT NO. 1 TO QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 1998

OR

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

For the transition period from ___________________ to ___________________

Commission file number 0-28740

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

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

One Blue Hill Plaza, Pearl River, New York 10965
(Address of principal executive offices)

(914) 735-3555
(Registrant's telephone number, including area code)

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

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

Yes _X_ No ___

APPLICABLE ONLY TO CORPORATE ISSUERS:

On July 30, 1998, there were outstanding 13,822,000 shares of the Company's $0.0001 per value per share common stock ("Common Stock").

MIM Corporation's ("MIM" or the "Company") Quarterly Report on Form 10-Q (the "Quarterly Report") for the period ended March 31, 1998 is hereby amended as follows:

Item 1, "Financial Statements," in the Quarterly Report is hereby amended to delete Note 3 and to add Notes 3 and 4 as follows:

NOTE 3- OTHER COMPREHENSIVE INCOME

The Company adopted Statement of Financial Accounting Standard No. 130, "Reporting Comprehensive Income" ("SFAS 130") for the three months ended March 31, 1998. There were no transactions during this period that would be required to be reported as a component of other comprehensive income.

NOTE 4- SUBSEQUENT EVENTS

On April 14, 1998, the Company resolved its dispute with certain subsidiaries of Sierra Health Services, Inc., a Nevada corporation ("Sierra"), a party to a PBM Services Agreement (the "Sierra Agreement") with the Company. As disclosed in the Company's Form 10-K, this dispute related to the parties' divergent interpretations of certain provisions of the Sierra Agreement, which led to Sierra's dispute of certain amounts which the Company claimed were owed to it. Under the terms of the settlement, both parties dismissed their respective claims pending in the United States District Court, District of Nevada and the American Arbitration Association. In addition, the parties modified a number of provisions of the Sierra Agreement, including the addition of a provision permitting any party to terminate the Sierra Agreement at any time and for any reason upon 90 days' prior written notice. On May 8, 1998, the Company notified Sierra of its intention to terminate the Sierra Agreement 90 days after notice thereof in accordance with the terms of Agreement. The Company continues to provide pharmacy benefit management services to Sierra under the Sierra Agreement.

Effective May 15, 1998, Mr. John H. Klein, then the Company's Chief Executive Officer, Chairman of the Board of Directors and a director, resigned from such positions with the Company. Effective on that date, Mr. Richard H. Friedman, the Company's Chief Operating Officer, Chief Financial Officer and a director through May 15, 1998, succeeded Mr. Klein as the Company's Chief Executive Officer. Mr. Scott R. Yablon, then a director of the Company, joined the Company as an employee on May 1, 1998, and effective May 15, 1998, assumed the titles of President, Chief Financial Officer and Chief Operating Officer of the Company.

Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Quarterly Report is hereby amended and restated and replaced in its entirety as follows:

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

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

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

Overview

A majority of the Company's revenues to date have been derived from operations in the State of Tennessee in conjunction with RxCare of Tennessee, Inc. ("RxCare"), a pharmacy services administrative organization owned by the Tennessee Pharmacists Association. The Company assisted RxCare in defining and marketing pharmacy benefit services to private health plan sponsors on a consulting basis in 1993, but did not commence substantial operations until January 1994 when RxCare began servicing health plan sponsors involved in the newly instituted TennCare(R) state health program. At March 31, 1998, the Company provided pharmacy benefit management services to 46 health plan sponsors with an aggregate of approximately 1.9 million plan members. TennCare(R) represented 1.2 million members.

Results of Operations

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

For the three months ended March 31, 1998, the Company recorded revenue of $98.0 million compared with revenue of $70.8 million for the three months ended

March 31, 1997, an increase of $27.2 million. $17.6 million of the increase resulted from servicing 14 new plans covering approximately 490,000 lives throughout the United States as well as increased enrollment in existing commercial plans. Sierra, enrolled in October 1997, accounted for $10.0 million of the increased commercial revenue. TennCare(R) sponsors were responsible for an additional $9.6 million increase of revenue. In the last quarter of 1997, the Company entered into new contracts with two TennCare(R) managed care organizations to which the Company previously provided pharmacy benefit management services. These new contracts increased revenues by $17.1

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

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

At December 31, 1997, a reserve of $4.1 million was established for the anticipated losses on the Sierra Agreement. These losses resulted from unfavorable factors, including higher pharmacy utilization rates than contained in Sierra's historic claims data, higher than expected inflation in drug costs and the inability to restrict the formularies under certain Sierra plans, resulting in higher than anticipated drug costs. For the three months ended March 31, 1998, $2.6 million of this $4.1 million reserve was utilized. Management believes that the remaining reserve is adequate to cover any further losses under the Sierra Agreement.

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

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

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

Accounts receivable increased approximately $11.0 million (from $23.7 million to $34.7 million) from December 31, 1997 to March 31, 1998. This increase resulted primarily from a proportionate increase in pharmacy benefit management business during the period. In addition, the timing of billing and collection for cetain TennCare clients previously being processed by an outside vendor changed after the Company began processing these claims in-house. This transition initially caused a delay in billing and collections for these clients.

Liquidity and Capital Resources

For the three months ended March 31, 1998, net cash used in operating activities totaled $9.5 million, primarily due to increases in receivables of approximately $11.1 million resulting from increased revenues from both the TennCare(R) and commercial contracts. Such uses were partially offset by increases in claims payables of approximately $2.5 million. Investing activities provided $5.8 million in cash due primarily to the proceeds from maturities of investment securities of approximately $10.3 million, offset by the purchase of new investment securities of approximately $4.0 million. The

Company purchased $.5 million of property and equipment with cash on hand, primarily to upgrade and enhance information systems necessary to strengthen and support the Company's ability to manage better its customers' pharmacy benefits programs. The Company did not have any additional material commitments for capital expenditures as of December 31, 1997.

At March 31, 1998, the Company had working capital of $13.0 million, compared to $9.3 million at December 31, 1997. Cash and cash equivalents decreased to $5.8 million at March 31, 1998 compared with $9.6 million at December 31, 1997. The Company had investment securities held to maturity of $16.3 million and $22.6 million at March 31, 1998 and December 31, 1997, respectively. With the exception of the Company's $2.3 million preferred stock investment in Wang Healthcare Information Systems, Inc. ("WHIS"), the Company's investments are primarily corporate debt securities rated A or better and government securities. In June 1997, the Company invested $2.3 million in the preferred stock of WHIS, a company engaged in the development, sales and marketing of PC-based information systems for physicians and their staff, using image-based technology.

At March 31, 1998, the Company had, for tax purposes, unused net operating loss carryforwards of approximately $18.3 million which will begin expiring in 2008. As it is uncertain whether the Company will realize the full benefit from its deferred tax asset, the Company has recorded a valuation allowance for the same amount. The Company will assess the need for a valuation allowance at each balance sheet date. The amount of net operating loss carryforwards which may be utilized in any given year may become limited by the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, if a cumulative change in ownership of more than 50% occurs within a three year period.

The Company believes that its financial condition and capital structure as a result of its initial public offering (the "Offering") has enhanced its ability to negotiate and obtain additional contracts with plan sponsors and other potential customers. The Company believes that it has sufficient cash on hand or available to fund the Company's anticipated working capital and other cash needs for at least the next 12 months.

The Company intends to offset, against profit sharing amounts, if any, due RxCare in the future under the Company's contract with RxCare, approximately $4.9 million, representing RxCare's share of the Company's cumulative losses and amounts previously advanced or paid to RxCare, as of March 31, 1998.

As part of its continued efforts to expand its pharmacy management business, the Company expects to incur additional sales and marketing expenses. The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its pharmacy management business, which the Company would expect to fund from cash on hand or future indebtedness or, if appropriate, the sale or exchange of equity securities of the Company.

Other Matters

The Company's pharmaceutical claims costs historically have been subject to a significant increase over annual averages from October through February, which the Company believes is due to increased medical problems during the colder months. Currently, non-risk contracts represented 61% of the Company's revenue for the quarter ended March 31, 1998. Under non-risk contracts, seasonally higher utilization no longer materially adversely effects the Company's gross margin.

Changes in prices charged by manufacturers and wholesalers for pharmaceuticals, a component of pharmaceutical claims, have historically affected the Company's cost of revenue. The Company believes that it is likely for prices to continue to increase which could have an adverse effect on the Company's gross profit. To the extent such cost increases adversely effect the Company's gross profit, the Company may be required to increase contract rates on new contracts and upon renewal of existing contracts. However, there can be no assurance that the Company will be successful in obtaining these increased rates.

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

On January 27, 1998, the Company and its wholly owned subsidiary, CMP Acquisition Corp. ("CMP"), entered into an Agreement and Plan of Merger with Continental Managed Pharmacy Services, Inc. ("Continental") and certain of its principal shareholders. Upon consummation of the merger (the "Merger"), CMP and Continental would merge, whereupon Continental would be the surviving corporation and the separate corporate existence of CMP would terminate. Thereafter, Continental would become a wholly owned subsidiary of the Company. The Merger is subject to a number of customary conditions to closing. While it is anticipated that the Merger will occur during the third quarter of 1998, there can be no assurances that the Merger will be consummated at such time or at all.

On April 14, 1998, the Company resolved its dispute with certain subsidiaries of Sierra. As disclosed in the Company's Form 10-K, this dispute related to the parties' divergent interpretations of certain provisions of the Sierra Agreement, which led to Sierra's dispute of certain amounts which the Company claimed were owed to it. Under the terms of the settlement, both parties dismissed their respective claims pending in the United States District Court, District of Nevada and the American Arbitration Association. In addition, the parties modified a number of provisions of the Sierra Agreement, including the addition of a provision permitting any party to terminate the Sierra Agreement at any time and for any reason upon 90 days' prior written notice. On May 8, 1998, the Company notified Sierra of its intention to terminate the Sierra Agreement 90 days after notice thereof in accordance with the terms of the Sierra Agreement. The Company continues to provide pharmacy benefit management services to Sierra under the Sierra Agreement for such 90-day period ending August 6, 1998.

Effective May 15, 1998, John H. Klein, then the Company's Chief Executive Officer, Chairman of the Board of Directors and a director, resigned from such positions with the Company. Effective on that date, Richard H. Friedman, the Company's Chief Operating Officer, Chief Financial Officer and a director through May 15, 1998, succeeded Mr. Klein as the Company's Chief Executive Officer. Scott R. Yablon, then a director of the Company, joined the Company as an employee on May 1, 1998, and effective May 15, 1998, assumed the titles of President, Chief Financial Officer and Chief Operating Officer of the Company.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to Quarterly Report on Form 10-Q/A to be signed on its behalf by the undersigned thereunto duly authorized.

MIM Corporation

Date: August 4, 1998

/s/ Barry A. Posner

Barry A. Posner
Vice President