UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 1997
Commission File No. 1-11993

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

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

One Blue Hill Plaza, Pearl River, New York 10965
(914) 735-3555
(Address and telephone number of Principal Executive Offices)

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

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, $.0001 par value per share
(Title of class)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes |X| No |_|

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. |X|

The aggregate market value of the registrant's Common Stock (its only voting stock) held by non-affiliates of the registrant as of March 27, 1998 was approximately $33.7 million. (Reference is made to the final paragraph of Part II, Item 5 herein for a statement of the assumptions upon which this calculation is based.)

On March 27, 1998 there were outstanding 13,421,850 shares of the registrant's Common Stock.

Documents Incorporated by Reference

Portions of the registrant's definitive proxy statement relating to its scheduled June 1998 Annual Meeting of Stockholders (which proxy statement is expected to be filed with the Commission not later than 120 days after the end of the registrant's last fiscal year) are incorporated by reference into Part III of this annual report.

PART I

Item 1. Business

Overview

MIM Corporation (the "Company") is a pharmacy benefit management organization that provides a broad range of services to the pharmaceutical health care industry and employers and that promotes the cost-effective delivery of pharmacy benefits to plan members and the public. The Company targets organizations involved in three key industry segments -- sponsors of public and private health plans (such as HMOs and other managed care organizations ("MCO's"), long-term care facilities such as nursing homes and assisted living facilities, and employers), retail pharmacies and pharmaceutical manufacturers and distributors - and offers services providing financial benefits to each of them. The Company specifically targets small to medium size HMO's, self-funded groups and third party administrators (who in turn market to self-funded groups on the Company's behalf). The Company works with plan sponsors and local health care professionals on both a risk and non-risk basis to design, implement and manage innovative pharmacy benefit management ("PBM") programs to control pharmacy costs under the plans. The Company's programs promote the clinically

appropriate substitution of generic drugs for equivalent but more expensive brand name drugs.

The Company was incorporated in Delaware in March 1996 for the purpose of combining the businesses and operations of Pro-Mark Holdings, Inc. ("Pro-Mark") and MIM Strategic Marketing, LLC, which became 100% and 90% owned subsidiaries, respectively, of the Company in May 1996. The Company completed its initial public offering in August 1996.

PBM Services

The Company offers plan sponsors a broad range of services that are designed to ensure the cost-effective delivery of clinically appropriate pharmacy benefits. The Company's pharmacy benefit management programs include a number of design features and fee structures that are tailored to suit a sponsor's particular service and cost requirements. In addition to traditional fee-for-service arrangements, the Company offers alternative methodologies for pricing its various benefit management packages, including charging a fixed fee per capita (a "capitated" program), as well as sharing costs exceeding established per capita amounts or sharing savings where costs are less than established per capita amounts. Under certain circumstances, the Company will also enter into profit sharing arrangements with plan sponsors, thereby incentivizing the sponsors to support more fully the Company's cost containment efforts. Benefit design and formulary parameters are managed through a point-of-sale ("POS") claims processing system through which real-time electronic messages are transmitted to pharmacists to ensure compliance with specified benefit design and formulary parameters before services are rendered. The Company's organization and programs are clinically oriented, with a high proportion of staff having pharmacological certification, training and experience. The Company relies on its own employees to solicit business from plan sponsors as well as commissioned independent agents and brokers.

Benefit management services available to plan sponsor's of the Company include the following:

Formulary Design and Compliance. The Company offers flexible formulary designs to meet their requirements. Many of these plan sponsors do not restrict coverage to a specific list of pharmaceuticals and are said to have "no formulary" or an "open" formulary that generally covers all FDA-approved drugs except certain classes of excluded pharmaceuticals (such as certain vitamins and cosmetic, experimental, investigative or over-the-counter drugs). As a result of rising pharmacy program costs, the Company believes that both public and private health plans have become increasingly receptive to restricting the availability of certain drugs within a given therapeutic class, other than in cases of medical necessity, to the extent clinically appropriate. Once a determination has been made by a plan sponsor to utilize a "restricted" or "closed" formulary, the Company actively involves Pharmacy and Therapeutics Committees

(consisting of local plan sponsors, prescribers, pharmacists and other health care professionals) to design clinically accept formularies in order to control costs. The composition of the formulary is subject to the final approval of the plan sponsor.

Controlling program costs through formulary design focuses on two areas to the extent consistent with accepted medical and pharmacy practice and applicable law: (i) generic substitution, which involves selection of generic drugs as a cost-effective alternative to bio-equivalent brand name drugs, and (ii) therapeutic interchange, which involves selected coverage of a low cost brand name drug within a therapeutic category, or, a bio-equivalent generic alternative for such drug. Increased usage of generic drugs by Company-managed programs also enables the Company to obtain purchasing concessions and other financial incentives on generic drugs, which may be shared with plan sponsors. Rebates on brand name drugs are also negotiated with drug manufacturers and are often shared with plan sponsors.

The primary method for assuring formulary compliance is non-reimbursement of pharmacists for dispensing non-formulary drugs, subject to certain limited exceptions. Until September 1997, the Company also, directly or indirectly, provided financial incentives to pharmacists to utilize preferred status products. Formulary compliance is managed with the active assistance of participating network pharmacists, primarily through prior authorization procedures, on-line POS edits as to particular subscribers and other network communications. Overutilization of medication is monitored and managed through quantity limitations, based upon nationally recognized standards and guidelines regarding maintenance vs. non-maintenance therapy, and the use of certain therapeutic classes of drugs and specific medications. Step protocols, which are procedures requiring that preferred therapies be tried and shown ineffective before less favored therapies are covered, also are established by the Company in conjunction with local Pharmacy and Therapeutics Committees to control improper utilization of certain high-risk or high-cost medications.

Clinical Services. The Company's formularies typically provide a selection of covered drugs within each major therapeutic class to treat appropriately most medical conditions. However, provision is made for covering non-formulary drugs (other than excluded products) when shown to be clinically appropriate. Since non-formulary drugs ordinarily are automatically rejected for coverage by the real-time POS system, procedures are employed to override restrictions on non-formulary medications for a particular patient and period of treatment. Restrictions on the use of certain high-risk or high-cost formulary drugs may be similarly overridden through prior authorization procedures. Non-formulary overrides and prior authorizations are processed on the basis of documented, clinically-supported medical necessity and typically are granted or denied within 48 hours after request. Requests for, and appeals of denials of coverage in these cases are handled by the Company through its staff of trained pharmacists, nationally certified pharmacy technicians and board certified pharmacotherapy specialists, subject to the plan sponsor's ultimate decisional authority over all such appeals. Further, in case of a medical emergency as determined by the dispensing pharmacist, the Company authorizes, without prior approval, short-term supplies of antibiotics and certain other medications.

Mail Order Services. The Company believes that program costs may be minimized by controlling the distribution of pharmaceutical products directly to plan sponsors' members through mail order pharmacy services. Although the Company does not currently have in-house mail order capability, the Company and a wholly-owned subsidiary have entered into a merger agreement with Continental Managed Pharmacy Services, Inc., ("Continental"), a pharmacy benefit management company, whereby, upon consummation of the merger ("the Merger"), Continental would become a wholly-owned subsidiary of the Company. Continental currently owns and operates a full service mail order pharmacy. Assuming the consummation of the Merger, which is subject to a number of conditions, the Company believes that it would benefit from increased control of retail mail order distribution.

Drug Usage Evaluation. Drug usage is evaluated on a concurrent, prospective and retrospective basis, utilizing the real-time POS system and proprietary information systems for multiple drug interactions, drug-health condition interactions, duplication of therapy, step therapy protocol enforcement, minimum/maximum dose range edits, compliance with prescribed utilization levels and early refill notification. The Company also maintains an on-going

drug utilization review program in which select medication therapies are reviewed and data collected, analyzed and reported for management and educational applications.

Pharmacy Data Services. The Company utilizes claims data to generate reports for management and plan sponsor use, including drug utilization review, quality assurance, claims analysis and rebate contract administration. The Company has developed systems to provide plan sponsors with real-time access to pharmacy, financial, claims, prescriber, subscriber and dispensing data.

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

Behavioral Health Pharmacy Services. In recent years, managed care organizations have recognized the particular and specialized behavioral health needs of certain individuals within an MCO's membership. As a result, many MCO's have separated the behavioral health population into a separate management area. The Company provides services which encourage the proper and cost-effective utilization of behavioral health medication to behavioral health organizations, which are traditionally (but not always) affiliated with MCO's. Through the development of provider education programs, utilization protocols and prescription dispensing evaluation tools, the Company is able to integrate pharmaceutical care with other medical therapies to enhance patient compliance and minimize unnecessary or suboptimal prescribing practices. These Company services are integrated into the plan sponsor's package of behavioral health care products for marketing to private insurers, public managed care programs and other health providers.

At December 31, 1997, the Company provided PBM services to 36 sponsors with approximately 1.7 million plan members, including eight sponsors with approximately 1.2 million members receiving mandated health care benefits to formerly Medicaid-eligible and certain uninsured state residents under Tennessee's TennCare(R) Medicaid waiver program. See "The TennCare Program" below.

From the Company's initial public offering through mid-December 1997, the Company focused its marketing efforts on large public health programs, particularly in states with high Medicaid and Medicare populations, and on private health plans throughout the United States. The Company has recently decided to focus its marketing on small and large sized employer groups, both directly through its sales and marketing force and indirectly through commissioned brokers and agents, such as third party administrators. At March 15, 1998 approximately 420,000 of the plan members were covered through employer groups. While such business represents a relatively small percentage of managed lives, the Company believes that, over time, it will be able to increase lives under management from its employer group marketing efforts.

The TennCare Program

RxCare of Tennessee, Inc. ("RxCare"), a pharmacy services administrative organization owned by the Tennessee Pharmacists Association and representing approximately 1,600 retail pharmacies, initially retained the Company in 1993 to assist in obtaining health plan pharmaceutical benefit business for Tennessee pharmacies and related services, including pharmacy benefit design and pricing. In January 1994, the State of Tennessee instituted its TennCare program by contracting with plan sponsors to provide mandated health services to TennCare beneficiaries on a capitated basis. In turn, certain of these plan sponsors contracted with RxCare to provide TennCare-mandated pharmaceutical benefits to their TennCare beneficiaries through RxCare's network of retail pharmacies, in most cases on a corresponding capitated basis.

Since January 1994, the Company has been providing a broad range of PBM services with respect to RxCare's TennCare and private pharmaceutical benefit businesses under an agreement with RxCare formalized in March 1994 and thereafter amended (the "RxCare Contract"). The Company assists RxCare in designing and marketing its

PBM services, and performs essentially all of RxCare's obligations under its pharmacy benefit contracts with health plan sponsors, pays certain amounts to RxCare and is compensated by sharing with RxCare the profit, if any, from activities under RxCare's contracts with the sponsors.

As of December 31, 1997, the Company had contracts to service eight TennCare sponsors with 1.2 million members under the RxCare Contract. RxCare's contracts with Tennessee Primary Care Network, Inc., Tennessee Health Partnership, Tennessee Behavioral Health, Inc. and Blue Cross and Blue Shield of Tennessee ("BCBS - TN") accounted for approximately 21%, 13%, 10% and 10%, respectively, of the Company's revenues in 1997.

The RxCare Contract expires on December 31, 1998. In total, this contract accounts for 84% of the Company's revenues in 1997. Failure to renew this contract in total or on terms as favorable as those currently in effect could have a material adverse affect on the Company. The BCBS - TN contract was canceled effective March 31, 1997 and replaced with a non-risk (fee-for-service) clinical services agreement between the Company and a BCBS - TN affiliate.

Competition

The PBM business is highly competitive, and many of the Company's current and potential competitors have considerably greater financial, technical, marketing and other resources than the Company. The pharmacy benefit management business includes a number of large, well capitalized companies with nationwide operations and many smaller organizations typically operating on a local or regional basis. Some of the larger organizations are owned by or otherwise related to a brand name drug manufacturer and may have significant influence on the distribution of pharmaceuticals. Among larger companies offering pharmacy benefit management services are Medco Containment Services, Inc. (a subsidiary of Merck & Co., Inc.), Caremark International Inc., PCS, Inc. (a subsidiary of Eli Lilly & Company), Express Scripts, Inc., Advance ParadigM, Inc., Value Health, Inc., Diversified Pharmaceutical Services, Inc. (a subsidiary of SmithKline Beecham) and National Prescription Administrators, Inc. Numerous insurance and Blue Cross and Blue Shield plans, managed care organizations and retail drug chains also have their own pharmacy benefit management capabilities.

Competition in the PBM business to a large extent is based upon price, although other factors, including quality and breadth of services and products, also are important. The Company believes that its ability and willingness, where appropriate, to assume or share its customers' financial risks, its independence from brand name drug manufacturers and its retail pharmacy-based orientation represent distinct and unusual competitive advantages in the PBM business.

Government Regulation

The Company believes that it is in substantial compliance with all legal requirements material to its operations. Among the various Federal and state laws and regulations which may govern or impact the Company's current and planned operations are the following:

Anti-Kickback Laws. Subject to certain statutory and regulatory exceptions (including exceptions relating to certain managed care, discount, group purchasing and personal services arrangements), Federal law prohibits the payment or receipt of remuneration to induce, arrange for or recommend the purchase of health care items or services paid for in whole or in part by the Medicare or state health care programs (including Medicaid and TennCare), and certain state laws may extend the prohibition to items or services that are paid for by private insurance and self-pay patients. The Company's arrangements with RxCare and other pharmacy network administrators, drug manufacturers, marketing agents, brokers, health plan sponsors, pharmacies and others parties routinely involve payments to or from persons who provide or purchase, or recommend or arrange for the purchase of, items or services paid in part by the TennCare program or by other programs covered by such laws. Management carefully considers the import of such "anti-kickback" laws when structuring its operations, and believes the Company is in compliance therewith. However, the laws in this area are in flux and uncertain in their application, and there can be no assurance that one or more of such arrangements will not be challenged or found to violate such laws. Violation of the Federal anti-kickback statute could subject the Company to substantial criminal and civil penalties, including exclusion from the Medicare and Medicaid (including TennCare) programs. There are a number of states in which the Company does business which have laws analogous to Federal anti-kickback laws and regulations which likewise govern or impact the Company's current and planned operations. The Company believes that it is in substantial compliance with these laws and regulations as well.

Antitrust Laws. Numerous lawsuits have been filed throughout the United States by retail pharmacies against drug manufacturers challenging certain brand

drug pricing practices under various state and Federal antitrust laws.

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

Other State Laws. Many states have statutes and regulations that do or may impact the Company's business operations. In some states, pharmacy benefit managers may be subject to regulation under insurance laws or laws licensing HMOs and other managed care organizations, in which event requirements could include satisfying statutorily imposed performance obligations, the posting of bonds, maintenance of reserves, required filings with regulatory agencies, and compliance with disclosure requirements and other regulation of the Company's operations. State insurance laws also may affect the structuring of certain risk-sharing programs offered by the Company. A number of states have laws designed to restrict the ability of network managers to impose limitations on the consumer's choice of pharmacies, or requiring that the benefits of discounts negotiated by managed care organizations be passed along to consumers in proportionate reductions of co-payments. Some states require that pharmacies be permitted to participate in provider networks if they are willing to comply with network requirements, while other states require pharmacy benefit managers to follow certain prescribed procedures in establishing a network and admitting and terminating its members. Many states require that Medicaid obtain the lowest prices from a pharmacy, which may limit the Company's ability to reduce the prices it pays for drugs below Medicaid prices. States have a variety of laws regulating pharmacists' ability to switch prescribed drugs or to split fees, which could impede the Company's business strategy, and certain state laws have been the basis for investigations and multi-state settlements requiring the discontinuance of certain financial incentives provided by manufacturers to retail pharmacies to promote the sale of the manufacturers' drugs.

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

Employees

At March 4, 1998, the Company employed a total of 163 people including 27 licensed pharmacists. The Company's employees are not represented by any union and, in the opinion of management, the Company's relations with its employees are satisfactory.

Item 2. Properties

The Company's corporate headquarters are located in leased office space in Pearl River, New York. The Company also leases office space in South Kingstown, Rhode Island and Nashville, Tennessee.

Item 3. Legal Proceedings

On March 5, 1996, Pro-Mark Holdings, Inc. ("Pro-Mark"), a subsidiary of MIM Corporation, was added as a third-party defendant in a proceeding in the Superior Court of the State of Rhode Island, and on September 16, 1996 the third-party complaint was amended to add MIM Corporation as a third-party defendant. The third-party plaintiffs, Medical Marketing Group, Inc. ("MMG"), PPI Holding, Inc. ("PPI Holding") and Payer Prescribing Information, Inc. ("PPI"), allege in the amended third-party complaint: (i) that the Company employed E. David Corvese (the Company's Vice Chairman) with knowledge of covenants not to compete in effect between Mr. Corvese and PPI, PPI Holding and MMG that prevented Mr. Corvese from competing in the area of the collection, analysis or marketing of data for the pharmaceutical or health care industries relating to physician practice demographics and the influence of managed care plans; (ii) that Mr. Corvese breached his employment agreement with PPI and his fiduciary duties to PPI by not devoting his full business time and attention to PPI from June 1993 through November 1993 (when his employment was terminated by PPI), and (iii) that the Company interfered with the contractual relationship between the parties and misappropriated MMG's and PPI's confidential information through the Company's employment of Mr. Corvese. The amended third-party complaint seeks to enjoin the Company from using confidential information allegedly misappropriated from MMG and PPI and seeks an unspecified amount of compensatory and consequential damages, interest and attorneys' fees. The Company believes that the third-party plaintiff's allegations are without merit; however, loss of this litigation could have a material adverse effect on the Company's business and results of operations.

Pro-Mark is currently engaged in efforts to recover funds it has invoiced to Sierra Health Services, Inc. collectively, on behalf of its subsidiaries, Sierra Health and Life Insurance Company, Inc., Sierra Healthcare Options, Inc., Sierra Healthplan of Nevada, Inc. and HMO Texas L.C. (collectively,"Sierra") under a pharmacy benefit management services agreement (the "Sierra Agreement") dated as of August 6, 1997, which went into effect on October 1, 1997.

On February 3, 1998, Pro-Mark invoiced Sierra approximately $4.1 million for unpaid services rendered by Pro-Mark during the period from October through December 1997. Sierra refused to pay the invoices.

On February 13, 1998, Pro-Mark gave Sierra notice of termination of the agreement which provided for the termination of the Sierra Agreement 30 days from the date of such notice and commenced an arbitration of the dispute before the American Arbitration Association, which the agreement specifies as the sole forum for resolving disputes arising under the agreement. The terminated date was extended an additional ten days upon neutral agreement of the parties.

In early March 1998, Pro-Mark rendered invoices to Sierra for January for approximately $1.3 million, and Pro-Mark expects to render invoices for February and March for approximately $1.3 million per month. These sums will be part of the arbitration proceeding.

On March 13, 1998, Sierra filed a lawsuit against Pro-Mark in the United States District Court, District of Nevada. The suit claims Pro-Mark breached the Sierra Agreement and that Sierra was misled as to the nature of that agreement. Sierra has asked the court to issue an order preventing Pro-Mark from terminating the Sierra Agreement under its February 13, 1998 notice of termination.

In ruling upon Sierra's motion, the court directed that if Sierra elected to post as $5 million bond in Pro-Mark's favor, a temporary restraining order would be issued, pending a motion for a preliminary injunction. Sierra elected to post such bond. The Court will schedule a hearing on Sierra's request for a preliminary injunction. Pro-Mark is opposing Sierra's request for a preliminary injunction and is asking the court to refer Sierra's contentions and claims to the arbitration proceeding before the American Arbitration Association. The Company believes that it has the right to receive the disputed funds from Sierra under the Sierra Agreement, and that the Company has the right to terminate the agreement; however, if the court were to rule in favor of Sierra, and if Pro-Mark were both unable to terminate the agreement and unable to collect from Sierra the amounts invoiced, then the Company's business would be materially adversely affected.

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

No matters were submitted to a vote of the Company's security holders during the fourth quarter of fiscal year 1997.

Executive Officers of the Company

The following information is furnished in this Part I pursuant to Instruction 3 to Item 401(b) of Regulation S-K. The executive officers of the Company are as follows:

Name	Age	Position
John H. Klein	52	Chairman of the Board, Chief Executive Officer and Director
E. David Corvese(1) ..	42	Vice Chairman of the Board and Director
Richard H. Friedman ..	47	Chief Financial Officer, Chief Operating Officer, and Director
Barry A. Posner	34	Secretary and General Counsel
Larry E. Edelson-Kayne	50	Treasurer and Controller

John H. Klein joined the Company in April 1996 and was elected Chief Executive Officer, Chairman of the Board and a director of the Company in May 1996. From May 1989 to December 1994, Mr. Klein served as President, Chief Executive Officer, a director and a member of the Executive Committee of the Board of Directors of Zenith Laboratories, Inc. ("Zenith"), a manufacturer of multi-source generic pharmaceutical drugs. In December 1994, Zenith was acquired by IVAX Corporation ("IVAX"), an international health care company and a major multi-source generic pharmaceutical manufacturer and marketer. From January 1995 to January 1996, Mr. Klein was President of IVAX's North American Multi-Source Pharmaceutical Group and each of its operating companies, including Zenith and Zenith Goldline (collectively, "NAMPG"). From January 1995 to January 1996, he was also an executive officer and a member of the Executive Committee of IVAX. Mr. Klein has served as Chairman of the Generic Pharmaceutical Industry Association since March 1995.

E. David Corvese has served as a director of the Company since March 1996 and as Vice Chairman since May 1996. Mr. Corvese has served as Chairman of Pro-Mark, since June 1995 and also served as President and Chief Executive Officer of Pro-Mark from March 1994 to June 1995. Also, since 1995 Mr. Corvese has served as the Manager of MIM Holdings, LLC, a management company controlled by Mr. Corvese and members of his family. From June 1991 to November 1993, Mr. Corvese served as President of PPI, a company engaged in the business of providing informational products, market analysis and consulting services to the pharmaceutical industry. Mr. Corvese is also a past President of the Rhode Island Pharmaceutical Association and is a member of the American Pharmaceutical Association, the American Society of Hospital Pharmacists and the Rhode Island Society of Hospital Pharmacists. Effective March 31, 1998, Mr. Corvese resigned from his position as an employee and officer of the Company and its subsidiaries and has agreed not to stand for re-election as director of the Company. Effective January 1, 1998, the Company had agreed to grant Mr. Corvese an administrative leave from all positions held in the Company and each of its subsidiaries.

Richard H. Friedman joined the Company in April 1996 and was elected Chief Financial Officer, Chief Operating Officer, and a director of the Company in May 1996. Mr. Friedman also served as MIM's Treasurer from April 1996 until February 1998. From February 1992 to December 1994, Mr. Friedman served as Chief Financial Officer and Vice President of Finance of Zenith. From January 1995 to January 1996, he was Vice President of Administration of NAMPG.

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(1) Effective March 31, 1998, Mr. Corvese resigned from his position as an employee and officer of the Company and its subsidiaries and has agreed not to stand for re-election as director of the Company. Since January 1, 1998, Mr. Corvese had been on administrative leave from all of his responsibilities and duties with respect to the Company and each subsidiary it "controls" (as defined in Regulation 12b-2 promulgated under the Securities Exchange Act of 1934, as amended).

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

Larry E. Edelson-Kayne joined the Company in February 1998 as Treasurer and Controller. Immediately prior thereto, Mr. Edelson-Kayne had served since 1989 as Corporate Controller of Forbes Inc., a publisher of business and other magazines. Mr. Edelson-Kayne was responsible for all accounting, reporting and budgetary functions of Forbes Inc.

Executive officers are elected or appointed by, and serve at the pleasure of, the Board of Directors. Each of the above-named executive officers has an employment agreement with the Company providing for, among other things, serving in the executive position(s) listed herein-above.

PART II

Item 5. Market For Registrant's Common Equity and Related Stockholder Matters

The Company's Common Stock began trading on The NASDAQ National Market tier of The NASDAQ Stock Market on August 15, 1996 under the symbol: MIMS. The following table represents the high and low sales prices for the Company's Common Stock for the five full calendar quarters since its initial trading date. Such prices are interdealer prices, without retail markup, markdown or commissions, and may not necessarily represent actual transactions.

	High	Low
1996		
Fourth Quarter	$15.50	$4.00
1997		
First Quarter	$10.375	$4.75
Second Quarter	$16.75	$5.75
Third Quarter	$17.375	$9.062
Fourth Quarter	$9.875	$3.625

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

As of March 12, 1998 there were 60 stockholders of record in addition to approximately 1,900 stockholders whose shares were held in nominee name.

For purposes of calculating the aggregate market value of the shares of Common Stock held by non-affiliates, as shown on the cover page of this report, it has been assumed that all outstanding shares were held by non-affiliates except for shares held by directors and executive officers of the Company. However, this should not be deemed to constitute an admission that all directors and executive officers of the Company are, in fact, affiliates of the Company, or that there are not other persons who may be deemed to be affiliates of the Company. Further information concerning stockholdings of executive officers, directors and principal stockholders is included in the Company's definitive proxy statement or in a registration statement on Form S-4 to be filed with the Securities and Exchange Commission.

During the three months ended December 31, 1997, the Company did not sell any securities without registration under the Securities Act of 1933, as amended (the "Act").

From August 14, 1996 through December 31, 1997, the $46,788,000 net proceeds from the Company's underwritten initial public offering of its Common Stock (the "Offering"), affected pursuant to a Registration Statement assigned file number 333-05327 by the Securities and Exchange Commission (the "Commission") and declared effective by the Commission on August 14, 1996, have been applied in the following approximate amounts:

Construction of plant, building and facilities	$ --
Purchase and installation of machinery and equipment .	$ 1,735,000
Purchases of real estate	$ --
Acquisition of other businesses	$ 2,300,000
Repayment of indebtedness	$ --
Working capital	$10,524,000
Temporary investments:	
Marketable securities	$22,636,000
Overnight cash deposits.......................	$ 9,593,000

To date, the Company has 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, as disclosed in the prospectus, the Company intended to apply a portion of the Offering proceeds to fund such expansion. However, through the acquisition of Continental, the Company will be in this line of business through Continental's current operations. However, as discussed above, there can be no assurance that the Merger will be consummated.

Item 6. Selected Consolidated Financial Data

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

	Year Ended December 31,				Period from Inception (June 22,1993) through December 31, 1993
	1997	1996	1995	1994	
	(in thousands, except per share amounts)				
Statement of Operations Data					
Revenue	$242,291	$283,159	$213,929	$109,326	$122
Net income (loss)	(13,497)	($31,754)(1)	($6,772)	($2,456)	$40
Net income (loss) per common share	(1.07)	($3.32)	($1.43)	($0.55)	$0.01
Weighted average shares outstanding	12,620	9,557	4,732	4,500	4,500

	December 31,				
	1997	1996	1995	1994	1993
	(in thousands, except per share amounts)				
Balance Sheet Data					
Cash and cash equivalents	9,593	$1,834	$1,804	$2,933	$ --
Investment securities	22,636	37,038	--	--	--
Working capital (deficit)	9,333	19,569	(12,080)	(5,087)	(3)
Total assets	62,727	61,800	18,924	15,260	93
Stockholders' equity (deficit)	16,810	30,143	(11,524)	(3,693)	41

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(1) After recording a $26.6 million non-recurring non-cash stock option charge and a $3.5 million reserve in connection with the termination of the BCBS-TN contract. See "Business -- TennCare Program." Excluding these items, the net loss for 1996 would have been $1,614, or $.17 per common share.

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

This Report contains statements which constitute forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. The matters discussed in this Report include statements regarding the intent, belief or current expectations of the Company, its directors or its officers with respect to the future operating performance of the Company and the results and the effect of legal proceedings, arbitration and disputes. Investors are cautioned that any such forward looking statements are not guarantees of future performance or the ultimate outcome of litigation, arbitration or disputes and involve risks and uncertainties, and that actual results and/or outcomes may differ materially from those in the forward looking statements as a result of various factors. The Company undertakes no obligation to publicly release the results of any revisions to these forward looking statements that may be made to reflect any future events and circumstances.

The accompanying information contained in this Report identifies important factors that could cause such differences, including: the effect of government regulations on the Company's business; the effect of the outcome of certain legal proceedings, arbitration proceedings and/or disputes; and the effect of the Merger with Continental or the failure to consummate such Merger.

Overview

A majority of the Company's revenues to date have been derived from operations in the State of Tennessee in conjunction with RxCare. The Company assisted RxCare in defining and marketing pharmacy benefit management services to private health plan sponsors on a consulting basis in 1993, but did not commence substantial operations through the management of pharmacy benefits to plan sponsors until January 1994 when RxCare began servicing several of the health plan sponsors involved in the newly instituted TennCare(R) state health program. See "Business -- The TennCare Program." At December 31, 1997, the Company provided pharmacy benefit management services to a total of 36 public and private plan sponsors with an aggregate of approximately 1.7 million plan members on both a risk and non-risk basis throughout the United States.

Results of Operations

Year ended December 31, 1997 compared to year ended December 31, 1996

For the year ended December 31, 1997, the Company recorded revenues of $242.3 million compared with 1996 revenues of $283.2 million, a decrease of $40.9 million, or 14%. The restructuring in April 1997 of a major TennCare contract decreased revenue for the year ended December 31, 1997 compared to December 31, 1996 by $107.0 million. Although the Company continued to provide essentially the same services under such restructured contract as it did before the restructuring, the contract was restructured from a risk-based arrangement to a non-risk based fee arrangement. This decrease in revenues was offset by an increase of $34.8 million in other TennCare revenue resulting from increased enrollment and several favorable contract restructurings. Further revenue increases of $31.3 million resulted from increased enrollment in existing commercial plans as well as the servicing of 11 new commercial plans covering approximately 418,000 new members throughout the United States. In 1997, 53% of the Company's revenue was generated from risk-based contracts, compared with 82% during 1996. The Company believes that this decrease in risk-based arrangements during 1997 will minimize the Company's exposure to potential losses.

Cost of revenue for 1997 decreased to $239.0 million from $278.1 million for 1996, a decrease of $39.1 million. The above-described restructuring of a major TennCare contract resulted in a decrease in cost of revenue of $111.6 million. Costs relating to the remaining TennCare contracts increased by $34.2 million due to eligibility increases, increasing drug prices and increasing utilization of prescription drugs. Increased enrollment in existing commercial plans together with several new commercial contracts resulted in a $38.3 million increase in cost of revenue. Included in cost of revenues for commercial business is a $4.1 million reserve established to cover anticipated future costs under the Sierra Agreement described below. As a percentage of revenue, cost of revenue increased to 98.6% in 1997 from 98.2% in 1996.

For the year ended December 31, 1997, gross profit decreased $1.8 million to $3.3 million, after recording the $4.1 million reserve previously described, from $5.1 million in 1996. Gross profit increases of $5.0 million in TennCare business resulted from favorable contract renegotiations as well as increased eligibility, offset by decreases of $6.8 million in commercial business resulting primarily from the Sierra Agreement. The Sierra Agreement generated $7.3 million in gross losses in the fourth quarter of 1997 (including a $4.1 million reserve for future contract losses). The Company believes this reserve to be a reasonable estimate of its exposure.

The Sierra Agreement was entered into by Pro-Mark and became effective October 1, 1997. Differences in interpretation of the Sierra Agreement have resulted in a dispute among the parties. Sierra has rejected the Company's interpretation of the Sierra Agreement and made only partial payments towards the compensation believed to be owed to the Company. At December 31, 1997, $4.1 million for services rendered in connection with the contract remain unpaid to the Company. See "Legal Proceedings".

Although the Company's management believes the American Arbitration Association's arbitrator will rule in favor of the Company, the results of the proceedings are uncertain. The American Arbitration Association's arbitrator may rule in favor of Sierra and require the Company to perform under the Sierra Agreement as interpreted by Sierra, in which case the Company believes it would incur additional losses throughout 1998. Should the American Arbitration Association's arbitrator rule in the Company's favor, the Company's future gross profits would be positively impacted. See also "Legal Proceedings".

General and administrative expenses increased $7.5 million to $19.1 million in 1997 from $11.6 million in 1996, an increase of 65.0%. The $7.5 million increase was attributable to expenses associated with an expanded national sales force, additional headquarter personnel and operations support needed to service new business and increases in legal and consulting fees. As a percentage of revenue, general and administrative expenses increased to 7.9% in 1997 from 4.1% in 1996.

For the year ended December 31, 1997, the Company recorded interest income of $2.3 million compared to $1.4 million for the year ended December 31, 1996, an increase of $0.9 million. The increase resulted from funds invested from the Offering being invested for the entire year in 1997 and only five months in 1996.

For the year ended December 31, 1997, the Company recorded a net loss of $13.5 million or $1.07 per share. This compares with a net loss of $5.1 million, or $0.54 per share (before recording a $26.6 million nonrecurring, non-cash stock option charge, representing the difference between the exercise price and the deemed fair market value of the Common Stock granted by the Company's principal stockholder to certain executive officers and directors of the Company) for the year ended December 31, 1996. This 164% increase in net loss is the result of the above described changes in revenue, cost of revenue and expenses.

Year ended December 31, 1996 compared to year ended December 31, 1995

For the year ended December 31, 1996, the Company recorded revenues of $283.2 million compared with 1995 revenues of $213.9 million. The increase of $69.3 million in revenues was due primarily to the addition of the BCBS-TN contract in April 1995 (representing approximately $36 million of such increase) and increased revenue from new and renegotiated contracts of approximately $33 million. In 1996, approximately 82% of the Company's revenue was generated through capitated contracts, compared with 90% during 1995.

Cost of revenue for 1996 increased to $278.1 million compared with 1995 cost of revenue of $213.4 million for the same reasons revenues increased as described above. As a percentage of revenue, cost of revenue decreased

from 99.8% in 1995 to 98.2% in 1996. In an effort to stem future losses and increase profitability, the Company through RxCare, terminated the capitated BCBS - TN contract effective March 31, 1997. Although this contract previously had been renegotiated and extended, high utilization rates continued to hamper the Company's ability to gain profitability under that contract even though the Company was able to lower the average cost of each prescription. As a result of this termination, the Company reserved $3.5 million at December 31, 1996 to cover future claims in excess of capitated payments to the Company. Excluding this contract, the Company would have earned $2.2 million in 1996 before taking the stock option charge (as described below). The BCBS - TN contract represented approximately 495,000 lives and accounted for $132.8 million of revenue and $7.3 million in net losses in 1996. Subsequent to the termination of the original BCBS - TN contract, the Company had negotiated a new contract directly with an affiliate of BCBS - TN to begin providing pharmacy benefit management services on April 1, 1997. The new contract eliminates capitation risk to the Company and provides for the Company to be paid for certain administrative and clinical consulting services on a fee-for-service basis.

General and administrative expenses were $11.6 million in 1996 and $8.0 million in 1995, an increase of 45.0%. The $3.6 million increase was attributable to increases in operations, sales and marketing and headquarters personnel to support the anticipated needs of the business as well as increases in consulting and legal fees, depreciation expense and costs related to further development of the Company's management information systems. As a percentage of revenue, general and administrative expenses increased from 3.8% in 1995 to 4.1% in 1996.

For the year ended December 31, 1996, the Company recorded a net loss of $5.1 million, or $0.54 per share (before recording a $26.6 million nonrecurring, non-cash stock option charge representing the difference between the exercise price and the deemed fair market value of the Common Stock at the date of grant of options to purchase an aggregate of 3,600,000 shares of Common Stock granted by the Company's principal stockholder to certain executive officers and directors of the Company) compared with a 1995 net loss of $6.8 million, or $1.43 per share. This improvement was a result of the above-described changes in revenue and expenses. After recording the effect of the stock option charge, the Company reported a net loss of $31.8 million, or $3.32 per share, for 1996.

Liquidity and Capital Resources

For the year ended December 31, 1997, net cash used by the Company for operating activities totaled $3.1 million, primarily due to the funding of a $13.5 million net operating loss and an increase in accounts receivable of $5.3 million. Such uses were offset by a $9.7 million increase in claims payable and a $2.8 million increase in deferred revenue. Investing activities generated $10.9 million in cash from proceeds of maturities of investment securities of $41.9 million offset by the purchase of investment securities of approximately $29.8 million. The Company also purchased $1.6 million of equipment mainly to upgrade and enhance information systems.

At December 31, 1997, the Company had working capital of $9.3 million including $19.2 million in investment securities, compared to $19.6 million at December 31, 1996. The decrease in working capital of $10.3 million is mainly due to an increase in claims payable of $9.7 million and an increase in deferred revenue of 2.8 million offset by an increase in accounts receivable of $5.0 million. Cash and cash equivalents were $9.6 million at December 31, 1997 compared with $1.8 million of cash and cash equivalents at December 31, 1996. The Company had investment securities held to maturity of $22.6 million at December 31, 1997. These investments were and currently are primarily corporate debt securities rated A or better. The Company has $2.3 million invested in the Series B Preferred Stock, par value $0.01 per share, of Wang Healthcare Information Systems, Inc.

At December 31, 1997, the Company had, for tax purposes, unused net operating loss carryforwards of approximately $18.3 million which will begin expiring in 2008. The amount of net operating loss carryforwards which may be utilized in any given year may become limited by the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder, if a cumulative change of ownership of more than 50% occurs within a three year period.

The Company incurred losses of $3.2 million through December 31, 1997 related to the Sierra Agreement described above. The Company has reserved $4.1 million to cover estimated future losses associated with this agreement. The Company has filed for arbitration under the terms of the contract. The results of

the scheduled arbitration may impact the Company's financial position and future results of operations. An arbitration ruling in favor of the Company would positively impact liquidity and capital resources. A favorable ruling would most likely require Sierra to pay certain of the unpaid balances to the Company at December 31, 1997, as well as additional amounts billed through the termination date. The reserves set up by the Company are estimated to cover an unfavorable ruling.

The Company believes that its financial condition and capital structure as a result of the Offering has enhanced its ability to negotiate and obtain additional contracts with plan sponsors and other potential customers. The Company believes that it has sufficient cash on hand or available to fund the Company's anticipated working capital and other cash needs for the foreseeable future, even if the court or the arbitration panel rules against the Company in connection with the Sierra Agreement.

The Company intends to offset, against profit sharing amounts, if any, due RxCare in the future under the RxCare Contract, approximately $6.5 million representing RxCare's share of the Company's losses and amounts previously advanced or paid to RxCare.

As part of its continued efforts to expand its pharmacy benefit 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 benefit management business, which the Company would expect to fund from cash on hand or future indebtedness or, if appropriate, the sale of equity securities of the Company.

Other Matters

The Company's pharmaceutical reimbursement claims have historically 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.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, a component of pharmaceutical claims, have 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 new rates.

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

The so-called "year 2000 problem", which is common to many companies, concerns the inability of information systems, primarily computer software programs, to recognize properly and process date sensitive information as the year 2000 approaches. The Company believes that it does not and will not have any material year 2000 problems. This belief is based upon a review of its internally-generated programs, representations made by external software program and hardware suppliers, experience processing information with dates on or after the year 2000 and the known availability of software which the Company may utilize and which is free of year 2000 problems.

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

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To MIM Corporation and Subsidiaries:

We have audited the accompanying consolidated balance sheets of MIM Corporation and Subsidiaries as of December 31, 1997 and 1996 and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1997. These consolidated financial statements and the schedule referred to below are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of MIM Corporation and Subsidiaries as of December 31, 1997 and 1996 and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

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

ARTHUR ANDERSEN LLP

Roseland, New Jersey
March 23, 1998

MIM CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31,

(In thousands, except for share amounts)

	1997	1996
ASSETS		
Current assets		
Cash and cash equivalents	$ 9,593	$ 1,834
Investment securities	19,235	28,113
Receivables, less allowance for doubtful accounts of $1,386 and $1,088, respectively	23,666	18,646
Prepaid expenses and other current assets	888	1,129
Total current assets	53,382	49,722
Investment securities, net of current portion	3,401	8,925
Other investments	2,300	--
Property and equipment, net	3,499	2,423
Due from affiliates, less allowance for doubtful accounts of $2,360 and $2,157, respectively	--	628
Other assets, net	145	102
Total assets	$ 62,727	$ 61,800
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 222	$ 213
Accounts payable	931	1,562
Deferred revenue	2,799	--
Claims payable	26,979	17,278
Payables to plan sponsors and others	10,839	10,174
Accrued expenses	2,279	926
Total current liabilities	$ 44,049	$ 30,153
Capital lease obligations, net of current portion	756	375
Commitments and contingencies (Note 6)		
Minority interest	1,112	1,129
Stockholders' equity		
Preferred stock, $.0001 par value; 5,000,000 shares authorized, no shares issued or outstanding	--	--
Common stock, $.0001 par value; 40,000,000 shares authorized, 13,335,150 and 12,040,600 shares issued and outstanding , respectively	1	1
Additional paid-in capital	73,585	73,443
Accumulated deficit	(55,061)	(41,564)
Stockholder notes receivable	(1,715)	(1,737)
Total stockholders' equity	16,810	30,143
Total liabilities and stockholders' equity	$ 62,727	$ 61,800

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

MIM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31,

(In thousands, except for per share amounts)

	1997	1996	1995
Revenue	$ 242,291	$ 283,159	$ 213,929
Cost of revenue	239,002	278,068	213,398
Gross profit	3,289	5,091	531
General and administrative expenses	19,098	11,619	8,048
Non-cash stock option charge	--	26,640	--
Loss from operations	(15,809)	(33,168)	(7,517)
Interest income, net	2,295	1,393	745
Loss before minority interest	(13,514)	(31,775)	(6,772)
Less: minority interest	(17)	(21)	--
Net loss	$ (13,497)	$ (31,754)	$ (6,772)
Basic and diluted loss per common	$ (1.07)	$ (3.32)	$ (1.43)
Weighted average common shares used in computing basic and diluted loss per share	12,620	9,557	4,732

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

MIM CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Common Stock	Additional Paid-In Capital	Retained Earnings (Accumulated Deficit)	Stockholder Notes Receivable	Total Stockholders' Equity (Deficit)
Balance, December 31, 1994	$ 1	$ --	$ (2,416)	$ (1,278)	$ (3,693)
Stockholder loans, net	--	--	--	(1,059)	(1,059)
Net loss	--	--	(6,772)	--	(6,772)
Balance, December 31, 1995	1	--	(9,188)	(2,337)	(11,524)
Stockholder loans, net	--	--	--	(22)	(22)
Stockholder distribution	--	--	(622)	622	--
Net proceeds from initial public offering	--	46,786	--	--	46,786
Non-cash stock option charge	--	26,640	--	--	26,640
Non-employee stock option compensation expense	--	17	--	--	17
Net loss	--	--	(31,754)	--	(31,754)
Balance, December 31, 1996	1	73,443	(41,564)	(1,737)	30,143
Stockholder loans, net	--	--	--	22	22
Exercise of stock options	--	113	--	--	113
Non-employee stock option compensation expense	--	29	--	--	29
Net loss	--	--	(13,497)	--	(13,497)
Balance, December 31, 1997	$ 1	$ 73,585	$ (55,061)	$ (1,715)	$ 16,810

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

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

	1997	1996	1995
Cash flows from operating activities:			
Net loss	$ (13,497)	$ (31,754)	$ (6,772)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:			
Net loss allocated to minority interest	(17)	(21)	--
Depreciation and amortization	1,091	781	366
Stock option charges	29	26,657	--
Provision for losses on receivables and due from affiliates	501	928	1,977
Changes in assets and liabilities:			
Receivables	(5,318)	(4,551)	(4,728)
Prepaid expenses and other current assets	241	(648)	98
Accounts payable	(631)	491	(376)
Deferred Revenue	2,799	--	--
Claims payable	9,701	(2,016)	9,031
Payables to plan sponsors and others	665	1,738	2,003
Accrued expenses	1,353	755	(202)
Net cash (used in) provided by operating activities	(3,083)	(7,640)	1,397
Cash flows from investing activities:			
Purchase of property and equipment	(1,575)	(870)	(802)
Purchase of investment securities	(27,507)	(37,038)	--
Purchase of other investments	(2,300)	--	--
Maturities of investment securities	41,909	--	--
Stockholder notes receivable, net	22	(22)	(1,059)
Due from affiliates, net	425	(828)	(1,759)
(Increase) decrease in other assets	(48)	(93)	164
Net cash (used in) provided by investing activities	10,926	(38,851)	(3,456)
Cash flows from financing activities:			
Principal payments on capital lease obligations	(197)	(265)	(220)
Proceeds from initial public offering	--	46,786	--
Proceeds from exercise of stock options	113	--	--
Minority interest investment	--	--	1,150
Net cash provided by (used in) financing activities	(84)	46,521	930
Net increase (decrease) in cash and cash equivalents	7,759	30	(1,129)
Cash and cash equivalents--beginning of period	1,834	1,804	2,933
Cash and cash equivalents--end of period	$ 9,593	$ 1,834	$ 1,804
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Income taxes	$ --	$ --	$ 286
Interest	$ 41	$ 55	$ 31
SUPPLEMENTAL DISCLOSURE OF NON-CASH TRANSACTIONS:			
Equipment acquired under capital lease obligations	$ 587	$ 527	$ 109
Distribution to stockholder through cancellation of stockholder notes receivable	$ --	$ 622	$ --

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

MIM CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except for share and per share amounts)

NOTE 1--NATURE OF BUSINESS

Corporate Organization

MIM Corporation was incorporated in Delaware in March 1996 for the purpose of combining the businesses and operations of Pro-Mark Holdings, Inc., a Delaware corporation ("Pro-Mark"), and MIM Strategic Marketing, LLC, a Rhode Island limited liability company ("MIM Strategic"), (the "Formation"). The Formation was effected in May 1996. Previously, Pro-Mark Drug Benefit Management Services, LLC, a Rhode Island limited liability company, formed in June 1993 ("Pro-Mark DBMS"), had merged into Pro-Mark in April 1994. Pro-Mark is a wholly-owned subsidiary of MIM Corporation, and MIM Strategic is 90% owned by MIM Corporation. As used in these notes, the "Company" refers to MIM Corporation and its subsidiaries and predecessors.

Prior to the Formation, Pro-Mark DBMS, Pro-Mark and Strategic were controlled by an officer of the Company (See Note 11) and his family who, before subsequent stock transfers, collectively held a direct or indirect controlling interest in MIM Corporation. The Formation has been accounted for using the carryover basis of accounting, and MIM Corporation's consolidated financial statements include the accounts and operations of the subsidiaries for all periods presented from the date each entity was formed.

At incorporation, the authorized capital stock of MIM Corporation consisted of 1,500,000 shares of common stock, $0.001 par value. In May 1996, the certificate of incorporation of MIM Corporation was amended and restated to provide for authorized capital stock consisting of 40,000,000 shares of common stock, $0.0001 par value ("Common Stock"), and 5,000,000 shares of Preferred Stock, $0.0001 par value. In May 1996, 8,023,800 shares of Common Stock were issued in connection with the Formation.

In the Formation, MIM Corporation acquired all of the outstanding stock of Pro-Mark and 90% of the ownership and membership interests in MIM Strategic. In exchange, Pro-Mark's stockholders received 150 shares of Common Stock of MIM Corporation for each Pro-Mark share (or an aggregate of 4,500,000 shares of Common Stock), and certain members of MIM Strategic received an aggregate of 3,523,800 shares of Common Stock for their 90% interest in MIM Strategic. Zenith Goldline Pharmaceuticals, Inc., a Florida corporation ("Zenith Goldline"), has held a 10% interest in MIM Strategic since its inception and did not participate in the Formation.

In the Formation, outstanding stock options granted by Pro-Mark to employees and key contractors were exchanged for options from MIM Corporation on substantially similar terms (see Note 8). Except as otherwise indicated, all stock and stock option amounts (including share, per share par value and exercise price) pertaining to Pro-Mark DBMS, Pro-Mark and MIM Strategic prior to the Formation have been restated to reflect the equivalent amounts pertaining to Common Stock as if the Formation had already occurred.

MIM Strategic was formed in 1995 by MIM Holdings, LLC ("MIM Holdings"), which is controlled by an officer of the Company (See Note 11) and his family. MIM Holdings and Zenith Goldline contributed various intangibles and $1,150 in cash, respectively, to the capital of MIM Strategic in exchange for their 90% and 10% interests, respectively, in MIM Strategic. No accounting recognition has been given to the intangibles for financial reporting purposes since their value is not objectively determinable, and the entire $1,150 of capital contributed by Zenith Goldline has been presented as minority interest in the accompanying consolidated balance sheets. Profits and losses of MIM Strategic are allocated 90% to the Company and 10% to Zenith Goldline.

Business

The Company's revenues have been derived primarily from agreements to provide pharmacy benefit management services to sponsors of public and private health plans. To date, a majority of the services provided by the Company have been to sponsors of Tennessee-based plans who have entered into pharmacy benefit management contracts with RxCare of Tennessee, Inc. ("RxCare"), a subsidiary of the Tennessee Pharmacists Association, including contracts ("TennCare contracts") to provide mandated pharmaceutical services to formerly Medicaid-eligible and uninsured and uninsurable Tennessee residents under the State's TennCare Medicaid waiver program ("TennCare").

Under an agreement with RxCare formalized in March 1994 and thereafter amended (the "RxCare Contract"), the Company is responsible for operating and managing RxCare's pharmacy benefit management contracts. In return for receipt of all sponsor payments due RxCare under its pharmacy benefit management contracts and all rebates negotiated with pharmaceutical manufacturers in connection with RxCare programs, the Company implements and enforces the drug benefit programs, bears all program costs including payments to dispensing pharmacies and certain payments to RxCare and sponsors, and shares with RxCare the remaining profit, if any, under the pharmacy benefit management contracts (see Note 2). The RxCare Contract is scheduled to expire in December 1998 unless renewed in accordance with its terms.

NOTE 2--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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

Revenue Recognition

Capitated Agreements. Certain pharmacy benefit management contracts are capitated agreements pursuant to which the Company receives a fixed monthly fee for each member enrolled in a particular health plan. In exchange for this fee, the Company is obligated to provide covered pharmacy services to plan members. Typically, capitated agreements have a one-year term and are subject to automatic renewal unless notice of termination is given. These contracts are subject to earlier termination upon the occurrence of certain events.

Capitation payments under TennCare contracts are based upon the latest eligible member data provided by the State of Tennessee. On a monthly basis, the Company receives payments (and recognizes revenue) for those members eligible for the current month, plus or minus capitation amounts for those persons determined to be retroactively eligible or ineligible for prior months under the contract. The amounts for retroactive capitation payments are based upon management's estimates and are included in receivables in the accompanying consolidated balance sheets. The related receivables at December 31, 1997 and 1996 were approximately $120 and $1,056, respectively. The related capitated revenue for the years ended December 31, 1997, 1996 and 1995 was approximately $127,477, $232,395 and $192,625, respectively.

Fee-for-Service Agreements. Certain pharmacy benefit management contracts are fee-for-service agreements pursuant to which the Company is paid by the plan sponsor an amount reflecting the cost of a prescription plus a per prescription service fee. Under these contracts, the Company is obligated to pay network pharmacies for pharmacy services provided to plan members. The Company recognizes the cost incurred to pay network pharmacies with its corresponding fees for service revenue at the time a pharmacy prescription service is provided. The related fee-for-service revenue for the years ended December 31, 1997, 1996 and 1995 was approximately $114,654, $49,941 and $16,525, respectively.

Receivables. Receivables include amounts due from plan sponsors under the Company's pharmacy benefit management contracts and amounts due from pharmaceutical manufacturers, which represent rebates and service fees resulting from the distribution of certain drugs through retail pharmacies.

Cost of Revenue. Cost of revenue includes pharmacy claims, fees paid to pharmacists and other direct costs associated with pharmacy management and claims processing operations, offset by fees received from pharmaceutical manufacturers in connection with the Company's pharmacy management programs.

Payables to Plan Sponsors and Others

Certain pharmacy benefit management contracts provide for an income or loss share with the plan sponsor. The income or loss share is calculated by deducting all related costs and expenses from revenues earned under the contract. To the extent revenues exceed costs, the Company records a payable representing the plan sponsor's share of the profit attributable to that contract, and to the extent costs exceed revenues the Company records a receivable. Agreements between RxCare and certain plan sponsors also provide for the sharing of pharmaceutical manufacturers' rebates with the plan sponsor. The Company is also obligated to share with RxCare the cumulative profit, if any, under the Company's agreement with RxCare (see Note 4). The Company estimates that any difference between the recorded liability on the accompanying consolidated balance sheets and the ultimate exposure under those contract provisions will not have a material adverse effect on the consolidated financial statements.

Cash and Cash Equivalents

For the purpose of the accompanying consolidated statements of cash flows, cash and cash equivalents are defined as demand deposits and overnight investments at banks.

Property and Equipment

The Company provides for depreciation and amortization using the straight-line method over the estimated useful lives of assets ranging from three to five years or, in the case of leases, over the life of the lease. Maintenance and repairs are expensed as incurred.

Long-Lived Assets

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

Deferred Revenue

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

Claims Payable

The Company is responsible for all covered prescriptions provided to plan members during the contract period. At December 31, 1997 and 1996, certain prescriptions were dispensed to members for which the related claims had not yet been presented to the Company for payment. Estimates of $1,858 and $3,296 at December 31, 1997 and 1996, respectively, have been accrued for these claims in the accompanying consolidated balance sheets. Unpaid claims incurred and reported amounted to $20,786 and $10,482 at December 31, 1997 and 1996, respectively.

The Company entered into several commercial risk-based contract during 1997 (See Note 6) for which future losses are expected. Based on management's estimate of losses to be incurred the Company has accrued $4,335 at December 31, 1997. The Company also experienced losses on one of the TennCare contracts since the contract was entered into as of April 1, 1995. RxCare exercised its option to terminate the contract on March 31, 1997, before its scheduled expiration date of December 31, 1997. At December 31, 1996 the Company accrued $3,500 to cover management's estimate of losses to be incurred during the remainder of the original contract. This amount is included in claims payable in the accompanying consolidated balance sheets.

Minority Interest

The minority interest in the loss of MIM Strategic is reflected as a reduction of net loss in the accompanying consolidated statements of operations.

Income Taxes

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

Disclosure of Fair Value of Financial Instruments

The Company's financial instruments consist mainly of cash and cash equivalents, investment securities (see Note 3), accounts receivable and accounts payable. The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate fair value due to their short-term nature.

Accounting for Stock-Based Compensation

The Company accounts for employee stock based compensation plans and non-employee director stock incentive plans in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). Stock options granted to anyone other than employees and non-employee directors are accounted for in accordance with Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") (See Note 8).

Earnings Per Share

Effective for the year ended December 31, 1997, the Company adopted Statement of Financial Accounting Standards, No. 128, "Earnings Per Share" ("SFAS 128"). SFAS 128 requires the presentation of basic earnings (loss) per share and diluted earnings (loss) per share. Basic loss per share is based on the average number of shares outstanding during the year. Diluted loss per share is the same as basic loss per share as the inclusion of common stock equivalents would be anti-dilutive. Common shares outstanding and per share amounts reflect the formation (see Note 1) and are considered outstanding from the date each entity was formed.

Recently Issued Accounting Standards

In June 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" ("SFAS 130") and No. 131, "Disclosures About Segments of an Enterprise and Related Information" ("SFAS 131"). SFAS 130 establishes standards for reporting comprehensive income and its components. SFAS 131 establishes standards for reporting financial and descriptive information regarding an enterprise's operating segments. Both are effective for periods beginning after December 15, 1997. These standards increase financial reporting disclosures and will have no impact on the Company's financial position or results of operations.

NOTE 3 - INVESTMENT SECURITIES AND OTHER INVESTMENTS

Investment Securities

The Company's marketable investment securities are classified as held-to-maturity and are carried at amortized cost on the accompanying balance sheet as of December 31, 1997 and 1996. Management believes that it has the positive intent and ability to hold such securities to maturity. Amortized cost (which approximates fair value), of these securities as of December 31, 1997 and 1996 is as follows:

	1997	1996
Held-to-maturity securities:		
U.S. government	$ 3,600	$ 1,000
States and political subdivision	295	545
Corporate securities	18,741	35,493
Total investment securities	$22,636	$37,038

The contractual maturities of all held-to-maturity securities at December 31, 1997 are as follows:

	Amortized Cost
Due in one year or less	$19,235
Due after one year through five years	3,401
Total investment securities	$22,636

Other Investments

On June 23, 1997, the Company, along with other strategic partners, made an investment in Wang Healthcare Information Systems, Inc. ("WHIS"), a company engaged in the development, marketing and servicing of PC-based clinical information systems for physicians and their staff, using patented image-based technology. The Company purchased 1,150,000 shares of the Series B Convertible Preferred Stock, par value $0.01 per share, of WHIS (the "WHIS Shares") representing a minority 8% interest for an aggregate purchase price equal to $2,300. An executive officer on administrative leave from the Company, assumed the Company's board seat and was elected Chairman of WHIS. The preferred stock is not registered on a securities exchange and, therefore, the fair value of these securities is not readily determinable. In the opinion of management there has been no permanent impairment of this investment.

NOTE 4--RELATED PARTY TRANSACTIONS

During 1995, the Company advanced RxCare approximately $1,957 to fund the losses RxCare had incurred in connection with one of its pharmacy benefit management contracts. Although the Company does not currently intend to seek repayment of the advance, the Company intends to offset such amount against future profit sharing amounts, if any, due RxCare under the Company's agreement with RxCare. As RxCare's revenue is largely dependent upon the Company's results of operations in Tennessee, the collectibility of this amount is uncertain, and a full reserve has been recorded against the advance. During October 1996, the Company advanced approximately $349 directly to individual pharmacies in Tennessee on behalf of RxCare. This advance was repaid in full in March 1997.

As part of its agreement with RxCare, the Company is obligated to share with RxCare the Company's cumulative profit, if any, from the RxCare pharmacy benefit management contracts. No amount was due RxCare for the years ended December 31, 1997 or 1996.

The Company entered into two three-year contracts with Zenith Goldline in December 1995. Pursuant to the contract, the Company is entitled to receive fees based on a percentage of the growth in Zenith Goldline's gross margins from related sales. Included in due from affiliates at December 31, 1997 and 1996 is management's estimate of revenues earned under these agreements. At December 31, 1997 the collectibility of the amounts is uncertain and a full reserve has been recorded against the revenues earned.

During 1996, the Company made short-term advances to MIM Holdings and Alchemie Properties, LLC ("Alchemie") of $99 and $25, respectively. Alchemie is controlled by an executive officer of the Company (See Note 11).

Repayments by MIM Holdings and Alchemie through December 31, 1996 were $13 and $25, respectively. The remaining $86 principal amount owed by MIM Holdings and accrued interest from September 1996 was paid in full at December 31, 1997.

In June 1996, an executive officer of the Company loaned $500 to the Company for working capital purposes pursuant to an unsecured, 10% promissory note that was payable upon demand. The loan amount plus $2.5 for interest and fees was repaid by December 31, 1996.

Other Activities

Pursuant to the RxCare Contract, which expires in December 1998, the Company makes monthly payments to RxCare to defray the cost of office space and equipment provided by RxCare on behalf of the Company and to provide RxCare with cash flow to meet its operating expenses. Expenses under this agreement were $240 for the years ended December 31, 1997 and 1996 and $140 for the year ended December 31, 1995. In addition, from November 1995 through October 1996 the Company paid RxCare $6.5 monthly to cover expenses associated with a regional cost containment initiative.

In December 1994, the Company entered into a ten-year agreement to lease a facility from Alchemie. The lease provides for monthly payments of $3 plus real estate taxes and condominium association fees. Rent expense was approximately $56, $52 and $60 for the years ended December 31, 1997, 1996 and 1995, respectively. The Company has expended an aggregate of approximately $513 for alterations and improvements to this space through December 31, 1997, which upon termination of the lease will revert to the lessor. The future minimum rental payments under these agreements are included in Note 6 with the Company's other operating leases.

Consulting and Service Agreements

In January 1994, the Company entered into consulting agreements with three minority stockholders of the Company. These agreements expire in 1999 and provide for payments to be made as services are rendered. No amounts were paid in 1997, 1996 or 1995.

In January 1994, the Company entered into a consulting agreement with an officer of RxCare which provided for payments by the Company of $5.5 per month, and additional compensation as agreed by the parties for special projects, through December 1996. The Company made no payments in 1997 and $66 in both 1996 and 1995. The Company was reimbursed $225 of the amount paid to such officer and recorded a reduction of general and administrative expenses.

In September 1995, the Company entered into a contract with MIM Holdings to receive management consulting services in return for monthly payments to MIM Holdings of $75. Consulting expenses amounted to $225 and $300 for the year ended December 31, 1996 and 1995, respectively. The contract was terminated on March 31, 1996.

A professional services agreement was entered into as of January 1, 1996 between MIM Holdings and the Company. Under this agreement, MIM Holdings provided the Company with operational professional services required to perform the Company's obligations under a Marketing Services Agreement with Zenith Goldline (see Note 1), for which the Company paid MIM Holdings $150 in 1996. The agreement was terminated in May 1996.

Stockholder Notes Receivable

In June 1994, the Company advanced to an executive officer, who has since resigned as an employee and officer and who has been on administrative leave, approximately $979 for purposes of acquiring a principal residence, $975 of which is secured by a first mortgage on the residence. In exchange for the funds, the Company received two promissory notes, the aggregate outstanding principal balance of which was $979 and $955 at December 31, 1997 and 1996, respectively. Originally scheduled to be repaid by June 15, 1997 and bearing interest at 5.42% per annum payable monthly, the remaining principle balance currently is due and payable on June 15, 2000 together with 7.125% interest. Interest income on the notes for the years ended December 31, 1997, 1996 and 1995 was $60, $52 and $55, respectively.

In August 1994, the Company advanced to Alchemie $299 for the purposes of acquiring a building leased by the Company, of which approximately $280 was outstanding at December 31, 1997 and 1996. The note bears interest at a rate of 10% per annum with principal due on December 1, 2004. Interest income was $29 for the years ended December 31, 1997, 1996 and 1995.

In December 1995, the Company advanced to MIM Holdings $800 for certain consulting services to be performed for the Company in 1996. During 1995, the Company also paid $278 for certain expenses on behalf of MIM Holdings including $150 for consulting services to MIM Holdings by an officer of RxCare. These amounts, totaling $1,078, were recorded as a stockholder note receivable at December 31, 1995. The Company has received a note from MIM Holdings for $456. As originally written, the note bore interest at 10% per annum, payable quarterly, with principal due on March 31, 2001. The note was rewritten in December 1996 to make all interest from January 1, 1996 to September 30, 1997 payable on September 30, 1997. Thereafter, interest will be paid quarterly, in arrears, until March 31, 2001. The note is guaranteed by an officer of the Company and further secured by the assignment to the Company of a note in favor of MIM Holdings in the aggregate principal amount of $100. The remaining balance of $622 will not be repaid and was recorded as a stockholder distribution during the first quarter of 1996. The outstanding balance at December 31, 1997 and 1996 was $456 and $502, respectively.

NOTE 5--PROPERTY AND EQUIPMENT

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

	1997	1996
Computer and office equipment, including equipment under capital leases	$ 4,227	$ 2,794
Furniture and fixtures	442	364
Leasehold improvements	540	506
	5,209	3,664
Less: Accumulated depreciation	(1,710)	(1,241)
	$ 3,499	$ 2,423

NOTE 6--COMMITMENTS AND CONTINGENCIES

Legal Proceedings

The Company is currently a third-party defendant in a proceeding in the Superior Court of the State of Rhode Island. The third-party complaint alleges that the Company interfered with certain contractual relationships and misappropriated certain confidential information. The third-party complaint seeks to enjoin the Company from using the allegedly misappropriated confidential information and seeks an unspecified amount of compensatory and consequential damages, interest and attorneys' fees. Although the Company believes that the third-party plaintiffs' allegations are without merit, the loss of this litigation could have a material adverse effect on the Company's financial position and results of operations.

The Company is currently in a dispute with Sierra (as defined above) with respect to the interpretation of certain provisions of the Sierra Agreement which have led to the non-payment of certain invoiced amounts.

Pro-Mark is currently engaged in efforts to recover funds it has invoiced to Sierra Health Services, Inc. collectively, on behalf of its subsidiaries, Sierra Health and Life Insurance Company, Inc., Sierra Healthcare Options, Inc., Sierra Healthplan of Nevada, Inc. and HMO Texas L.C. (collectively,"Sierra") under a pharmacy benefit management services agreement (the "Sierra Agreement") dated as of August 6, 1997, which went into effect on October 1, 1997.

On February 3, 1998, Pro-Mark invoiced Sierra approximately $4.1 million for unpaid services rendered by Pro-Mark during the period from October through December 1997. Sierra refused to pay the invoices.

On February 13, 1998, Pro-Mark gave Sierra notice of termination of the agreement which provided for the termination of the Sierra Agreement 30 days from the date of such notice and commenced an arbitration of the dispute before the American Arbitration Association, which the agreement specifies as the sole forum for resolving disputes arising under the agreement. The terminated date was extended an additional ten days upon neutral agreement of the parties.

In early March 1998, Pro-Mark rendered invoices to Sierra for January for approximately $1.3 million, and Pro-Mark expects to render invoices for February and March for approximately $1.3 million per month. These sums will be part of the arbitration proceeding.

On March 13, 1998, Sierra filed a lawsuit against Pro-Mark in the United States District Court, District of Nevada. The suit claims Pro-Mark breached the Sierra Agreement and that Sierra was misled as to the nature of that agreement. Sierra has asked the court to issue an order preventing Pro-Mark from terminating the Sierra Agreement under its February 13, 1998 notice of termination.

In ruling upon Sierra's motion, the court directed that if Sierra elected to post as $5 million bond in Pro-Mark's favor, a temporary restraining order would be issued, pending a motion for a preliminary injunction. Sierra elected to post such bond. The Court will schedule a hearing on Sierra's request for a preliminary injunction. Pro-Mark is opposing Sierra's request for a preliminary

injunction and is asking the court to refer Sierra's contentions and claims to the arbitration proceeding before the American Arbitration Association. The Company believes that it has the right to receive the disputed funds from Sierra under the Sierra Agreement, and that the Company has the right to terminate the agreement; however, if the court were to rule in favor of Sierra, and if Pro-Mark were both unable to terminate the agreement and unable to collect from Sierra the amounts invoiced, then the Company's business would be materially adversely affected.

Government Regulation

Various Federal and state laws and regulations affecting the healthcare industry do or may impact the Company's current and planned operations including, without limitation, Federal and state laws prohibiting kickbacks in government health programs (including TennCare), Federal and state antitrust and drug distribution laws, and a wide variety of consumer protection, insurance and other state laws and regulations. While management believes that the Company is in substantial compliance with all existing laws and regulations material to the operation of its business, such laws and regulations are subject to rapid change and often are uncertain in their application. As controversies continue to arise in the healthcare industry (for example, regarding the efforts of plan sponsors and pharmacy benefit managers to limit formularies, alter drug choice and establish limited networks of

participating pharmacies), Federal and state regulation and enforcement priorities in this area can be expected to increase, the impact of which on the Company cannot be predicted. There can be no assurance that the Company will not be subject to scrutiny or challenge under one or more of these laws or that any such challenge would not be successful. Any such challenge, whether or not successful, could have a material adverse effect upon the Company's financial position and results of operations. Violation of the Federal anti-kickback statute, for example, may result in substantial criminal penalties as well as exclusion from the Medicare and Medicaid (including TennCare) programs. Further, there can be no assurance that the Company will be able to obtain or maintain any of the regulatory approvals that may be required to operate its business, and the failure to do so could have a material adverse effect on the Company's financial position and results of operations.

Non-Compete Covenant

In connection with his resignation from Zenith Laboratories, Inc. a manufacturer and distributor of generic drugs ("Zenith"), in January 1996 the Company's Chief Executive Officer agreed that he would provide consultative services to Zenith through December 31, 1998 and that, until then, neither he, nor any business in which he has a direct or indirect interest, will own, manage or be employed or engaged by any business that is substantially competitive with any material portion of the business of Zenith or its subsidiaries as conducted in early 1996. Such covenant may restrict the Company's ability to compete in certain areas including any future drug distribution business in which the Company may engage.

Employment Agreements

The Company has entered into employment agreements with certain key employees which expire at various dates through May 2000. Total minimum commitments under these agreements are approximately as follows:

1998	$1,088
1999	958
2000	399

	$2,445
	======

Other Agreements

The Company has two consulting agreements which will require payments of $300 in the aggregate through 1998. As discussed in Note 4, the Company rents one of its main facilities from Alchemie. Rent expense for non-related party leased facilities and equipment was approximately $477, $208 and $116 for the years ended December 31, 1997, 1996 and 1995, respectively.

Operating Leases

The Company leases its facilities and certain equipment under various operating leases. The future minimum lease payments under these operating leases at December 31, 1997 are as follows:

1998	$ 584
1999	436
2000	383
2001	378
2002	363
Thereafter	272

	$2,416
	======

Capital Leases

The Company leases certain equipment under various capital leases. Future minimum lease payments under the capital lease agreements at December 31, 1997 are as follows:

1998	$ 292
1999	292
2000	292
2001	267
Total minimum lease payments	1,143
Less: amount representing interest	165
Obligations under leases	978
Less: current portion of lease obligation	222
	$ 756

NOTE 7--INCOME TAXES

The Company accounts for income taxes in accordance with SFAS 109. Under SFAS 109, deferred tax assets or liabilities are computed based on the differences between the financial statement and income tax bases of assets and liabilities as measured by currently enacted tax laws and rates. Deferred income tax expenses and benefits are based on changes in the deferred assets and liabilities from period to period.

The effect of temporary differences which give rise to a significant portion of deferred taxes is as follows as of December 31, 1997 and 1996:

	1997	1996
Deferred tax assets:		
Reserves and accruals not yet deductible for tax purposes	$ 3,700	$ 3,327
Net operating loss carryforward	7,427	2,475
Subtotal	11,127	5,802
Less: valuation allowance	(11,196)	(5,734)
Total deferred tax assets	(69)	68
Deferred tax liabilities:		
Property basis differences	69	(68)
Total deferred tax liability	69	(68)
Net deferred taxes	$ --	$ --

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

There is no provision (benefit) for income taxes for the years ended December 31, 1997 and 1996. A reconciliation to the tax provision (benefit) at the Federal statutory rate is presented below:

	1997	1996
Tax benefit at statutory rate	$ (4,589)	$(10,796)
State tax benefit, net of federal taxes	(891)	(2,096)
Provision for valuation allowance	5,460	2,065
Non-deductible executive stock option compensation charge	--	10,816
Other	20	11
Recorded income taxes	$ --	$ --

At December 31, 1997, the Company had, for tax purposes, unused net operating loss carryforwards of approximately $18.3 million that may be available to offset future taxable income, if any, and which will begin expiring in 2008. The amount of net operating loss carryforwards which may be utilized in any one period may become limited by federal income tax requirements if a cumulative change in ownership of more than 50% occurs within a three year period.

NOTE 8--STOCKHOLDERS' EQUITY

Public Offering

On August 14, 1996, the Company completed its initial public offering of 4,000,000 shares of Common Stock sold at $13.00 per share. Net proceeds amounted to $46,786 after offering costs of $1,574.

Stock Option Plans

In 1994, Pro-Mark established the Pro-Mark Holdings, Inc. 1994 Stock Plan (the "Pro-Mark Plan"). The Pro-Mark Plan provided for, among other awards, options to employees, contractors and consultants to purchase up to 60,000 shares of Pro-Mark common stock at an option price not less than 100% of the fair market value of the shares on the grant date. The period during which an option may be exercised varied, but no option could be exercised after 15 years from the date of grant. During 1994, options to purchase 560,700 shares of the Company's Common Stock at $0.0067 per share were granted. During 1995, options to purchase 2,494,200 shares of the Company's Common Stock at $0.0067 per share were granted. (See Note 1).

In May 1996, the Company adopted the MIM Corporation 1996 Stock Incentive Plan (the "Plan"). The Plan provides for the granting of incentive stock options (ISOs) and non-qualified stock options to employees and key contractors of the Company. Options granted under the Plan generally vest over a three-year period, but vest in full upon a change in control of the Company or at the discretion of the Company's compensation committee, and generally are exercisable for from 10 to 15 years after the date of grant subject to earlier termination in certain circumstances. The exercise price of ISOs granted under the Plan will not be less than 100% of the fair market value on the date of grant (110% for ISOs granted to more than a 10% shareholder). If non-qualified stock options are granted at an exercise price less than fair market value on the grant date, the amount by which fair market value exceeds the exercise price will be charged to compensation expense over the period the options vest. The number of shares authorized for issuance under the Plan, initially 4,000,000, was increased to 4,375,000 in December 1996. At December 31, 1997, 368,369 shares remained available for grant under the Plan.

As of December 31, 1997 and 1996, the exercisable portion of outstanding options was 2,004,306 and 2,793,550, respectively. No options were exercisable at December 31, 1994. Stock option activity under the Plan through December 31, 1997 is as follows:

	Options	Average Price
Balance, December 31, 1994	552,300	$ 0.0067
Granted	2,494,200	$ 0.0067
Canceled	(24,600)	
Balance, December 31, 1995	3,021,900	$ 0.0067
Granted	1,124,902	$ 11.26
Canceled	(46,421)	
Exercised	(16,800)	
Balance, December 31, 1996	4,083,581	$ 2.99
Granted	85,000	$ 9.49
Canceled	(178,750)	
Exercised	(1,294,550)	
Balance, December 31, 1997	2,695,281	$ 4.21

In July 1996, the Company adopted the MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan (the "Directors Plan"). The purpose of the Directors Plan is to attract and retain qualified individuals to serve as non-employee directors of the Company ("Outside Directors"), to provide incentives and rewards to such directors and to associate more closely the interests of such directors with those of the Company's stockholders. The Directors Plan provides for the automatic granting of non-qualified stock options to Outside Directors joining the Company since the adoption of the Directors Plan. Each such Outside Director receives an option to purchase 20,000 shares of Common Stock upon his or her initial appointment or election to the Board of Directors. The exercise price of such options is equal to the fair market value of the Common Stock on the date of grant. Options granted under the Directors Plan generally vest over three years. A total of 100,000 shares of Common Stock are authorized for issuance under the Directors Plan. At December 31, 1997, options to purchase 40,000 shares of Common Stock were outstanding under the Directors Plan at an exercise price of $13.00 per share, 13,334 of which were exercisable.

Accounting for Stock-Based Compensation

In May 1996, the then majority stockholder of the Company granted to three individuals who were unaffiliated with the Company (each of whom became a director of the Company and two of whom also became officers of the Company) options to purchase an aggregate of 3,600,000 shares of Common Stock owned by him at $0.10 per share. These options are immediately exercisable and have a term of ten years, subject to earlier termination upon a change in control of the Company, as defined. In connection with these options, under APB 25, for the year ended December 31, 1996 the Company recorded a nonrecurring, non-cash stock option charge (and a corresponding credit to additional paid-in capital) of $26,640, representing the difference between the exercise price and the deemed fair market value of the Common Stock at the date of grant. In January 1998, two of these individuals who are officers of the Company exercised a total of 3,300,000 of these options.

In July 1996, the then majority stockholder also granted to one of these individuals an additional option ("additional option") to purchase 1,860,000 shares of Common Stock owned by him at $13 per share. The additional option has a term of ten years, subject to earlier termination upon a change in control of the Company, as defined, or within certain specified periods following the grantee's death, disability or termination of employment for any reason. The additional option vests in installments of 620,000 shares each on December 31, 1996, 1997 and 1998, and is immediately exercisable upon the approval of a change in control of the Company, as defined, by the Company's Board of Directors and, if required, stockholders.

Had compensation cost for the Company's stock option plans for employees and directors been determined based on the fair value method in accordance with SFAS 123, the Company's net loss would have been increased to the pro forma amounts indicated below for the years ended December 31,:

	1997		1996		1995	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
Net loss	$(13,497)	$(14,416)	$(31,754)	$(32,131)	$ (6,772)	$(6,779)
Basic and diluted loss per common share	$ (1.07)	$ (1.14)	(3.32)	(3.36)	(1.43)	(1.43)
Weighed average shares outstanding	12,620	12,620	9,557	9,557	4,732	4,732

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

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

	1997	1996	1995
Volatility	60%	50%	50%
Risk-free interest rate	5%	5%	5%
Expected life of options	4 years	4 years	4 years

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

NOTE 9--CONCENTRATION OF CREDIT RISK

The majority of the Company's revenues have been derived from TennCare contracts pursuant to the RxCare Contract. The following table outlines contracts with plan sponsors having revenues which individually exceeded 10% of total revenues during the applicable time period:

	Plan Sponsor			
	A	B	C	D
Year ended December 31, 1995				
% of total revenue	30%	45%	--	--
% of total accounts receivable at period end	*	28%	--	--
Year ended December 31, 1996				
% of total revenue	18%	47%	11%	--
% of total accounts receivable at period end	*	13%	14%	--
Year ended December 31, 1997				
% of total revenue	21%	10%	13%	10%
% of total accounts receivable at period end	*	*	*	*

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

There were no other contracts representing 10% or more of the Company's total revenue for the years ended December 31, 1997, 1996 and 1995. It is possible that the State of Tennessee or the Federal government could require modifications to the TennCare program. The Company is unable to predict the effect of any such future changes to the TennCare program. Effective April 1,1997, one of the TennCare contracts was terminated which represented 1996 revenues and net losses of $132,846 and $7,321 (including a $3,500 loss reserve), respectively (see Note 2).

NOTE 10--PROFIT SHARING PLAN

The Company maintains a deferred compensation plan under Section 401(k) of the Internal Revenue Code. Under the plan, employees may elect to defer up to 15% of their salary, subject to Internal Revenue Service limits. The Company may make a discretionary matching contribution. The Company made no matching contributions for the years ended December 31, 1997, 1996 and 1995.

NOTE 11--SUBSEQUENT EVENTS

The Company has entered into an agreement to acquire Continental Managed Pharmacy, Inc.,a Cleveland based pharmacy benefit management company, for approximately 3.8 million shares of the Company's

Common Stock. The acquisition is expected to be accounted for as a pooling of interests and is subject to shareholder approval.

Effective March 31, 1998, Mr. E. David Corvese, the Vice Chairman and a director of the Company and an officer and director of certain Company subsidiaries resigned as an employee and officer of the Company and its subsidiaries, pursuant to a spearation agreement between Mr. Corvese and the Company. Under that agreement, he also agreed not to stand for re-election as a director of the Company at its annual shareholders meeting. Effective January 1, 1998, Mr. Corvese had requested, and was granted, an administrative leave from his responsibilities with the Company and its subsidiaries. This leave was requested so that Mr. Corvese could attend to matters of a personal nature. Mr. Corvese's former responsibilities were allocated among the Company's senior management.

MIM Corporation and Subsidiaries

Schedule II - Valuation and Qualifying Accounts
For the years ended December 31, 1997, 1996 and 1995

(In thousands)

	Balance at Beginning of Period	Charged to Costs and Expenses	Write-offs	Balance at End of Period
Year ended December 31, 1995				
Accounts receivable	$ 340	$ 20	--	$ 360
Accounts receivable, other	$ 0	$1,957	--	$1,957
Year ended December 31, 1996				
Accounts receivable	$ 360	$ 728	--	$1,088
Accounts receivable, other	$1,957	$ 200	--	$2,157
Year ended December 31, 1997				
Accounts receivable	$1,088	$2,053	(1,755)	$1,386
Accounts receivable, other	$2,157	$ 203	--	$2,360

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

Not applicable.

PART III

Incorporated by Reference

The information called for by Item 10 -- "Directors and Executive Officers of the Registrant" (other than the information concerning executive officers set forth after Item 4 herein), Item 11 -- "Executive Compensation", Item 12 -- "Security Ownership of Certain Beneficial Owners and Management" and Item 13 -- "Certain Relationships and Related Transactions" is incorporated herein by this reference to the Company's definitive proxy statement for its annual meeting of stockholders scheduled to be held in June 1998, which definitive proxy statement is expected to be filed with the Commission not later than 120 days after the end of the fiscal year to which this report relates.

PART IV

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

(a) Documents Filed as a Part of this Report

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All other schedules not listed above have been omitted since they are not applicable or are not required, or because the required information is included in the consolidated financial statements or notes thereto.

3. Exhibits:

Exhibit Number	Description	Location

2.1	Agreement and Plan of Merger by and among MIM Corporation, CMP Acquisition Corp., Continental Managed Pharmacy Services, Inc. and Principal Shareholders dated as of January 27, 1998	(5)
3.1	Amended and Restated Certificate of Incorporation of MIM Corporation	(1)(Exh. 3.1)
3.2	By-Laws of MIM Corporation	(1)(Exh. 3.2)
10.1	Drug Benefit Program Services Agreement between Pro-Mark Holdings, Inc. and RxCare of Tennessee, Inc. dated as of March 1, 1994, as amended January 1, 1995	(1)(Exh. 10.1)
10.2	Pharmaceutical Services Agreement between Tennessee Primary Care Network, Inc. and RxCare of Tennessee, Inc.	(1)(Exh. 10.3)
10.3	Provider Network Agreement (Agent) between Tennessee Health Partnership and RxCare of Tennessee, Inc. dated February 26, 1996	(2)(Exh. 10.8)
10.4	Marketing Services Agreement between Zenith Goldline Pharmaceuticals, Inc. and MIM Strategic Marketing, LLC dated as of December 8, 1995	(1)(Exh. 10.4)
10.5	Pharmaceutical Reimbursement Agreement between Pro-Mark Holdings, Inc. and Zenith Goldline Pharmaceuticals, Inc. dated as of December 8, 1995 ..	(1)(Exh. 10.5)
10.6	Software Licensing and Support Agreement between ComCoTec, Inc. and Pro-Mark Holdings, Inc. dated November 21, 1994	(1)(Exh. 10.6)
10.7	Promissory Notes of E. David Corvese and Nancy Corvese in favor of Pro-Mark Holdings, Inc. dated June 15, 1994	(1)(Exh. 10.9)
10.8	Amendment to Promissory Note among E. David Corvese, Nancy Corvese and Pro-Mark Holdings, Inc. dated as of June 15, 1997	(4)(Exh. 10.1)
	Amendment to Promissory Note among E. David Corvese, Nancy Corvese and Pro-Mark Holdings, Inc. dated as of June 15, 1997	(4)(Exh. 10.2)
10.10	Promissory Note of Alchemie Properties, LLC in favor of Pro-Mark Holdings, Inc. dated August 14, 1994	(1)(Exh. 10.10)
10.11	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated December 31, 1996	(2)(Exh. 10.12)
10.12	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated March 31, 1996	(1)(Exh. 10.11)
10.13	Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated December 31, 1996, replacing Promissory Note of MIM Holdings, LLC in favor of MIM Strategic, LLC dated March 31, 1996	(2)(Exh. 10.14)
10.14	Indemnity letter from MIM Holdings, LLC dated August 5, 1996	(1)(Exh. 10.36)
10.15	Assignment from MIM Holdings, LLC to MIM Corporation dated as of December 31, 1996	(2)(Exh. 10.43)

10.16	Guaranty of E. David Corvese in favor of MIM Corporation dated as of December 31, 1996	(2)(Exh. 10.42)
10.17	Demand Note of MIM Corporation in favor of John H. Klein dated June 4, 1996	(1)(Exh. 10.12)
10.18	Employment Agreement between MIM Corporation and John H. Klein dated as of May 30, 1996*	(1)(Exh. 10.16)
10.19	Employment Agreement between MIM Corporation and E. David Corvese dated as of May 30, 1996*	(1)(Exh. 10.17)
10.20	Employment Agreement between MIM Corporation and Richard H. Friedman dated as of May 30, 1996*	(1)(Exh. 10.18)
10.21	Employment Agreement between MIM Corporation and Todd R. Palmieri dated as of May 30, 1996*	(1)(Exh. 10.19)
10.22	Employment Agreement between MIM Corporation and Barry A. Posner dated as of March 26, 1997*	(3)(Exh. 10.1)
10.23	Stock Option Agreement between E. David Corvese and John H. Klein dated as of May 30, 1996*	(1)(Exh. 10.22)
10.24	Stock Option Agreement II between E. David Corvese and John H. Klein dated as of May 30, 1996*	(1)(Exh. 10.23)
10.25	Amendment No. 1 dated July 29, 1996 to Stock Option Agreement II between E. David Corvese and John H. Klein dated as of May 30, 1996*.	(1)(Exh. 10.23(a))
10.26	Repurchase Agreement between E. David Corvese and John H. Klein dated as of May 30, 1996*	(1)(Exh. 10.24)
10.27	Amendment No. 1 dated July 29, 1996 to Repurchase Agreement between E. David Corvese and John H. Klein dated as of May 30, 1996*	(1)(Exh. 10.24(a))
10.28	Stock Option Agreement between E. David Corvese and Richard H. Friedman dated as of May 30, 1996*	(1)(Exh. 10.25)
10.29	Stock Option Agreement between E. David Corvese and Leslie B. Daniels dated as of May 30, 1996*	(1)(Exh. 10.26)
10.30	Stock Option Agreement between E. David Corvese and John H. Klein dated July 31, 1996*	(1)(Exh. 10.33)
10.31	Amendment No. 1 dated August 12, 1996 to Stock Option Agreement between E. David Corvese and John H. Klein dated July 31, 1996*	(1)(Exh. 10.33(a))
10.32	Registration Rights Agreement-I between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 29, 1996*	(1)(Exh. 10.30)
10.33	Registration Rights Agreement-II between MIM Corporation and John H. Klein, Richard H. Friedman and Leslie B. Daniels dated July 29, 1996*	(1)(Exh. 10.31)

Exhibit	Description	Reference
10.34	Registration Rights Agreement-III between MIM Corporation and John H. Klein and E. David Corvese dated July 29, 1996*	(1)(Exh. 10.32)
10.35	Registration Rights Agreement-IV between MIM Corporation and John H. Klein, Richard H. Friedman, Leslie B. Daniels, E. David Corvese and MIM Holdings, LLC dated July 31, 1996*	(1)(Exh. 10.34)
10.36	Registration Rights Agreement-V between MIM Corporation and Richard H. Friedman and Leslie B. Daniels dated July 31, 1996*	(1)(Exh. 10.35)
10.37	MIM Corporation 1996 Stock Incentive Plan*	(1)(Exh. 10.28)
10.38	MIM Corporation 1996 Stock Incentive Plan, as amended December 9, 1996*	(2)(Exh. 10.32)
10.39	MIM Corporation 1996 Non-Employee Directors Stock Incentive Plan*	(1)(Exh. 10.29)
10.40	Lease between Alchemie Properties, LLC and Pro-Mark Holdings, Inc. dated as of December 1, 1994	(1)(Exh. 10.27)
10.41	Lease Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated April 23, 1997	(5)
10.42	Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated as of April 23, 1997	(5)
10.43	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated December 10, 1997	(5)
10.44	Lease Amendment and Extension Agreement - II between Mutual Properties Stonedale L.P. and MIM Corporation dated March 27, 1998	(5)
10.45	Lease Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated as of December 23, 1997	(5)
10.46	Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated March 27, 1998	(5)
21	Subsidiaries of the Company	(1)(Exh. 21)
27	Financial Data Schedule	(5)

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

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

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

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

(5) Filed herewith.

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

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the last quarter of the fiscal year covered by this report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 31, 1998.

MIM CORPORATION

By /s/ John H. Klein

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

Signature	Title(s)	Date
/s/ John H. Klein John H. Klein	Chairman, Chief Executive Officer and Director (principal executive officer)	March 31, 1998
/s/ Richard H. Friedman Richard H. Friedman	Chief Operating Officer, Chief Financial Officer and Director (principal executive officer)	March 31, 1998
E. David Corvese	Vice Chairman and Director	March 31, 1998
/s/ Larry E. Edelson-Kayne Larry E. Edelson-Kayne	Treasurer and Controller	March 31, 1998
/s/ Leslie B. Daniels Leslie B. Daniels	Director	March 31, 1998
/s/ Louis A. Luzzi Louis A. Luzzi	Director	March 31, 1998
/s/ Scott R. Yablon Scott R. Yablon	Director	March 31, 1998

EXHIBIT INDEX

(Exhibits being filed with this Form 10-K)

2.1 Agreement and Plan of Merger by and among MIM Corporation, CMP Acquisition Corp., Continental Managed Pharmacy Services, Inc. and Principal Shareholders dated as of January 27, 1998

10.41 Lease Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated April 23, 1997

10.42 Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated as of April 23, 1997

10.43 Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and MIM Corporation dated December 10, 1997

10.44 Lease Amendment and Extension Agreement - II between Mutual Properties Stonedale L.P. and MIM Corporation dated March 27, 1998

10.45 Lease Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated as of December 23, 1997

10.46 Lease Amendment and Extension Agreement between Mutual Properties Stonedale L.P. and Pro-Mark Holdings, Inc. dated March 27, 1998

27 Financial Data Schedule

Exhibit 2.1

Certain schedules to the following Agreement and Plan of Merger have been omitted as permitted by the provisions of paragraph (b) (2) of Item 601 of Regulation S-K. MIM Corporation will furnish supplementally a copy of any omitted schedule to the Securities and Exchange Commission upon request.

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER

dated as of January 27, 1998

by and among

MIM CORPORATION, a Delaware corporation,

CMP Acquisition Corp., an Ohio corporation,

CONTINENTAL MANAGED PHARMACY SERVICES, INC.,
an Ohio corporation

and

The individuals named as Principal Shareholders
on the signature pages of this Agreement

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This AGREEMENT AND PLAN OF MERGER dated as of January 27, 1998 (this "Agreement") is made and entered into by and among MIM CORPORATION, a Delaware corporation ("Parent"), CMP Acquisition Corp., an Ohio corporation wholly owned by Parent ("Sub"), CONTINENTAL MANAGED PHARMACY SERVICES, INC., an Ohio corporation (the "Company") and the individuals named as "Principal Shareholders" on the signature pages to this Agreement (the "Principal Shareholders").

WHEREAS, the respective Boards of Directors of Parent, Sub and the Company have each determined that it is advisable and in the best interests of their respective corporations and stockholders to consummate, and have approved, the business combination transaction provided for herein in which Sub would merge with and into the Company, and the Company would become a wholly-owned subsidiary of Parent (the "Merger");

WHEREAS, Parent, Sub and the Company desire to make certain representations, warranties and agreements in connection with the Merger and also to prescribe various conditions to the Merger;

WHEREAS, it is the intention of the parties that the Merger shall qualify as: (1) a "pooling of interests" under generally accepted accounting principles ("GAAP") and the rules, regulations and interpretations of the Securities and Exchange Commission (the "SEC"); and (2) a tax free reorganization under Section 368(a)(2)(E) of the Internal Revenue Code of 1986, as amended (the "Code"), and that this Agreement shall qualify as a "plan of reorganization" within the meaning of Section 368 of the Code; and

WHEREAS, the Boards of Directors of the Company, Parent and Sub have approved and adopted, at meetings of each of such Boards of Directors, this Agreement and have authorized the execution hereof, and shareholders of the Company owning common shares representing at least 75% of the outstanding common shares of the Company, have executed this Agreement;

NOW, THEREFORE, in consideration of the mutual covenants and agreements set forth in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I.

THE MERGER

1.01 The Merger. At the Effective Time (as defined in Section 1.02), upon the terms and subject to the conditions of this Agreement, Sub shall be merged with and into the Company in accordance with the General Corporation Law of the State of Ohio (the "Ohio GCL"). The Company shall be the surviving corporation in the Merger (the "Surviving Corporation"), and the separate existence of Sub shall cease. Sub and the Company are

sometimes referred to herein as the "Constituent Corporations." As a result of the Merger, the outstanding common shares of the Constituent Corporations shall be converted or cancelled in the manner provided in Article II.

1.02 Effective Time As soon as practicable after satisfaction or, to the extent permitted hereunder, waiver of all conditions to the Merger, the Company and Sub will file a certificate of merger, in the form of Exhibit 1.02 attached hereto (the "Certificate of Merger"), with the Secretary of State of the State of Ohio (the "Secretary of State") in accordance with Section 1701.81 of the Ohio GCL and make all other filings or recordings required by the Ohio GCL in connection with the Merger. The Merger shall become effective on such date as the Certificate of Merger is duly filed with the Secretary of State or at such later date as is specified in the Certificate of Merger (the "Effective Time"). From and after the Effective Time, the Surviving Corporation shall possess all the rights, privileges, powers and franchises and be subject to all of the restrictions, disabilities, liabilities and duties of the Company and Sub, as applicable, all as provided in the Ohio GCL.

1.03 Closing. The closing of the Merger (the "Closing") will take place at the offices of Rogers & Wells, 200 Park Avenue, New York, New York 10166, or at such other place as the parties hereto mutually agree, on a date and at a time to be specified by the parties, which shall in no event be later than 10:00 a.m., local time, on the second business day following satisfaction of the condition set forth in Section 7.01(a), provided that the other closing conditions set forth in Article VII have been satisfied or, if permissible, waived in accordance with this Agreement, or on such other date as the parties hereto mutually agree (the "Closing Date"). At the Closing there shall be delivered to Parent, Sub and the Company the certificates and other documents and instruments required to be delivered under Article VII.

1.04 Articles of Incorporation and Code of Regulations of the Surviving Corporation. At the Effective Time: (i) the Articles of Incorporation of Sub as in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Articles of Incorporation, and (ii) the Code of Regulations of Sub as in effect immediately prior to the Effective Time shall be the Code of Regulations of the Surviving Corporation until thereafter amended as provided by law, the Articles of Incorporation of the Surviving Corporation and such Code of Regulations.

1.05 Directors and Officers of the Surviving Corporation. Until successors are duly elected or appointed and qualified, the directors and officers of the Surviving Corporation shall be those individuals listed as such on Schedule 1.05.

1.06 Effects of the Merger. Subject to the provisions of this Agreement, the effects of the Merger shall be as provided in the applicable provisions of the Ohio GCL.

1.07 Further Assurances. Each party hereto will execute such further documents and instruments and take such further actions as may reasonably be requested by one or more of the others to consummate the Merger, to vest the Surviving Corporation with full title to all assets, properties, rights, approvals, immunities and franchises of either of the Constituent Corporations or to effect the other purposes of this Agreement.

ARTICLE II.

CONVERSION OF SHARES

2.01 Conversion of Shares. At the Effective Time, by virtue of the Merger and without any action on the part of Sub, the Company or the holders of any of the securities of Sub or of the Company:

(a) Common Shares of Sub. Each issued and outstanding common share, without par value, of Sub ("Sub Common Shares") shall be converted into and become one fully paid and nonassessable common share, without par value, of the Surviving Corporation ("Surviving Corporation Common Shares"). Each certificate representing outstanding Sub Common Shares shall at the Effective Time represent an equal number of Surviving Corporation Common Shares.

(b) Cancellation of Treasury Shares and Shares Owned by Parent and Subsidiaries. All common shares, without par value, of the Company ("Company Common Shares") that are owned by the Company as treasury shares and any Company Common Shares owned by Parent, Sub or any other wholly-owned Subsidiary (as defined herein) of Parent or Company shall be canceled and retired and shall cease to exist and no stock of Parent or other consideration shall be delivered in exchange therefor. As used in this Agreement, "Subsidiary" means, with respect to any party, any corporation or other organization, whether incorporated or unincorporated, of which more than fifty percent (50%) of either the equity interests in, or the voting control of, such corporation or other organization is, directly or indirectly through Subsidiaries or otherwise, beneficially owned by such party.

(c) Exchange Ratio for Company Common Shares. Each issued and outstanding Company Common Share (other than shares to be canceled in accordance with Section 2.01(b) and other than Dissenting Shares (as defined in Section 2.01(d))) shall be converted into the right to receive 327.59 fully paid and nonassessable shares (the "Merger Consideration") of the common stock, $.0001 par value per share, of Parent (the "Parent Common Stock"). All such Company Common Shares shall no longer be outstanding and shall automatically be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares shall cease to have any rights with respect thereto, except the right to receive the Merger Consideration per share, upon the surrender of such certificate in accordance with Section 2.02, without interest. If at any time during the period between the date of this Agreement and the Effective Time, any change in the outstanding shares of Parent Common Stock shall occur due to a reclassification, recapitalization, stock split or combination, exchange or readjustment of shares, or any stock dividend thereon with a record date during such period, the Merger Consideration shall be appropriately adjusted.

(d) Dissenting Shares. (i) Notwithstanding any provision of this Agreement to the contrary, each outstanding Company Common Share, the holder of which has not voted in favor of the Merger, has perfected such holder's right to seek relief as a dissenting shareholder in accordance with the applicable provisions of the Ohio GCL and has not

effectively withdrawn or lost such right to appraisal (a "Dissenting Share"), shall not be converted into or represent a right to receive the Merger Consideration pursuant to Section 2.01(c), but the holder thereof shall be entitled only to such rights as are granted by the applicable provisions of the Ohio GCL; provided, however, that any Dissenting Share held by a person at the Effective Time who shall, after the Effective Time, withdraw the demand for appraisal or lose the right of appraisal, in either case pursuant to the Ohio GCL, shall be deemed to be converted into, as of the Effective Time, the right to receive the Merger Consideration pursuant to Section 2.01(c).

(ii) The Company shall give Parent (x) prompt notice (but in any event within five days) of any written demands for appraisal, withdrawals of demands for appraisal and any other instruments served pursuant to the applicable provisions of the Ohio GCL relating to the appraisal process received by the Company and (y) the opportunity to direct all negotiations and proceedings with respect to demands for appraisal under the Ohio GCL. The Company will not voluntarily make any payment with respect to any demands for appraisal and will not, except with the prior written consent of Parent, settle or offer to settle any such demands.

(e) Stock Option Plan. Subject to the terms and conditions of the Company's 1994 Employee and Director Stock Option Plan (the "Company Option Plan") and the stock option agreements executed pursuant thereto, the Company Option Plan and each option to purchase Company Common Shares granted thereunder that is outstanding at the Effective Time shall be assumed by Parent and continued in accordance with their respective terms and each such option shall become a right to purchase a number of shares of Parent Common Stock equal to the Merger Consideration multiplied by the number of Company Common Shares subject to such option immediately prior to the Effective Time, as more fully described in Section 6.05.

2.02 Exchange of Certificates.

(a) The Principal Shareholders hereby authorize and direct the Company to deliver the certificates representing Company Common Shares ("Certificates") owned by them to Parent at the Closing upon fulfillment (or waiver by the Company) of each of the conditions set forth in Sections 7.01 and 7.03. At the Closing, each Certificate shall be canceled and exchanged and, simultaneously with such cancellation and exchange, a new certificate shall be issued to each Principal Shareholder and each other shareholder of the Company (except with respect to Dissenting Shares), representing the number of shares of Parent Common Stock into which the Company Common Shares formerly held by such shareholder shall have been converted in the Merger in accordance with Section 2.01(c) hereof, together with a check payable to such shareholder representing any payment of cash in lieu of fractional shares determined in accordance with Section 2.02(d) hereof. From and after the Effective Time, each Certificate which prior to the Effective Time represented Company Common Shares shall be deemed to represent only the right to receive the shares of Parent Common Stock and a cash payment, if any, contemplated by the preceding sentence, and the holder of each such Certificate shall cease to have any rights with respect to the Company Common Shares formerly represented thereby other than as provided in this Agreement. All of the shares of Parent Common Stock issued in the Merger shall be duly authorized, validly issued, fully paid and nonassessable and,

at the time of issuance, shall be free and clear of all liens, claims, encumbrances, security interests and rights of redemption (together, "Liens"), other than those Liens created by or arising by action of the shareholders of the Company.

(b) Distributions with Respect to Unexchanged Shares. No dividends or other distributions declared or made after the Effective Time with respect to Parent Common Stock with a record date on or after the Effective Time shall be paid to the holder of any unsurrendered Certificate with respect to the shares of Parent Common Stock represented thereby and no cash payment in lieu of fractional shares shall be paid to any such holder pursuant to Section 2.02(d) until the holder of record of such Certificate shall surrender such Certificate in accordance with this Section 2.02. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to the record holder of the certificates representing whole shares of Parent Common Stock issued in exchange therefor, without interest: (i) at the time of such surrender, the amount of dividends or other distributions, if any, with a record date on or after the Effective Time which theretofore became payable, but which were not paid by reason of the immediately preceding sentence, with respect to such whole shares of Parent Common Stock, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date on or after the Effective Time but prior to surrender and a payment date subsequent to surrender payable with respect to such whole shares of Parent Common Stock.

(c) No Further Ownership Rights in Common Shares. All shares of Parent Common Stock issued upon the surrender for exchange of Certificates in accordance with the terms of this Agreement (including any cash paid pursuant to Section 2.02(d)) shall be deemed to have been issued (or paid, as the case may be) at the Closing in full satisfaction of all rights pertaining to the Company Common Shares represented thereby. From and after the Closing, the stock transfer books of the Company shall be closed and there shall be no further registration of transfers on the stock transfer books of the Surviving Corporation of the Company Common Shares which were outstanding immediately prior to the Effective Time. If, after the Closing, Certificates are presented to the Surviving Corporation for any reason, they shall be canceled and exchanged as provided in this Section 2.02.

(d) No Fractional Shares. No certificate or scrip representing fractional shares of Parent Common Stock will be issued in the Merger upon the surrender for exchange of Certificates, and such fractional share interests will not entitle the owner thereof to vote or to any rights of a stockholder of Parent. In lieu of any such fractional shares, each holder of Company Common Shares who would otherwise have been entitled to a fraction of a share of Parent Common Stock in exchange for Certificates pursuant to this Section 2.02 shall receive from the Surviving Corporation a cash payment in lieu of such fractional share determined by multiplying (i) the Average Closing Price of a whole share of Parent Common Stock by (ii) the fractional share interest to which such holder would otherwise be entitled. The "Average Closing Price" shall be equal to the arithmetic average of the Sales Price (as defined herein) on each of the last 10 Nasdaq trading days preceding the third day before the Closing Date. The term "Sales Price" shall be equal to, on any Nasdaq trading day, the arithmetic average of the high and low sales prices per share of Parent Common Stock reported on the National Association of Securities Dealers Automated Quotation System ("Nasdaq") on such day.

ARTICLE III.

REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company represents and warrants to Parent and Sub as follows:

3.01 Organization and Qualification. Each of the Company and its Subsidiaries is a corporation duly organized, validly existing and in good standing under the laws of the State of Ohio and has all requisite corporate power and authority to conduct its business as and to the extent now conducted and to own, use, lease and operate its assets and properties. Each of the Company and its Subsidiaries is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for such failures to be so qualified, licensed or admitted and in good standing which, individually or in the aggregate: (i) are not having and could not be reasonably expected to have a material adverse effect on the Company and its Subsidiaries taken as a whole, and (ii) could not be reasonably expected to have a material adverse effect on the validity or enforceability of this Agreement or on the ability of the Company to perform its obligations hereunder. As used in this Agreement, any reference to any event, change or effect being "material" or "materially adverse" or having a "material adverse effect" on or with respect to an entity (or group of entities taken as a whole) means such event, change or effect is or could reasonably be expected to be material or materially adverse, as the case may be, to the business, condition (financial or otherwise), properties, assets (including intangible assets), liabilities (including contingent liabilities), prospects or results of operations of such entity (or, if with respect thereto, of such group of entities taken as a whole). The only Subsidiaries of the Company (the "Company Subsidiaries") are Preferred Rx, Inc., Continental Pharmacy, Inc., Automated Scripts, Inc. and Valley Physicians Services, Inc., each an Ohio corporation. Except for the Company Subsidiaries or as disclosed on Schedule 3.01: (i) the Company does not directly or indirectly own any equity or similar interest in, or any interest convertible into or exchangeable or exercisable for, any equity or similar interest in, any corporation, partnership, joint venture or other business association or entity, (ii) is not an affiliate (as defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) (an "Affiliate") of any other entity, and (iii) is not a party to any joint venture, profit-sharing or similar agreement regarding the profitability or financial results of the Company or any of its Affiliates or the division of revenues or profits of the Company or any of its Affiliates or any other enterprise.

3.02 Capitalization. (a) The authorized capital stock of the Company consists solely of 12,000 Company Common Shares. As of the date hereof, 11,600 Company Common Shares are issued and outstanding, no shares are held in the treasury of the Company and 343.125 shares are reserved for issuance upon exercise of outstanding options granted under the Company Option Plan. All of the issued and outstanding Company Common Shares are, and all shares reserved for issuance will be, upon issuance in accordance with the terms specified in the instruments or agreements pursuant to which they are issuable, duly authorized, validly issued, fully paid and nonassessable. The Company Common Shares are owned by the

shareholders of the Company in the amounts set forth in Schedule 3.02 and no adjustment to or reallocation of such amounts shall be made prior to the Effective Time. No other person owns of record any shares of capital stock or other equity interest in the Company. Except pursuant to this Agreement and except pursuant to the Company Option Plan, there are no outstanding subscriptions, options, warrants, rights (including "phantom" stock rights), preemptive rights or other contracts, commitments, understandings or arrangements, including any right of conversion or exchange under any outstanding security, instrument or agreement (together, "Options"), obligating the Company or any of its Subsidiaries to issue or sell any shares of capital stock of the Company or to grant, extend or enter into any Option with respect thereto. Except as expressly provided in this Agreement, the Merger will not cause the vesting of any benefits to be accelerated or a payment to be made under the Company Option Plan. The Company has no outstanding bonds, notes or other obligations the holders of which have the right to vote with the shareholders of the Company on any matter. Each Principal Shareholder owns all the Company Common Shares indicated as owned by him or her in Schedule 3.02, subject to the articles of incorporation and code of regulations of the Company, free and clear of all Liens and rights of others, and at the Effective Time, Parent will own all of the outstanding Company Common Shares free and clear of all Liens and rights of others.

(b) All of the outstanding shares of capital stock of each Company Subsidiary are duly authorized, validly issued, fully paid and nonassessable and are owned directly by the Company, free and clear of any Liens. There are no (i) outstanding Options obligating the Company or any of its Subsidiaries to issue or sell any shares of capital stock of any Company Subsidiary or to grant, extend or enter into any such Option or (ii) voting trusts, proxies or other commitments, understandings, restrictions or arrangements in favor of any person other than the Company or a Subsidiary wholly owned, directly or indirectly, by the Company with respect to the voting of or the right to participate in dividends or other earnings on any capital stock of any Company Subsidiary.

(c) There are no outstanding contractual obligations of the Company or any Company Subsidiary to repurchase, redeem or otherwise acquire any Company Common Shares or any capital stock of any Company Subsidiary or to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any Company Subsidiary or any other person.

3.03 Authority Relative to this Agreement. The Company has full corporate power and authority to enter into this Agreement and, subject to obtaining the Company Shareholders' Approval (as defined in Section 5.03), to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby have been duly and validly approved by the Board of Directors of the Company, the Board of Directors of the Company has recommended adoption of this Agreement by the shareholders of the Company and directed that this Agreement be submitted to the shareholders of the Company for their consideration, and no other corporate proceedings on the part of the Company or its shareholders are necessary to authorize the execution, delivery and performance of this Agreement by the Company and the consummation by the Company of the transactions contemplated hereby, other than obtaining the Company Shareholders' Approval.

This Agreement has been duly and validly executed and delivered by the Company and, subject to the obtaining of the Company Shareholders' Approval, constitutes a legal, valid and binding obligation of the Company enforceable against the Company in accordance with its terms.

3.04 Non-Contravention; Approvals and Consents.

(a) The execution and delivery of this Agreement by the Company do not, and the performance by the Company of its obligations hereunder and the consummation of the transactions contemplated hereby will not, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person any right of payment or reimbursement, termination, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien upon any of the assets or properties of the Company or any of its Subsidiaries under, any of the terms, conditions or provisions of (i) the certificates or articles of incorporation or code of regulations (or other comparable charter documents) of the Company or any of its Subsidiaries, or (ii) subject to the obtaining of the Company Shareholders' Approval and the taking of the actions described in paragraph (b) of this Section, (x) any statute, law, rule, regulation or ordinance (together, "Laws"), or any judgment, decree, order, writ, permit or license (together, "Orders"), of any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States or any state, county, city or other political subdivision (a "Governmental or Regulatory Authority"), applicable to the Company or any of its Subsidiaries or any of their respective assets or properties, or (y) any note, bond, mortgage, security agreement, indenture, license, franchise, permit, concession, contract, lease or other instrument, obligation or agreement of any kind (together, "Contracts") to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective assets or properties is bound.

(b) Except (i) for the filing of a premerger notification report by the Company under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, and the rules and regulations thereunder (the "HSR Act"), (ii) for the filing of the Certificate of Merger and other appropriate merger documents required by the Ohio GCL with the Secretary of State and appropriate documents with the relevant authorities of other states in which the Constituent Corporations are qualified to do business and (iii) as disclosed in Schedule 3.04 hereto, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority or other public or private third party is necessary or required under any of the terms, conditions or provisions of any Law or Order of any Governmental or Regulatory Authority or any Contract to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective assets or properties is bound for the execution and delivery of this Agreement by the Company, the performance by the Company of its obligations hereunder or the consummation of the transactions contemplated hereby.

3.05 Financial Statements. The Company has delivered to Parent the following financial statements (collectively, the "Company Financial Statements"): (i) the audited consolidated statements of financial condition of the Company as of December 31 for each of

the years from and including 1994 through 1996, and the unaudited statement of financial condition as of September 30, 1997, and (ii) the Company's related audited statements of operations, statements of cash flow, statements of changes in equity, and notes to financial statements for the years ended December 31, from and including 1994 through 1996 and the unaudited statement of operations for the nine-month period ended September 30, 1997. Each Company Subsidiary is treated as a consolidated subsidiary of the Company in the Company Financial Statements for all periods covered thereby. The Company Financial Statements fairly present the financial position of the Company and the results of operations and changes in cash flows and equity, respectively, as of the dates thereof or for the periods then ended, and have been prepared in accordance with GAAP, consistently applied.

3.06 Absence of Certain Changes or Events. Except as contemplated hereby or as disclosed in Schedule 3.06 hereto: (a) since September 30, 1997, there has not been any change, event or development having, or that could be reasonably expected to have, individually or in the aggregate, a material adverse effect on the Company or any of its Subsidiaries, other than those occurring as a result of general economic or financial conditions or other developments which are not unique to the Company or any of its Subsidiaries but also generally affect other persons who participate or are engaged in the lines of business in which the Company or any such Subsidiary participate or are engaged, and (b) between September 30, 1997 and the date hereof (i) the Company and its Subsidiaries have conducted their respective businesses only in the ordinary course consistent with past practice, (ii) neither the Company nor any of its Subsidiaries has taken any action which, if taken after the date hereof, would constitute a breach of any provision of clause (ii) of Section 5.01(b), (iii) there has not been any declaration, setting aside or payment of any dividend or other distribution with respect to any Company Common Shares, or any repurchase, redemption or other acquisition by the Company or any Company Subsidiary of any outstanding Company Common Shares, (iv) there has not been any amendment of any term of any outstanding security of the Company or of its Subsidiaries, and (v) there has not been any change in any method of accounting by the Company or any Company Subsidiary.

3.07 Absence of Undisclosed Liabilities. Except for matters reflected or reserved against in the balance sheet for the period ended included in the Company Financial Statements or as disclosed in Schedule 3.07 hereto, neither the Company nor any of its Subsidiaries had at such date, or has incurred since that date, any liabilities or obligations (whether absolute, accrued, contingent, fixed or otherwise, or whether due or to become due) of any nature.

3.08 Legal Proceedings. Except as disclosed in Schedule 3.08 hereto, (i) there are no actions, suits, arbitrations or proceedings pending or, to the knowledge of the Company and its Subsidiaries, threatened against, relating to or affecting, nor to the knowledge of the Company and its Subsidiaries are there any Governmental or Regulatory Authority investigations or audits pending or threatened against, relating to or affecting, the Company or any of its Subsidiaries or any of their respective assets and properties, and there are no facts or

circumstances known to the Company or any of its Subsidiaries that could be reasonably expected to give rise to any such action, suit, arbitration, proceeding, investigation or audit, and (ii) neither the Company nor any of its Subsidiaries is subject to any Order of any Governmental or Regulatory Authority.

3.09 Information Supplied. Neither the information supplied or to be supplied by or on behalf of the Company or any Principal Shareholder, in writing, expressly for inclusion in any document to be filed by Parent or Sub with the SEC, including the Form S-4 (as defined herein) and the Proxy Statement (as defined herein), or any other Governmental or Regulatory Authority in connection with the Merger and the other transactions contemplated hereby, will on the date of its filing, and in the case of the Proxy Statement, at the time the Proxy Statement or any amendment or supplement thereto is first mailed or delivered to stockholders of Parent, and at the time of the Parent Stockholders' Meeting (as defined herein) and at the Effective Time, and, in the case of the Registration Statement, when it becomes effective under the Securities Act of 1933, as amended (the "Securities Act"), contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

3.10 Compliance with Laws and Orders. The Company and its Subsidiaries hold all permits, licenses, variances, exemptions, orders and approvals of all Governmental and Regulatory Authorities necessary for the lawful conduct of their respective businesses (the "Company Permits"). The Company and its Subsidiaries are in compliance with the terms of the Company Permits. The Company and its Subsidiaries are not in violation of or default under any Law or Order of any Governmental or Regulatory Authority.

3.11 Compliance with Agreements; Certain Agreements.

(a) Neither the Company nor any of its Subsidiaries is in breach or violation of, or in default in the performance or observance of any term or provision of, and no event has occurred which, with notice or lapse of time or both, could be reasonably expected to result in a material default under, the certificates of incorporation or code of regulations (or other comparable charter documents) of the Company or any of its Subsidiaries.

(b) Except as disclosed in Schedule 3.11 hereto or as provided for in this Agreement, as of the date hereof, neither the Company nor any of its Subsidiaries is a party to any oral or written (i) consulting agreement not terminable on 30 days' or less notice, (ii) union or collective bargaining agreement, (iii) agreement with any executive officer or other key employee of the Company or any of its Subsidiaries the benefits of which are contingent or vest, or the terms of which are materially altered, upon the occurrence of a transaction involving the Company or any of its Subsidiaries of the nature contemplated by this Agreement, (iv) agreement with respect to any executive officer or other key employee of the Company or any of its Subsidiaries providing any term of employment or compensation guarantee or (v)

agreement or plan, including any stock option, stock appreciation right, restricted stock or stock purchase plan, any of the benefits of which will be increased, or the vesting of the benefits of which will be accelerated, by the occurrence of any of the transactions contemplated by this Agreement or the value of any of the benefits of which will be calculated on the basis of any of the transactions contemplated by this Agreement.

3.12 Taxes. The Company and its Subsidiaries have filed with the appropriate governmental agencies all material Tax Returns (as defined below) required to be filed. All Tax Returns were in all material respects (and as to such Tax Returns not filed as of the date hereof, will be) true, complete and correct and filed on a timely basis. The Company and each Subsidiary have, within the time and in the manner established by law, paid (and until the Closing will pay within the time and in the manner prescribed by law) all material Taxes (as defined below) due and payable. The Company and each Subsidiary have established (and until Closing will maintain) on their books and records reserves adequate to pay all Taxes not yet due and payable. There are no Tax liens upon any property or asset of the Company or any Subsidiary except liens for Taxes not yet due and payable. Schedule 3.12 contains a true and complete list of the names of all jurisdictions in which the Company or any of its Subsidiaries files federal, state and local tax returns and tax reports and the status of any examinations in process by the taxing authorities of such jurisdictions. All deficiencies asserted or assessments made as a result of such examination have been fully paid or fully reflected on the books of the Company and its Subsidiaries to the extent required by GAAP. Except as shown in Schedule 3.12, there are no agreements, waivers or other arrangements providing for an extension of time with respect to the assessment of any Tax or deficiency against the Company or any of its Subsidiaries, nor are there any actions, suits, proceedings, investigations or claims now pending against the Company or any of its Subsidiaries with respect to any Tax or assessment, or any claims for additional Taxes or assessments asserted by any federal, state, local or foreign authority. No property of the Company or any Subsidiary is property that any party to the Merger is or will be required to treat as being owned by another person pursuant to the provisions of Code ss. 168(f)(8) (as in effect prior to its amendment by the Tax Reform Act of 1986) or is "tax-exempt use property" within the meaning of Code ss. 168. Neither the Company nor any Subsidiary is required to include in income any adjustment pursuant to Code ss. 481(a) by reason of a change in accounting method and neither the Company nor any Subsidiary has knowledge that the Internal Revenue Service has proposed any such adjustment or change in accounting method. Neither the Company nor any Subsidiary is a party to any agreement, contract, or arrangement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Code ss. 280G. Neither the Company nor any Subsidiary is a party to any express tax settlement agreement, arrangement, policy or guideline, formal or informal (a "Settlement Agreement") as of the Closing Date, and neither the Company nor any Subsidiary has any obligation to make payments under any Settlement Agreement. There are no outstanding agreements entered into with any taxing authority that would have a continuing adverse effect on the Company or any Company Subsidiary after the Closing Date. Company and each Company Subsidiary have complied with the provisions of Code ss.ss. 1441 through 1464, 3401, 3406, 6041 and 6049. Neither the Company nor any Company Subsidiary has filed (or will file prior to the Closing) a consent pursuant to Code ss. 341(f) or agreed to have Code ss. 341(f)(2) apply to any disposition of a subsection (f) asset (as that term is defined in Code ss. 341(f)(4)) owned by the Company or any Company Subsidiary.

For purposes of this Agreement, "Taxes" means any federal, state, county, local or foreign taxes, charges, fees, levies, or other assessments, including all net income, gross income, sales and use, ad valorem, transfer, gains, profits, excise, franchise, real and personal property, gross receipt, capital stock, production, business and occupation, disability, employment, payroll, license, estimated, stamp, custom duties, severance or withholding taxes or charges imposed by any governmental entity, including any interest and penalties (civil or criminal) on or additions to any such taxes and any expenses incurred in connection with the determination, settlement or litigation of any Tax liability. "Tax Return" means a report, return or other information required to be supplied to a governmental entity with respect to Taxes including, where permitted or required, combined or consolidated returns for any group of entities that include Company or any Subsidiary.

3.13 Employee Benefit Plans; ERISA.

(a) Schedule 3.13 lists each Company Employee Benefit Plan. Except as disclosed in Schedule 3.13 hereto:

(i) with respect to any Company Employee Benefit Plan subject to Section 406 or 407 of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") or Sections 4975 of the Code, no non-exempt prohibited transaction within the meaning of Section 406 or 407 of ERISA, or Section 4975 of the Code with respect to any Company Employee Benefit Plan (as defined below) has occurred during the five-year period preceding the date of this Agreement;

(ii) neither the Pension Benefit Guaranty Corporation (the "PBGC"), the Company nor any of its Subsidiaries has instituted proceedings to terminate any Company Employee Benefit Plan;

(iii) all contributions, premiums and other payments required by law or any Plan or applicable collective bargaining agreement to have been made under any such Plan (without regard to any waivers granted under Section 412 of the Code) to any fund, trust or account established thereunder or in connection therewith have been made by the due date thereof, and no amounts are or will be due to the Pension Benefit Guaranty Corporation (except for premiums in the ordinary course of business); and any and all contributions, premiums and other payments with respect to compensation or service before and through the Closing, or otherwise with respect to periods before and through the Closing, due from any of the Company or its affiliates to, under or on account of each Company Employee Benefit Plan shall have been paid prior to Closing or shall have been fully reserved and provided for on the Company Financial Statements;

(iv) no such Company Employee Plan that is or has been subject to Part III of Subtitle B of Title I of ERISA or Section 412 of the Code has incurred any "accumulated funding deficiency" (as defined therein), whether or not waived, no liability under Title IV of ERISA has been incurred or is expected to be incurred with respect to any such Plan subject thereto (other than premiums incurred and paid when due), nor has

there been any "reportable event" within the meaning of Section 4043(c) of ERISA with respect to any such Plan;

(v) each of the Company Employee Benefit Plans which is intended to be "qualified" within the meaning of Section 401(a) of the Code has been determined by the IRS to be so qualified and such determination has not been modified, revoked or limited, and no circumstances have occurred that would adversely affect the tax-qualified status of any such Plan;

(vi) each of the Company Employee Benefit Plans is, and its administration is and has been in compliance with, and none of the Company nor any of its Subsidiaries has received any claim or notice that any such Company Employee Benefit Plan is not in compliance with, its terms and all applicable laws and orders and prohibited transaction exemptions, including, without limitation, the requirements of ERISA and all tax rules for which favorable tax treatment is intended, bonding requirements and requirements for the filing of applicable reports, documents, and notices with the Secretary of Labor or the Secretary of the Treasury and the furnishing of documents to the participants or beneficiaries of each such Plan;

(vii) there is no suit, action, dispute, claim, arbitration or legal, administrative or other proceeding or governmental investigation pending, or threatened, alleging any breach of the terms of any such Plan or of any fiduciary duties thereunder or violation of any applicable law with respect to any such Plan;

(viii) none of the Company or any of its Subsidiaries is in default in performing any of its contractual obligations under any of the Company Employee Benefit Plans or any related trust agreement or insurance contract;

(ix) none of the Company or any Subsidiary, or any "party in interest" (as defined in Section 3(14) of ERISA) or any "disqualified person" (as defined in Section 4975 of the Code) with respect to any such Plan, has engaged in a non-exempt "prohibited transaction" within the meaning of Section 4975 of the Code or Section 406 of ERISA;

(x) (i) no Company Employee Benefit Plan that is a "welfare benefit plan" as defined in Section 3(1) of ERISA provides for continuing benefits or coverage for any participant or beneficiary of a participant after such participant's termination of employment, except to the extent required by law; (ii) there has been no violation of Section 4980B of the Code or Sections 601 through 608 of ERISA with respect to any such Plan that could result in any liability; (iii) no such Plans are "multiple employer welfare arrangements" within the meaning of Section 3(40) of ERISA; (iv) none of the Company or any Subsidiary maintains or has any obligation to contribute to any "voluntary employees' beneficiary association" within the meaning of Section 501(c)(9) of the Code or other funding arrangement for the provision of welfare benefits (such disclosure to include the amount of any such funding); and (v) all Company Employee Benefit Plans which provide medical, dental health or long-term disability benefits are

fully insured and claims with respect to any participant or covered dependent under such Company Employee Benefit Plan could not result in any uninsured liability to Parent or the Surviving Corporation;

(xi) none of the Company, any Subsidiary or any ERISA Affiliate has at any time: (a) had any obligation to contribute to any "multiemployer plan" as defined in Section 3(37) of ERISA and (b) withdrawn in any complete or partial withdrawal from any "multiemployer plan" as defined in Section 3(37) of ERISA;

(xii) none of the Company Employee Benefit Plans, or other Plan maintained, sponsored or contributed to by the Company or any affiliate thereof, is or has ever been subject to Part III of Subtitle B of Title I or ERISA, Section 412 of the Code or Title IV of ERISA;

(xiii) with respect to each such Plan, true, correct, and complete copies of the applicable following documents have been delivered to Parent: (a) all current Plan documents and related trust documents, and any amendment thereto; (b) Forms 5500, financial statements, and actuarial reports for the last three Plan years for any Plan for which the filing of such forms or reports is required by the Code or ERISA; (c) for any Plan intended to be "qualified" within the meaning of Section 401(a) of the Code, the most recently issued IRS determination letter; (d) summary plan descriptions; and (e) the Company's employee manual and all other written communications that establish benefit obligations not reflected in employee plan documents; and

(xiv) without limiting any other provision of this Section 3.13, no event has occurred and no condition exists, with respect to any Plan, that has subjected or could subject the Surviving Corporation, the Company or any Subsidiary, or any Company Employee Benefit Plan or any successor thereto, to any tax, fine, penalty or other liability (other than, in the case of the Company, the Surviving Corporation and the Company Employee Benefit Plans, a liability arising in the normal course to make contributions or payments, as applicable, when ordinarily due under a Company Employee Benefit Plan with respect to employees of the Company and the Subsidiaries). No event has occurred and no condition exists, with respect to any Plan that could subject Parent or any of its affiliates, or the Surviving Corporation, or any Plan maintained by Parent or any affiliate thereof, to any tax, fine, penalty or other liability, that would not have been incurred by Parent or any of its affiliates, or any such Plan, but for the transactions contemplated hereby. No Plan other than a Company Employee Benefit Plan is or will be directly or indirectly binding on Parent or the Surviving Corporation by virtue of the transactions contemplated hereby. Parent, and its affiliates, including on and after the Closing, the Surviving Corporation and any Subsidiary, shall have no liability for, under, with respect to or otherwise in connection with any Plan, which liability arises under ERISA or the Code, by virtue of the Company or any Subsidiary being aggregated in a controlled group or affiliated service group with any ERISA Affiliate purposes of ERISA or the Code at any relevant time prior to the Closing. Except as set forth in Schedule 3.13 hereto, no Plan exists which could result in the payment of money or any other property or rights, or accelerate or provide any

other rights or benefits, to any current or former employee of the Company or any Subsidiary (or other current or former service provider thereto) that would not have been required but for the transactions provided for herein, and none of the Company or any Subsidiary, nor any of their respective affiliates, is a party to any Plan, program, arrangement or understanding that would result, separately or in the aggregate, in the payment (whether in connection with any termination of employment or otherwise) of any "excess parachute payment" within the meaning of Section 280G of the Code with respect to a current or former employee of, or current or former independent contractor to, any of the Company or any Subsidiary. Except as set forth in Schedule 3.13 hereto, none of the Company or any Subsidiary maintains any Plan which provides severance benefits to current or former employees or other service providers. Each Company Employee Benefit Plan may be amended and terminated in accordance with its terms, and, each such Plan provides for the unrestricted right of the Company or any Subsidiary (as applicable) to amend or terminate such Plan. Neither the Surviving Corporation nor Parent will have any liability under the Workers Adjustment and Retraining Notification Act, as amended, with respect to any events occurring or conditions existing on or prior to Closing.

(b) Except as set forth in Schedule 3.13 hereto, neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby constitutes a change in control or has or will accelerate benefits under any Company Employee Benefit Plan.

(c) As used herein:

(i) "Company Employee Benefit Plan" means a Plan which the Company or any Subsidiary, or any entity required to be aggregated with any of the Company or any Subsidiary under Sections 414(b), (c), (m) or (o) of the Code or Section 4001 of ERISA (an "ERISA Affiliate"), sponsors, maintains, has any obligation to contribute to, has liability under or is otherwise a party to, or which otherwise provides benefits for employees, former employees, independent contractors or former independent contractors (or their dependents and beneficiaries) of the Company or any Subsidiary any Plan entered into, established, maintained, contributed to or required to be contributed to by the Company or any of its Subsidiaries and existing on the date of this Agreement or at any time subsequent thereto and on or prior to the Effective Time; and

(ii) "Plan" means any employment, bonus, incentive compensation, deferred compensation, pension, profit sharing, retirement, stock purchase, stock option, stock ownership, stock appreciation rights, phantom stock, equity (or equity-based) leave of absence, layoff, vacation, day or dependent care, legal services, cafeteria, life, health, medical, accident, disability, workmen's compensation or other insurance, severance, separation, termination, change of control or other benefit plan, agreement (including any collective bargaining agreement), practice, policy or arrangement of any kind, whether written or oral, including, but not limited to any "employee benefit plan" within the meaning of Section 3(3) of ERISA.

3.14 Insurance. Attached hereto in Schedule 3.14 is a true and complete list of all liability, property, workers' compensation, directors' and officers' liability and other insurance policies currently in effect that insure the business, operations, properties, assets or employees of the Company or any of its Subsidiaries, insurance certificates for each of which have been delivered to Parent prior to the date of this Agreement.

3.15 Labor Matters. Except as disclosed in Schedule 3.15 hereto, there are no controversies pending or, to the knowledge of the Company and its Subsidiaries, threatened between the Company or any of its Subsidiaries and any representatives of its employees, and, to the knowledge of the Company and its Subsidiaries, there are no organizational efforts presently being made involving any of the now unorganized employees of the Company or any of its Subsidiaries. There has been no work stoppage, strike or other concerted action by employees of the Company or any of its Subsidiaries.

3.16 Tangible Property and Assets. The Company and its Subsidiaries have good and marketable title to, or have valid leasehold interests in or valid rights under contract to use, all tangible property and assets used in and, individually or in the aggregate, material to the conduct of the businesses of the Company and its Subsidiaries taken as a whole, free and clear of all Liens other than: (i) any statutory Lien arising in the ordinary course of business by operation of law with respect to a liability that is not yet due or delinquent and (ii) any minor imperfection of title or similar Lien which individually or in the aggregate with other such Liens does not impair the value of the property or asset subject to such Lien or the use of such property or asset in the conduct of the business of the Company or any such Subsidiary. All such property and assets having a fair market value of Ten Thousand Dollars ($10,000) or more as of the date hereof are in good working order and condition, ordinary wear and tear excepted, and adequate and suitable for the purposes for which they are presently being used. To the Company's knowledge, all such property and assets having a fair market value of less than Ten Thousand Dollars ($10,000) as of the date hereof are in good working order and condition, ordinary wear and tear excepted, and adequate and suitable for the purposes for which they are presently being used. Neither the Company nor any Company Subsidiary owns any real property. Upon the consummation of the Merger, the Surviving Corporation will own or have the use of all assets which are necessary and appropriate to operate the businesses of the Company and the Company Subsidiaries as currently conducted or as currently contemplated to be conducted.

3.17 Intellectual Property Rights The Company and its Subsidiaries have all right, title and interest in, or a valid and binding license to use, all Intellectual Property (as defined below) individually or in the aggregate material to the conduct of the businesses of the Company and its Subsidiaries taken as a whole as currently conducted or as currently contemplated to be conducted. Neither the Company nor any Company Subsidiary is in default (or with the giving of notice or lapse of time or both, would be in default), and neither the Company nor any Company Subsidiary has knowledge of any third party being in default, under any license to use such Intellectual Property, such Intellectual Property is not being infringed by any third party, and neither the Company nor any Company Subsidiary is infringing any Intellectual Property of any third party. For purposes of this Agreement, "Intellectual Property" means patents and patent rights, trademarks and trademark rights, trade names and trade name

rights, service marks and service mark rights, service names and service name rights, copyright and copyright rights and other proprietary intellectual property rights and all pending applications for and registrations of any of the foregoing.

3.18 Vote Required. The affirmative vote of the holders of record of at least two-thirds (2/3) of the outstanding Company Common Shares with respect to the adoption of this Agreement is the only vote of the holders of any class or series of the capital stock of the Company required to adopt this Agreement and approve the Merger and the other transactions contemplated hereby.

3.19 Articles of Incorporation and Code of Regulations; Minute Books The Company has delivered to Parent copies of the articles of incorporation of the Company and each Company Subsidiary, all amendments thereto and the code of regulations of the Company and each Company Subsidiary as in effect on the date hereof, which copies are complete and correct. The minute books of the Company, which contain complete and accurate records of all meetings and other corporate actions of its Board of Directors and shareholders, have been made available to Parent for review. No corporate action has been taken by any committee of the Board of Directors other than recommendations to the Board of Directors, which recommendations, if acted on by the Board of Directors, are reflected in the records of the Board of Directors.

3.20 Contracts

(a) Except as set forth in Schedule 3.20, neither the Company nor any of its Subsidiaries is a party, or otherwise subject to:

(i) any contract, agreement, arrangement or understanding or series of related contracts, agreements, arrangements or understandings, which involves expenditures or receipts by the Company or any of its Subsidiaries in an amount in excess of Ten Thousand Dollars ($10,000);

(ii) any contract, agreement, arrangement or understanding not made in the ordinary course of business and consistent with past practice;

(iii) any note, indenture, credit facility, mortgage, security agreement or other contract, agreement, arrangement or understanding relating to or evidencing indebtedness for borrowed money or a security interest or mortgage in the property or assets of the Company or any of its Subsidiaries;

(iv) any guaranty issued by the Company, any of its Subsidiaries or any other arrangement under which the Company or any of its Subsidiaries assumes any liability or obligation (including indebtedness) of any other person or entity;

(v) any power of attorney granting any person or entity authority to execute agreements or otherwise act on behalf of the Company or any of its Subsidiaries;

(vi) any contract, agreement, arrangement or understanding granting to any person the right to use any property or property right of the Company or any of its Subsidiaries;

(vii) any contract, agreement, arrangement or understanding restricting the Company's or any of its Subsidiaries' right to engage in any business activity or compete with any business;

(viii) any contract, agreement, arrangement or understanding with a Related Person (as used herein, "Related Person" means: (i) one or more of the Principal Shareholders; (ii) the spouses, children and other lineal descendants and any other member of the immediate family, as defined in Rule 16a-1 under the Exchange Act, of any of the Principal Shareholders; (iii) any corporation, partnership, joint venture or other entity or other enterprise owned or controlled by any of the Principal Shareholders or by any person in (ii); and (iv) any trust of which any Principal Shareholder or member of the immediate family, as defined in Rule 16a-1 under the Exchange Act, of a Principal Shareholder is a grantor or beneficiary); or

(ix) any outstanding offer, agreement, commitment or obligation to enter into any contract or arrangement of the nature described in subsections (i) through (viii) of this subsection 3.20(a) outside of the ordinary course of business.

(b) The Company and its Subsidiaries have made available to Parent complete and correct copies (or, in the case of oral contracts, a complete and correct description) of each contract (and any amendments or supplements thereto) listed in Schedule 3.20. Except as set forth in Schedule 3.20 (i) each contract listed in Schedule 3.20 is in full force and effect; (ii) neither the Company, any of its Subsidiaries nor (to the knowledge of the Company or any of the Principal Shareholders) any other party is in default under any contract listed in Schedule 3.20 or under any other Contract to which the Company or any of its Subsidiaries is a party or by which the Company or any of its Subsidiaries or any of their respective assets or properties is bound, and no event has occurred which constitutes, or with the lapse of time, the giving of notice, or both would constitute, a default by either the Company, any of its Subsidiaries or (to the knowledge of the Company or any of the Principal Shareholders) a default by any other party under any such contract; and (iii) there are no disputes or disagreements between either the Company or any of its Subsidiaries and any other party with respect to any such contract. Schedule 3.20 sets forth a list of each such contract where notice to, and/or the consent of, and/or the approval of, any other party is necessary for such contract to remain in full force and effect following the consummation of the transactions contemplated by this Agreement without modification in the rights or obligations of the Company or any of its Subsidiaries thereunder.

(c) Except as set forth in Schedule 3.20, none of the Company or any of its Subsidiaries is a party to any contract, agreement, arrangement or understanding which includes any agreement or commitment to indemnify any persons for an amount in excess of Ten Thousand Dollars ($10,000).

(d) The consummation of the Merger will not cause any default or acceleration of any payment under any contract, agreement, arrangement or understanding or series of related contracts, agreements, arrangements or understandings, whether or not set forth in Schedule 3.20.

3.21 Bank Accounts Schedule 3.21 contains a list of all bank accounts of the Company and its Subsidiaries together with, in respect of each account, the account number, the names of all signatories thereto and the powers of each such signatory.

3.22 Pooling of Interests Representations The representations made by the Company to Ernst & Young LLP in the Letter of Representations dated the date hereof and in the Letter of Representations to be given as of the Closing Date with respect to the accounting of the Merger as a pooling of interests, are, and as of the Closing Date will be, true and correct. Neither the Company nor any Company Subsidiary, nor, to the knowledge of the Company, any of its affiliates has taken, agreed to take or will take any action that would prevent: (a) the Merger from constituting a reorganization qualifying under the provisions of Section 368 of the Code or (b) the Merger from being treated for financial accounting purposes as a pooling of interests.

3.23 Opinion of Financial Advisor The Company has received the opinion of McDonald & Company Securities, Inc. ("McDonald") to the effect that, as of the date of this Agreement, the Merger Consideration is fair from a financial point of view to the shareholders of the Company, and a true and complete copy of such opinion has been made available to Parent prior to the execution of this Agreement.

3.24 Company Not an Interested Stockholder or an Acquiring Person Neither the Company nor, to the knowledge of the Company, any of its affiliates or associates (as such terms are defined in Section 203 of the General Corporation Law of the State of Delaware (the "DGCL")) is an "interested stockholder" (as such term is defined in Section 203 of the DGCL) of Parent.

3.25 Environmental Matters Each of the Company and its Subsidiaries has obtained all licenses, permits, authorizations, approvals and consents from Governmental or Regulatory Authorities which are required in respect of its business, operations, assets or properties under any applicable Environmental Law (as defined below). To the knowledge of the Company, each of the Company and its Subsidiaries is in compliance in all material respects with the terms and conditions of all such licenses, permits, authorizations, approvals and consents and with any applicable Environmental Law. Except as disclosed in Schedule 3.25 hereto:

(a) No Order has been issued, no complaint has been filed, no penalty has been assessed and no investigation or review is pending or, to the knowledge of the Company and its Subsidiaries, threatened by any Governmental or Regulatory Authority with respect to any alleged failure by the Company or any of its Subsidiaries to have any license, permit, authorization, approval or consent from Governmental or Regulatory Authorities required under any applicable Environmental Law in connection with the conduct of the business or operations of the Company or any of its Subsidiaries or with respect to any treatment, storage, recycling, transportation, disposal or "release" as defined in 42 U.S.C. ss. 9601(22) ("Release"), by the Company or any of its Subsidiaries of any Hazardous Material (as defined below), and neither the Company nor any of its Subsidiaries is aware of any facts or circumstances which could be reasonably expected to form the basis for any such Order, complaint, penalty or investigation.

(b) Neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company and its Subsidiaries, any prior owner or lessee of any property now or previously owned or leased by the Company or any of its Subsidiaries has handled any Hazardous Material on any property now or previously owned or leased by the Company or any such Subsidiary; and, without limiting the foregoing, (i) no polychlorinated biphenyl is or has been present, (ii) no asbestos is or has been present, (iii) there are no underground storage tanks, active or abandoned and (iv) no Hazardous Material has been Released in a quantity reportable under, or in violation of, any Environmental Law, at, on or under any property now or previously owned or leased by the Company or any such Subsidiary, during any period that the Company or any of its Subsidiaries owned or leased such property or, to the knowledge of the Company and its Subsidiaries, prior thereto.

(c) Neither the Company nor any of its Subsidiaries has transported or arranged for the transportation of any Hazardous Material to any location which is the subject of any action, suit, arbitration or proceeding that could be reasonably expected to lead to claims against the Company or any of its Subsidiaries for clean-up costs, remedial work, damages to natural resources or personal injury claims, including, but not limited to, claims under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, and the rules and regulations promulgated thereunder ("CERCLA").

(d) No oral or written notification of a Release of a Hazardous Material has been filed by or on behalf of the Company or any of its Subsidiaries and no property now or previously owned or leased by the Company or any of its Subsidiaries is listed or proposed for listing on the National Priorities List promulgated pursuant to CERCLA or on any similar state list of sites requiring investigation or clean-up.

(e) There are no Liens arising under or pursuant to any Environmental Law on any real property owned or leased by the Company or any of its Subsidiaries, and no action of any Governmental or Regulatory Authority has been taken or, to the knowledge of the Company and its Subsidiaries, is in process which could subject any of such properties to such Liens, and neither the Company nor any of its Subsidiaries would be required to place any notice or

restriction relating to the presence of Hazardous Material at any such property owned by it in any deed to such property.

(f) There have been no environmental investigations, studies, audits, tests, reviews or other analyses conducted by, or which are in the possession of, the Company or any of its Subsidiaries in relation to any property or facility now or previously owned or leased by the Company or any of its Subsidiaries which have not been delivered to Parent prior to the execution of this Agreement.

(g) As used herein:

(i) "Environmental Law" means any Law of any Governmental or Regulatory Authority relating to human health, safety or protection of the environment or to emissions, discharges, releases or threatened releases of pollutants, contaminants or Hazardous Materials in the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata), or otherwise relating to the treatment, storage, disposal, transport or handling of any Hazardous Material; and

(ii) "Hazardous Material" means (A) any petroleum or petroleum products, radioactive materials, asbestos in any form that is or could become friable, urea formaldehyde foam insulation and transformers or other equipment that contain dielectric fluid containing levels of polychlorinated biphenyls (PCBs); (B) any chemicals, materials, substances or wastes which are now or hereafter become defined as or included in the definition of "hazardous substances," "hazardous wastes," "hazardous materials," "extremely hazardous wastes," "restricted hazardous wastes," "toxic substances," "toxic pollutants" or words of similar import, under any Environmental Law; and (C) any other chemical, material, substance or waste, exposure to which is now or hereafter prohibited, limited or regulated by any Governmental or Regulatory Authority.

ARTICLE III.A

REPRESENTATIONS AND WARRANTIES OF PRINCIPAL SHAREHOLDERS

Each of the Principal Shareholders hereby severally, but not jointly, represents and warrants to Parent and Sub with respect to himself or herself as follows:

3.01.A Capacity and Authority. Such Principal Shareholder has full legal capacity and authority to execute, deliver and perform his or her obligations under this Agreement. This Agreement has been duly executed and delivered by such Principal Shareholder and constitutes the legal, valid and binding obligation of such Principal Shareholder, enforceable against him or her in accordance with its terms.

3.02.A Government Approvals and Filings. Except as set forth in Schedule 3.02.A, no approval, authorization, consent, license, clearance or order of, declaration or notification to, or filing, registration or compliance with, any Governmental or Regulatory Authority is required to permit such Principal Shareholder to enter into this Agreement or to consummate the transactions contemplated herein.

3.03.A Investment Representation. Each of the Principal Shareholders represents that its shares of Parent Common Stock are being acquired by it with the present intention of holding such shares of Parent Common Stock for purposes of investment and not with a view towards sale or any other distribution. Each of the Principal Shareholders recognizes that it may be required to bear the economic risk of an investment in the shares of Parent Common Stock for an indefinite period of time. Each of the Principal Shareholders represents that it is an "accredited investor" within the meaning of Rule 501 of Regulation D under the Securities Act, and has such knowledge and experience in financial and business matters so as to be fully capable of evaluating the merits and risks of an investment in the shares of Parent Common Stock. Each of the Principal Shareholders represents that it has (i) been afforded the opportunity to ask questions of those persons they consider appropriate and to obtain any additional information they desire in respect of the shares of Parent Common Stock and the business, operations, conditions (financial and otherwise) and current prospects of Parent and (ii) consulted its own financial, legal and tax advisors with respect to the economic, legal and tax consequences of delivery of the shares of Parent Common Stock and have not relied on any informational materials supplied by Parent, Parent or any of its officers, directors, affiliates or professional advisors for such advice as to such consequences.

3.04.A Non-Contravention; Approvals and Consents. The execution and delivery of this Agreement by such Principal Shareholder do not, and the performance by such Principal Shareholder of its obligations hereunder and the consummation of the transactions contemplated hereby will not, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person any right of payment or reimbursement, termination, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien upon any of the assets or properties of such Principal Shareholder under, any of the terms, conditions or provisions of (i) the limited partnership agreement of such Principal Shareholder, if applicable, or (ii) subject to the taking of the actions described in Section 3.02.A, (x) any Laws or Orders of any Governmental or Regulatory Authority, applicable to such Principal Shareholder or any of its assets or properties, or (y) any Contracts to which such Principal Shareholder is a party or by which such Principal Shareholder or any of its assets or properties is bound, excluding from the foregoing clauses (x) and (y) conflicts, violations, breaches, defaults, terminations, modifications, accelerations and creations and impositions of Liens which, individually or in the aggregate, could not reasonably be expected to have a material adverse effect on the ability of such Principal Shareholder to consummate the transactions contemplated by this Agreement.

3.05.A Legal Proceedings. (i) There are no actions, suits, arbitrations or proceedings pending or, to the knowledge of such Principal Shareholder, threatened against,

relating to or affecting, nor to the knowledge of such Principal Shareholder are there any Governmental or Regulatory Authority investigations or audits pending or threatened against, relating to or affecting, such Principal Shareholder or any of its assets and properties, which, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the ability of such Principal Shareholder to consummate the transactions contemplated by this Agreement, and there are no facts or circumstances known to such Principal Shareholder that could be reasonably expected to give rise to any such action, suit, arbitration, proceeding, investigation or audit, and (ii) such Principal Shareholder is not subject to any Order of any Governmental or Regulatory Authority, which, individually or in the aggregate, could reasonably be expected to have a material adverse effect on the ability of such Principal Shareholder to consummate the transactions contemplated by this Agreement.

ARTICLE IV.

REPRESENTATIONS AND WARRANTIES OF PARENT AND SUB

Parent and Sub represent and warrant to the Company as follows:

4.01 Organization and Qualification. Each of Parent, its "significant subsidiaries" (as such term is defined in Rule 405 under the Securities Act) and Sub is an entity duly organized, validly existing and in good standing under the laws of its jurisdiction of incorporation and has all requisite power and authority to conduct its business as and to the extent now conducted and to own, use, lease and operate its assets and properties. Sub was formed solely for the purpose of engaging in the transactions contemplated by this Agreement, has engaged in no other business activities and has conducted its operations only as contemplated hereby. Each of Parent and Sub is duly qualified, licensed or admitted to do business and is in good standing in each jurisdiction in which the ownership, use or leasing of its assets and properties, or the conduct or nature of its business, makes such qualification, licensing or admission necessary, except for such failures to be so qualified, licensed or admitted and in good standing which, individually or in the aggregate, could not be reasonably expected to have a material adverse effect on the validity or enforceability of this Agreement or on the ability of Parent or Sub to perform its obligations hereunder.

4.02 Capitalization. (a) The authorized capital stock of Parent consists solely of 40,000,000 shares of Parent Common Stock and 5,000,000 shares of preferred stock, par value $.0001 per share ("Parent Preferred Stock"). As of January 20, 1998, 13,342,650 shares of Parent Common Stock were issued and outstanding, no shares were held in the treasury of Parent and 3,156,150 shares were reserved for issuance pursuant to Options. There has been no change in the number of issued and outstanding shares of Parent Common Stock or shares of Parent Common Stock held in treasury or reserved for issuance since such date. As of the date hereof, no shares of Parent Preferred Stock are issued and outstanding. All of the issued and outstanding shares of Parent Common Stock are, and all shares reserved for issuance will be, upon issuance in accordance with the terms specified in the instruments or agreements

pursuant to which they are issuable, duly authorized, validly issued, fully paid and nonassessable. Except pursuant to this Agreement and except as set forth in the Parent SEC Reports (as defined herein) or in Schedule 4.02 hereto, there are no outstanding Options obligating Parent or any of its Subsidiaries to issue or sell any shares of capital stock of Parent or to grant, extend or enter into any Option with respect thereto.

(b) Except as disclosed in Schedule 4.02 hereto, all of the outstanding shares of capital stock of each Subsidiary of Parent are duly authorized, validly issued, fully paid and nonassessable and are owned, beneficially and of record, by Parent or a Subsidiary wholly owned, directly or indirectly, by Parent, free and clear of any Liens. Except as disclosed in Schedule 4.02 hereto, there are no: (i) outstanding Options obligating Parent or any of its Subsidiaries to issue or sell any shares of capital stock of any Subsidiary of Parent or to grant, extend or enter into any such Option or (ii) voting trusts, proxies or other commitments, understandings, restrictions or arrangements in favor of any person other than Parent or a Subsidiary wholly owned, directly or indirectly, by Parent with respect to the voting of or the right to participate in dividends or other earnings on any capital stock of any Subsidiary of Parent.

(c) Except as disclosed in Schedule 4.02 hereto, there are no outstanding contractual obligations of Parent or any Subsidiary of Parent to repurchase, redeem or otherwise acquire any shares of Parent Common Stock or any capital stock of any Subsidiary of Parent or to provide funds to, or make any investment (in the form of a loan, capital contribution or otherwise) in, any Subsidiary of Parent or any other person.

4.03 Authority Relative to this Agreement Each of Parent and Sub has full corporate power and authority to enter into this Agreement and, subject to obtaining the Parent Stockholders' Approval (as defined in Section 6.03), to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution, delivery and performance of this Agreement by each of Parent and Sub and the consummation by each of Parent and Sub of the transactions contemplated hereby have been duly and validly approved by its Board of Directors and by Parent in its capacity as the sole shareholder of Sub, the Board of Directors of Parent has recommended adoption of this Agreement by the stockholders of Parent and directed that this Agreement be submitted to the stockholders of Parent for their consideration, and no other corporate proceedings on the part of Parent or Sub or their stockholders are necessary to authorize the execution, delivery and performance of this Agreement by Parent or Sub and the consummation by Parent or Sub of the transactions contemplated hereby. This Agreement has been duly and validly executed and delivered by Parent and Sub and constitutes legal, valid and binding obligation of Parent and Sub enforceable against Parent and Sub in accordance with its terms.

4.04 Non-Contravention; Approvals and Consents.

(a) The execution and delivery of this Agreement by Parent and Sub do not, and the performance by Parent and Sub of their obligations hereunder and the consummation of

the transactions contemplated hereby will not, conflict with, result in a violation or breach of, constitute (with or without notice or lapse of time or both) a default under, result in or give to any person any right of termination, cancellation, modification or acceleration of, or result in the creation or imposition of any Lien upon any of the assets or properties of Parent or any of its Subsidiaries under, any of the terms, conditions or provisions of: (i) the certificates or articles of incorporation or bylaws (or other comparable charter documents) of Parent or any of its Subsidiaries, or (ii) subject to the obtaining of the Parent Stockholders' Approval and the taking of the actions described in paragraph (b) of this Section, (x) any Law or Order of any Governmental or Regulatory Authority applicable to Parent or any of its Subsidiaries or any of their respective assets or properties, or (y) any Contract to which Parent or any of its Subsidiaries is a party or by which Parent or any of its Subsidiaries or any of their respective assets or properties is bound, excluding from the foregoing clauses (x) and (y) conflicts, violations, breaches, defaults, terminations, modifications, accelerations and creations and impositions of Liens which, individually or in the aggregate, could not be reasonably expected to have a material adverse effect on the ability of Parent and Sub to consummate the transactions contemplated by this Agreement.

(b) Except: (i) for the filing of a premerger notification report by Parent under the HSR Act, (ii) for the filing of the Certificate of Merger and other appropriate merger documents required by the Ohio GCL with the Secretary of State and appropriate documents with the relevant authorities of other states in which the Constituent Corporations are qualified to do business, (iii) for the filing of the Form S-4 and Proxy Statement with the SEC pursuant to the Securities Act and Exchange Act, the declaration of the effectiveness of the Form S-4 by the SEC and filings with various state securities authorities that are required in connection with the transactions contemplated by this Agreement, and (iv) as disclosed in Schedule 4.04 hereto, no consent, approval or action of, filing with or notice to any Governmental or Regulatory Authority or other public or private third party is necessary or required under any of the terms, conditions or provisions of any Law or Order of any Governmental or Regulatory Authority or any Contract to which Parent or any of its Subsidiaries is a party or by which Parent or any of its Subsidiaries or any of their respective assets or properties is bound for the execution and delivery of this Agreement by Parent and Sub, the performance by Parent and Sub of their obligations hereunder or the consummation of the transactions contemplated hereby, other than such consents, approvals, actions, filings and notices which the failure to make or obtain, as the case may be, individually or in the aggregate, could not be reasonably expected to have a material adverse effect on the ability of Parent and Sub to consummate the transactions contemplated by this Agreement.

4.05 Legal Proceedings. Except as disclosed in the Parent SEC Reports or in Schedule 4.05: (i) there are no actions, suits, arbitrations or proceedings pending or, to the knowledge of Parent and its Subsidiaries, threatened against, relating to or affecting, nor to the knowledge of Parent and its Subsidiaries are there any Governmental or Regulatory Authority investigations or audits pending or threatened against, relating to or affecting, Parent or any of its Subsidiaries or any of their respective assets and properties which, individually or in the aggregate, could be reasonably expected to have a material adverse effect on the ability of Parent

and Sub to consummate the transactions contemplated by this Agreement, and (ii) neither Parent nor any of its Subsidiaries is subject to any Order of any Governmental or Regulatory Authority which, individually or in the aggregate, could be reasonably expected to have a material adverse effect on the ability of Parent and Sub to consummate the transactions contemplated by this Agreement.

4.06 Merger Consideration. The shares of Parent Common Stock to be issued in the Merger will be duly authorized, validly issued, fully paid and nonassessable and free and clear of all Liens and preemptive rights. The certificates representing such shares will be in proper form.

4.07 Reports and Financial Statements. Parent has previously furnished to the Company true and complete copies of the following reports as filed with the SEC and Nasdaq, as the case may be: (i) Annual Report on Form 10-K for the fiscal year ended December 31, 1996; (ii) Quarterly Reports on Form 10-Q for the quarters ended March 31, June 30 and September 30, 1997; (iii) all current reports on Form 8-K filed since December 31, 1996 and (iv) the definitive proxy statement relating to the annual meeting of its shareholders for the year ended December 31, 1997 (collectively, the "Parent SEC Reports"). As of their respective dates, the Parent SEC Reports were prepared in all material respects in accordance with the requirements of the Securities Act or the Exchange Act, as the case may be, and did not, when filed, contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited consolidated interim financial statements included in such reports, or other filings have been prepared in accordance with GAAP and all SEC requirements applied on a consistent basis (except as may be indicated therein or in the notes thereto and except for the absence of notes in the unaudited interim financial statements) and fairly present the consolidated financial position of Parent and its Subsidiaries as of the dates thereof and the consolidated results of operations and changes in cash flow of Parent and its Subsidiaries for each of the periods then ended, subject, in the case of unaudited interim financial statements, to normal year-end adjustments.

4.08 Absence of Certain Changes or Events. Except as disclosed in the Parent SEC Reports or in Schedule 4.08 hereto, since September 30, 1997, there has not been any change, event or development having, or that could be reasonably expected to have, individually or in the aggregate, a material adverse effect on Parent and its Subsidiaries taken as a whole, other than those occurring as a result of general economic or financial conditions or other developments which are not unique to Parent and its Subsidiaries but also generally affect other persons who participate or are engaged in the lines of business in which Parent and its Subsidiaries participate or are engaged.

4.09 S-4; Proxy Statement. Neither the information supplied or to be supplied by or on behalf of Parent or Sub for inclusion in any document to be filed by Parent or Sub with the SEC, including the Form S-4 and the Proxy Statement, or any other Governmental or

Regulatory Authority in connection with the Merger and the other transactions contemplated hereby, will on the date of its filing, and in the case of the Proxy Statement, at the time the Proxy Statement or any amendment or supplement thereto is first mailed or delivered to stockholders of Parent and shareholders of the Company, and at the time of the Parent Stockholders' Meeting, at the time of the Company Shareholders' Meeting and at the Effective Time, and, in the case of the Registration Statement, when it becomes effective under the Securities Act, contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they are made, not misleading.

4.10 Pooling of Interests Representations. The representations made by Parent to Arthur Andersen LLP in the Letter of Representations dated the date hereof and in the Letter of Representations to be given as of the Closing Date with respect to the accounting of the Merger as a pooling of interests, are, and as of the Closing Date will be, true and correct. Neither Parent nor any of its Subsidiaries, nor, to the knowledge of Parent, any of its affiliates has taken, agreed to take or will take any action that would prevent: (a) the Merger from constituting a reorganization qualifying under the provisions of Section 368 of the Code or (b) the Merger from being treated for financial accounting purposes as a pooling of interests.

4.11 Opinion of Financial Advisor. Parent has received the opinion of SBC Warburg Dillon Read Inc. ("SBC WDR") to the effect that, as of the date of this Agreement, the Merger Consideration is fair from a financial point of view to Parent, and a true and complete copy of such opinion has been made available to the Company prior to the execution of this Agreement.

4.12 Vote Required. Assuming the accuracy of the representation and warranty contained in Section 3.24, the affirmative vote of the holders of record of at least a majority of the outstanding shares of Parent Common Stock with respect to the adoption of this Agreement is the only vote of the holders of any class or series of the capital stock of Parent required to adopt this Agreement and approve the Merger and the other transactions contemplated hereby.

ARTICLE V.

COVENANTS OF THE COMPANY AND THE PRINCIPAL SHAREHOLDERS

The Company and the Principal Shareholders (but, as to the Principal Shareholders, only with respect to Section 5.02, 5.03, 5.05 and 5.06) covenant and agree that:

5.01 Conduct of Business. At all times from and after the date hereof until the Effective Time, the Company covenants and agrees as to itself and its Subsidiaries that (except as expressly contemplated or permitted by this Agreement, or to the extent that Parent shall otherwise consent in writing):

(a) Ordinary Course. The Company and its Subsidiaries shall conduct their respective businesses only in, and the Company and such Subsidiaries shall not take any action except in, the ordinary course consistent with past practice.

(b) Without limiting the generality of paragraph (a) of this Section: (i) the Company and its Subsidiaries shall use all commercially reasonable efforts to preserve intact in all material respects their present business organizations and reputation, to keep available the services of their key officers and employees, to maintain their assets and properties in good working order and condition, ordinary wear and tear excepted, to maintain insurance on their tangible assets and businesses in such amounts and against such risks and losses as are currently in effect, to preserve their relationships with customers and suppliers and others having significant business dealings with them and to comply in all material respects with all Laws and Orders of all Governmental or Regulatory Authorities applicable to them, and (ii) neither the Company nor any of its Subsidiaries shall:

(A) amend or propose to amend its certificate or articles of incorporation or code of regulations (or other comparable corporate charter documents);

(B) (w) declare, set aside or pay any dividends on or make other distributions in respect of any of its capital stock, except for the declaration and payment of dividends by a wholly-owned Subsidiary solely to its parent corporation, (x) split, combine, reclassify or take similar action with respect to any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, (y) adopt a plan of complete or partial liquidation or resolutions providing for or authorizing such liquidation or a dissolution, merger, consolidation, restructuring, recapitalization or other reorganization or (z) directly or indirectly redeem, repurchase or otherwise acquire any shares of its capital stock or any Option with respect thereto;

(C) issue, deliver or sell, or authorize or propose the issuance, delivery or sale of, any shares of its capital stock or any Option with respect thereto, or modify or amend any right of any holder of outstanding shares of capital stock or Options with respect thereto;

(D) acquire (by merging or consolidating with, or by purchasing a substantial equity interest in or a substantial portion of the assets of, or by any other manner) any business or any corporation, partnership, association or other business organization or division thereof or otherwise acquire or agree to acquire any assets other than assets used in the ordinary course of its business consistent with past practice;

(E) other than dispositions of assets which are not, individually or in the aggregate, material to the Company and its Subsidiaries taken as a whole, sell, lease, grant any security interest in or otherwise dispose of or encumber any of its assets or properties;

(F) except to the extent required by applicable law or auditing standards, (x) permit any material change in (A) any pricing, marketing, purchasing, investment, accounting, financial reporting, inventory, credit, allowance or tax practice or policy or (B) any method of calculating any bad debt, contingency or other reserve for accounting, financial reporting or tax purposes or (y) make any material tax election or settle or compromise any material income tax liability with any Governmental or Regulatory Authority;

(G) except with respect to the Company's current borrowing and/or financing arrangements to which the Company and/or its Subsidiaries are obligated, which, at the Effective Time, shall not exceed the sum of $5,000,000 and any obligations of the Company contemplated by Section 6.07, (x) incur any indebtedness for borrowed money or guarantee any such indebtedness (excluding trade payables incurred in the ordinary course of business), or (y) voluntarily purchase, cancel, prepay or otherwise provide for a complete or partial discharge in advance of a scheduled repayment date with respect to, or waive any right under, any indebtedness for borrowed money, except, with Parent's consent (which shall not be unreasonably withheld), for refinancing of existing indebtedness in amounts not to exceed the prior amount of indebtedness being refinanced;

(H) enter into, adopt, amend in any material respect (except as may be required by applicable law) or terminate any Company Employee Benefit Plan or other agreement, arrangement, plan or policy between the Company or one of its Subsidiaries and one or more of its directors, officers or employees, or increase in any manner the compensation or fringe benefits of any director, officer or employee or pay any benefit not required by any plan or arrangement in effect as of the date hereof;

(I) enter into any contract or amend or modify any existing contract for an amount in excess of Ten Thousand Dollars ($10,000), or enter into any contract or engage in any new transaction outside the ordinary course of business or not otherwise consistent with past practice or not on an arm's length basis or with any affiliate of the Company or any of its Subsidiaries;

(J) make any capital expenditures or commitments for additions to plant, property or equipment constituting capital assets for an amount in excess of Ten Thousand Dollars ($10,000);

(K) make any change in the lines of business in which it participates or is engaged; or

(L) enter into any contract, agreement, commitment or arrangement to do or engage in any of the foregoing.

(c) Advice of Changes. The Company shall confer on a regular and frequent basis (and in any event not less than weekly) with Parent with respect to its business and operations and other matters relevant to the Merger, and shall promptly advise Parent, orally and in writing, of any change or event, including, without limitation, any complaint, investigation or hearing by any Governmental or Regulatory Authority (or communication indicating the same may be contemplated) or the institution or threat of litigation, having, or which, insofar as can be reasonably foreseen, could have, a material adverse effect on the Company and its Subsidiaries taken as a whole or on the ability of the Company to consummate the transactions contemplated hereby.

5.02 No Solicitations. None of the Company, any of its Subsidiaries or any Principal Shareholder shall, nor shall they authorize or permit any officer, director, employee, investment banker, financial advisor, attorney, accountant or other agent or representative (each, a "Representative") retained by or acting for or on behalf of the Company, any of its Subsidiaries or any Principal Shareholder to, directly or indirectly, initiate, solicit, encourage, participate in any negotiations regarding, furnish any confidential information in connection with, endorse or otherwise cooperate with, assist, participate in or facilitate the making of any proposal or offer for, or which may reasonably be expected to lead to, an Acquisition Transaction (as defined below), by any person, corporation, partnership or other entity or group (a "Potential Acquiror"). The Company shall promptly inform Parent, orally and in writing, of the material terms and conditions of any proposal or offer for, or which may reasonably be expected to lead to, an Acquisition Transaction that it receives and the identity of the Potential Acquiror. The Company will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any Acquisition Transaction. As used in this Agreement, "Acquisition Transaction" means any merger, consolidation or other business combination involving the Company or any of its Subsidiaries, or any acquisition in any manner of all or a substantial portion of the equity of, or all or a substantial portion of the assets of, the Company or any of its Subsidiaries, whether for cash, securities or any other consideration or combination thereof other than pursuant to the transactions contemplated by this Agreement.

5.03 Approval of the Company's Shareholders. The Company shall, through its Board of Directors, duly call, give notice of, convene and hold a meeting of its shareholders (the "Company Shareholders' Meeting") for the purpose of voting on the adoption of this Agreement and the transactions contemplated hereby (the "Company Shareholders' Approval"). The Company shall use its best efforts to cause the Company Shareholders' Meeting to be held as soon as practicable after the date hereof. At such meeting, the Principal Shareholders shall cause all Company Common Shares then owned by them to be voted in favor of the adoption of this Agreement. Each of the Principal Shareholders hereby waives all rights available to him, her or it under the Ohio GCL to demand appraisal of his, her or its Company Common Shares in connection with the Merger as contemplated by this Agreement as it may be amended from time to time. The Company has provided the Principal Shareholders with, or given the Principal Shareholders access to, and prior to the Company Shareholders' Meeting the Company shall provide the other shareholders of the Company with, or give them access to, all material

information about the Company its business and all material information about the transactions contemplated by this Agreement. Such written information provided to the Principal Shareholders and such other shareholders was and will be, when so provided, true and accurate in all material respects, and such information did not and will not, when so provided, contain any untrue statement of a material fact or omit to state a material fact with respect to such written information. Copies of all written information delivered or to be delivered to such shareholders shall be provided to Parent prior to their delivery to such shareholders.

5.04 Auditors' Letters. The Company shall cause to be delivered to Parent and Sub "comfort letters" of Ernst & Young LLP, the Company's independent auditors, one dated a date within two business days before the date of the Proxy Statement and one dated the Closing Date, addressed to Parent and Sub, in form and substance reasonably satisfactory to Parent, stating the conclusions and findings of such firm with respect to the financial information and other matters ordinarily covered by accountants letters in connection with transactions similar to the Merger.

5.05 Standstill. The Company and the Principal Shareholders agree that, if this Agreement is terminated and the Merger is not effected, then until the expiration of two years from the date of termination of this Agreement, without the prior written consent of Parent, neither the Company nor the Principal Shareholders will: (a) in any manner acquire, agree to acquire or make any proposal to acquire, directly or indirectly (i) a substantial portion of the assets of Parent and its Subsidiaries taken as a whole or (ii) 10 percent or more of the issued and outstanding shares of Parent Common Stock, (b) make or in any way participate, directly or indirectly, in any "solicitation" of "proxies" (as such terms are used in the proxy rules of the SEC) to vote, or seek to advise or influence any person with respect to the voting of, any voting securities of Parent or any of its Subsidiaries or (c) form, join or in any way participate in a "group" (within the meaning of Section 13(d) of the Exchange Act) with respect to any voting securities of Parent or any of its Subsidiaries.

ARTICLE VI.

ADDITIONAL AGREEMENTS

6.01 Access to Information; Confidentiality; Advice of Changes. (a) Each of Parent and the Company shall, and shall cause each of its Subsidiaries to, throughout the period from the date hereof to the Effective Time: (i) provide the other party and its Representatives with full access, upon reasonable prior notice and during normal business hours, to all officers, employees, agents and accountants of the other party and its Subsidiaries and their respective assets, properties, books and records, and (ii) furnish promptly to such persons (x) a copy of each report, statement, schedule and other document filed or received by Parent or the Company, as the case may be, or any of its Subsidiaries pursuant to the requirements of federal or state securities laws or filed with any other Governmental or Regulatory Authority, and (y)

all other information and data (including, without limitation, copies of Contracts, Company Employee Benefit Plans and other books and records) concerning the business and operations of Parent or the Company, as the case may be, and its Subsidiaries as Parent, the Company or any of such other persons reasonably may request. No investigation pursuant to this paragraph or otherwise shall affect any representation or warranty contained in this Agreement or any condition to the obligations of the parties hereto.

(b) Parent, the Company and each Principal Shareholder will hold, and will use its best efforts to cause its Representatives to hold, in strict confidence, unless: (i) compelled to disclose by judicial or administrative process or by other requirements of applicable Laws of Governmental or Regulatory Authorities (including, without limitation, in connection with obtaining the necessary approvals of this Agreement or the transactions contemplated hereby of Governmental or Regulatory Authorities), or (ii) disclosed in an action or proceeding brought by a party hereto in pursuit of its rights or in the exercise of its remedies hereunder, all documents and information concerning the other party and its Subsidiaries furnished to it by the other party or its Representatives in connection with this Agreement or the transactions contemplated hereby, except to the extent that such documents or information can be shown to have been (x) previously known by Parent, the Company or such Principal Shareholder, as the case may be, or its Representatives, (y) in the public domain (either prior to or after the furnishing of such documents or information hereunder) through no fault of Parent, the Company or such Principal Shareholder, as the case may be, and its Representatives or (z) later acquired by Parent, the Company or such Principal Shareholder, as the case may be, or its Representatives from another source if the recipient is not aware that such source is under an obligation to keep such documents and information confidential. If Parent, the Company or any Principal Shareholder, or their respective Representatives are requested to disclose any information pursuant to clauses (i) or (ii) above, the disclosing party will promptly notify Parent or the Company, as the case may be, to permit Parent or the Company, as the case may be, to seek a protective order or to take other appropriate action. The disclosing party will also reasonably cooperate in efforts to obtain a protective order or other reasonable assurance that confidential treatment will be accorded the information. If the disclosing party or any of its Representatives are, in the opinion of their counsel, compelled as a matter of law to disclose the information or else stand liable for contempt or suffer other censure or significant penalty, the disclosing party may disclose to the party compelling disclosure only the part of the information as is required to be disclosed, and will use its reasonable efforts to obtain confidential treatment therefor. In the event that this Agreement is terminated without the transactions contemplated hereby having been consummated, upon the request of Parent or the Company, as the case may be, the other party will, and will cause its Representatives to, promptly redeliver or cause to be redelivered all copies of documents and information furnished by Parent or the Company, as the case may be, or its Representatives to the other party and its Representatives in connection with this Agreement or the transactions contemplated hereby and destroy or cause to be destroyed all notes, memoranda, summaries, analyses, compilations and other writings related thereto or based thereon prepared by it or its Representatives.

(c) Parent shall confer on a regular and frequent basis (and in any event not less than weekly) with the Company with respect to its business and operations and other matters relevant to the Merger, and shall promptly advise the Company, orally and in writing, of any change or event, including, without limitation, any complaint, investigation or hearing by any Governmental or Regulatory Authority (or communication indicating the same may be contemplated) or the institution or threat of litigation, having, or which, insofar as can be reasonably foreseen, could have, a material adverse effect on Parent and its significant subsidiaries taken as a whole or on the ability of Parent to consummate the transactions contemplated hereby.

6.02 Preparation of Form S-4 and Proxy Statement. Parent shall prepare (and the Company and Principal Shareholders shall cooperate in the preparation of) and file with the SEC as soon as reasonably practicable after the date hereof a registration statement on Form S-4 (the "Form S-4") under the Securities Act, with respect to the shares of Parent Common Stock to be issued in connection with the Merger, a portion of which registration statement shall also serve as the proxy statement with respect to the Parent Stockholder Meeting and the prospectus in respect of the shares of Parent Common Stock to be exchanged for Company Common Shares in the Merger (the "Proxy Statement"), and shall use its commercially reasonable efforts, and the Company and Principal Shareholders will cooperate with Parent, to have the Form S-4 declared effective by the SEC and to keep the Form S-4 effective as long as necessary to consummate the Merger. If at any time prior to the Effective Time any event shall occur that should be set forth in an amendment of or a supplement to the Form S-4, Parent shall, with the cooperation of the Company, prepare and file with the SEC such amendment or supplement as soon thereafter as is reasonably practicable. Parent, Sub, the Company and the Principal Shareholders shall cooperate with each other in the preparation of the Form S-4, and Parent shall notify the Company of the receipt of any comments of the SEC with respect to the Form S-4 and of any requests by the SEC for any amendment or supplement thereto or for additional information, and shall provide to the Company promptly copies of all correspondence between Parent or any representative of Parent and the SEC with respect to the Form S-4. Parent shall give the Company and its counsel the opportunity to review the Form S-4 and all responses to requests for additional information by and replies to comments of the SEC before their being filed with, or sent to, the SEC. Each of the Company, each Principal Shareholder, Parent and Sub agrees to use its best efforts, after consultation with the other parties hereto, to respond promptly to all such comments of and requests by the SEC and to cause the Proxy Statement to be mailed to the holders of shares of Parent Common Stock entitled to vote at the Parent Stockholders' Meeting at the earliest practicable time.

6.03 Approval of Parent Stockholders and Board Recommendation. Parent shall, through its Board of Directors, duly call, give notice of, convene and hold a meeting of its stockholders (the "Parent Stockholders' Meeting") for the purpose of voting on the adoption of this Agreement and the transactions contemplated hereby (the "Parent Stockholders' Approval"). Parent's Board of Directors shall recommend to its stockholders the adoption of this Agreement. Parent shall use its best efforts to cause the Parent Stockholders' Meeting to be held as soon as practicable after the date hereof.

6.04 Regulatory and Other Approvals. Subject to the terms and conditions of this Agreement and without limiting the provisions of Sections 6.02 and 6.03, each of the Company and Parent will proceed diligently and in good faith and will use all commercially reasonable efforts to do, or cause to be done, all things necessary, proper or advisable to, as promptly as practicable: (a) obtain all consents, approvals or actions of, make all filings with and give all notices to Governmental or Regulatory Authorities or any other public or private third parties required of Parent, the Company or any of their Subsidiaries to consummate the Merger and the other matters contemplated hereby, and (b) provide such other information and communications to such Governmental or Regulatory Authorities or other public or private third parties as the other party or such Governmental or Regulatory Authorities or other public or private third parties may reasonably request. In addition to and not in limitation of the foregoing, each of the parties will (x) take promptly all actions necessary to make the filings required of Parent and the Company or their affiliates under the HSR Act, (y) comply at the earliest practicable date with any request for additional information received by such party or its affiliates from the Federal Trade Commission (the "FTC") or the Antitrust Division of the Department of Justice (the "Antitrust Division") pursuant to the HSR Act, and (z) cooperate with the other party in connection with such party's filings under the HSR Act and in connection with resolving any investigation or other inquiry concerning the Merger or the other matters contemplated by this Agreement commenced by either the FTC or the Antitrust Division or state attorneys general.

6.05 Company Stock Plan. (a) At the Effective Time, each outstanding Option to purchase Company Common Shares under the Company Option Plan on the date hereof, as identified on Schedule 6.05, whether vested or unvested, shall be deemed to constitute an Option to acquire (under Parent's stock option plan), on the same terms and conditions as were applicable on the date of this Agreement, the same number of shares of Parent Common Stock as the holder of such Option would have been entitled to receive pursuant to the Merger had such holder exercised such Option in full immediately prior to the Effective Time, at a price per share of Parent Common Stock equal to $2.442; provided, however, that, in the case of any Option to which Sections 421 of the Code applies by reason of its qualification under any of Sections 422-424 of the Code ("qualified stock options"), the option price, the number of shares purchasable pursuant to such option and the terms and conditions of exercise of such option shall be further adjusted to the extent necessary in order to comply with Section 425(a) of the Code.

(b) At the Effective Time, Parent shall deliver to the holders of Options appropriate notices and agreements setting forth such participants' rights pursuant thereto and the grants pursuant to the Company Option Plan shall continue in effect on the same terms and conditions (subject to the adjustments required by this Section after giving effect to the Merger).

(c) Parent shall take all corporate action necessary to reserve for issuance a sufficient number of shares of Parent Common Stock for delivery under the Company Option Plan as adjusted in accordance with this Section. As soon as practicable after the Effective Time, Parent shall amend its effective registration statement on Form S-8 promulgated by the SEC under the Securities Act, or file a new registration statement, with respect to the Parent

Common Stock subject to such options and shall use its best efforts to maintain the effectiveness of such registration statement or registration statements (and maintain the current status of the prospectus or prospectuses contained therein) for so long as such options remain outstanding. With respect to those individuals who subsequent to the Merger will be subject to the reporting requirements under Section 16(a) of the Exchange Act, where applicable, Parent shall administer the Company Option Plan in a manner that complies with Rule 16b-3 promulgated under the Exchange Act.

6.06 Expenses. Except as set forth in Section 8.02, whether or not the Merger is consummated, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such cost or expense (Parent or Sub, on the one hand, and the Company or any of its Subsidiaries, on the other). All expenses incurred in connection with filing of the Form S-4 and printing and mailing the Proxy Statement, as well as any filing fees relating thereto, shall be paid exclusively by Parent.

6.07 Brokers or Finders. Each of Parent and the Company represents, as to itself and its affiliates, that, except for McDonald, George S. Benson and John R. Lazarczyk, whose fees will be paid solely by the Company, and SBC WDR, whose fees will be paid solely by Parent, no agent, broker, investment banker, financial advisor or other firm or person is or will be entitled to any broker's or finder's fee or any other commission, fee or consideration in connection with any of the transactions contemplated by this Agreement, and each of Parent and the Company shall indemnify and hold the other harmless from and against any and all claims, liabilities or obligations with respect to any other such fee or commission or expenses related thereto asserted by any person on the basis of any act or statement alleged to have been made by such party or its affiliate.

6.08 Notice and Cure. Each of Parent and the Company will notify the other promptly in writing of, and contemporaneously will provide the other with true and complete copies of any and all information or documents relating to, and will use all commercially reasonable efforts to cure before the Closing, any event, transaction or circumstance occurring after the date of this Agreement that causes or will cause any covenant or agreement of Parent or the Company, as the case may be, under this Agreement to be breached or that renders or will render untrue any representation or warranty of Parent or the Company, as the case may be, contained in this Agreement as if the same were made on or as of the date of such event, transaction or circumstance. Each of Parent and the Company also will notify the other promptly in writing of, and will use all commercially reasonable efforts to cure, before the Closing, any violation or breach of any representation, warranty, covenant or agreement made by Parent or the Company, as the case may be, in this Agreement, whether occurring or arising prior to, on or after the date of this Agreement. No notice given pursuant to this Section shall have any effect on the representations, warranties, covenants or agreements contained in this Agreement for purposes of determining satisfaction of any condition contained herein.

6.09 Fulfillment of Conditions. Subject to the terms and conditions of this Agreement, each of Parent and the Company will take or cause to be taken all commercially

reasonable steps necessary or desirable and proceed diligently and in good faith to satisfy each condition to the other's obligations contained in this Agreement and to consummate and make effective the transactions contemplated by this Agreement, and neither Parent nor the Company will, nor will it permit any of its Subsidiaries to, take or fail to take any action that could be reasonably expected to result in the nonfulfillment of any such condition.

6.10 Director and Officer Liability.

(a) The Regulations of the Surviving Corporation shall contain the provisions with respect to indemnification set forth in the Regulations of the Company, which provisions shall not be amended, repealed or otherwise modified in any manner that would adversely affect the rights thereunder of individuals who at the Effective Time were directors, officers, employees or agents of the Company for acts arising prior to the Effective Time, unless such modification is required by law.

(b) From and after the Effective Time, Parent shall, and shall cause the Surviving Corporation to, indemnify, defend and hold harmless the present and former directors and officers of the Company and its Subsidiaries against all losses, claims, damages and liability and amounts paid in settlement in connection with any claim, action, suit, proceeding, or investigation, whether civil, criminal, administrative, or investigative, (x) in respect of acts or omissions occurring at or prior to the Effective Time to the fullest extent that the Company or Subsidiary would have been permitted to indemnify such Person under applicable law and the articles of incorporation and regulations of the Company or such Subsidiary in effect on the date hereof or (y) in any event arising out of or pertaining to the transaction contemplated by this Agreement. In addition, Parent shall take or cause the Surviving Corporation to take all actions necessary to extend the coverage under the provisions of Section E.2 of the Company's existing directors' and officers' liability insurance policy (policy no. DOC365660200)(the "Policy"), or, in the alternative, Parent shall use all reasonable efforts to acquire tail insurance to provide officers' and directors' liability insurance in respect of acts or omissions occurring prior to the Effective Time covering each such Person currently covered by the Policy on terms with respect to coverage and amount no less favorable than those of the Policy.

ARTICLE VII.

CONDITIONS

7.01 Conditions to Each Party's Obligation to Effect the Merger. The respective obligation of each party to effect the Merger is subject to the fulfillment, at or prior to the Closing, of each of the following conditions:

(a) Shareholder Approval. This Agreement shall have been adopted by (i) the requisite vote of the shareholders of the Company under the Ohio GCL and (ii) the requisite vote of the stockholders of Parent pursuant to the rules of the Nasdaq.

(b) HSR Act. Any waiting period (and any extension thereof) applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

(c) No Injunctions or Restraints. No court of competent jurisdiction or other competent Governmental or Regulatory Authority shall have enacted, issued, promulgated, enforced or entered any Law or Order (whether temporary, preliminary or permanent) which is then in effect and has the effect of making illegal or otherwise restricting, preventing or prohibiting consummation of the Merger or the other transactions contemplated by this Agreement.

(d) "Pooling of Interests" Accounting Treatment. Each of the Company and Parent shall have received letters, dated the date of Closing, from their respective independent public accountants, reaffirming the statements made in such independent public accountants' letters dated the date of this Agreement, to the effect that the Merger will qualify for "pooling of interests" under GAAP.

(e) Form S-4. The Form S-4 shall have become effective and shall be effective at the Effective Time, and no stop order suspending effectiveness of the Form S-4 shall have been issued, no action, suit, proceeding or investigation by the SEC to suspend the effectiveness thereof shall have been initiated and be continuing, or, to the knowledge of the Company or Parent, threatened, and all necessary approvals under state securities laws relating to the issuance or trading of the Parent Common Stock to be issued or reserved in connection with the Merger shall have been received.

7.02 Conditions to Obligation of Parent and Sub to Effect the Merger. The obligation of Parent and Sub to effect the Merger is further subject to the fulfillment, at or prior to the Closing, of each of the following additional conditions (all or any of which may be waived in whole or in part by Parent and Sub in their sole discretion):

(a) Representations and Warranties. Each of the representations and warranties made by the Company and the Principal Shareholders in this Agreement shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date or, in the case of representations and warranties made as of a specified date earlier than the Closing Date, on and as of such earlier date, and the Company and the Principal Shareholders shall have delivered to Parent a certificate, dated the Closing Date and executed on behalf of the Company by its President or any Senior Vice President and by each Principal Shareholder, to such effect.

(b) Performance of Obligations. The Company and the Principal Shareholders shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by the Company or the Principal Shareholders at or prior to the Closing, and the Company and the Principal Shareholders shall have delivered to Parent a certificate, dated the Closing Date and executed

on behalf of the Company by its President or any Senior Vice President and by each Principal Shareholder, to such effect.

(c) Governmental and Regulatory Consents and Approvals. Other than the filing provided for by Section 1.02, all consents, approvals and actions of, filings with and notices to any Governmental or Regulatory Authority, the failure of which to be obtained or taken could be reasonably expected to have a material adverse effect on Parent and its Subsidiaries or the Surviving Corporation and its Subsidiaries, in each case taken as a whole, or on the ability of Parent and the Company to consummate the transactions contemplated hereby shall have been obtained, all in form and substance reasonably satisfactory to Parent, and no such consent, approval or action shall contain any term or condition which could be reasonably expected to result in a material diminution of the benefits of the Merger to Parent.

(d) Contractual Consents. The Company and its Subsidiaries shall have received, all in form and substance reasonably satisfactory to Parent, all consents (or in lieu thereof waivers) from parties to each Contract disclosed or which should have been disclosed pursuant to Section 3.04(b), and no such consent or waiver shall contain any term or condition which could be reasonably expected to result in a material diminution of the benefits of the Merger to Parent.

(e) Cancellation of Contracts. At the Effective Time: (i) the Company's agreement to pay commissions to Cost Controls, Inc., dated January 3, 1994 (but not the Prescription Drug Program Service Agreement between the Company and Cost Controls, Inc. dated August 1, 1997), and (ii) the consulting agreement with Benson and Associates, Inc., dated December 1, 1994, each as amended to date, shall each be terminated effective immediately, unless otherwise instructed by Parent.

(f) Proceedings. All proceedings to be taken on the part of the Company in connection with the transactions contemplated by this Agreement and all documents incident thereto shall be reasonably satisfactory in form and substance to Parent, and Parent shall have received copies of all such documents and other evidences as Parent may reasonably request in order to establish the consummation of such transactions and the taking of all proceedings in connection therewith.

(g) Dissenters. Dissenting Shares shall represent no more than 5% of all Company Common Shares (other than treasury shares) outstanding on the date hereof.

(h) Resignation of the Company's Officers and Directors. All officers and directors of the Company and of each Company Subsidiary shall resign at the Effective Time, unless otherwise instructed by Parent.

(i) Company Indebtedness. At the Effective Time, the Company's total indebtedness (which shall be limited to long-term and revolver debt) shall not exceed Five Million Dollars ($5,000,000) plus amounts contemplated by Section 6.07. At the Effective

Time, the Company shall have received a waiver, in form and substance satisfactory to Parent, from Ronald Kimes, waiving the acceleration of each of the Promissory Notes of the Company in the original principal amounts of $234,000 and $216,000, each dated June 30, 1994.

(j) Company Capital Stock. The issued and outstanding Company Common Shares and the outstanding Options to purchase Company Common Shares shall be as described in Section 3.02.

(k) Stock Certificates. Parent shall have received from each holder of a certificate or certificates that immediately prior to the Effective Time represent the outstanding Company Common Shares (except for certificates representing Dissenting Shares), properly endorsed or otherwise in proper form for transfer.

7.03 Conditions to Obligation of the Company to Effect the Merger. The obligation of the Company to effect the Merger is further subject to the fulfillment, at or prior to the Closing, of each of the following additional conditions (all or any of which may be waived in whole or in part by the Company in its sole discretion):

(a) Representations and Warranties. Each of the representations and warranties made by Parent and Sub in this Agreement shall be true and correct in all material respects as of the Closing Date as though made on and as of the Closing Date or, in the case of representations and warranties made as of a specified date earlier than the Closing Date, on and as of such earlier date, and Parent and Sub shall each have delivered to the Company a certificate, dated the Closing Date and executed on behalf of Parent by its Chairman of the Board, President or any Executive or Senior Vice President and on behalf of Sub by its Chairman of the Board, President or any Vice President, to such effect.

(b) Performance of Obligations. Parent and Sub shall have performed and complied with, in all material respects, each agreement, covenant and obligation required by this Agreement to be so performed or complied with by Parent or Sub at or prior to the Closing, and Parent and Sub shall each have delivered to the Company a certificate, dated the Closing Date and executed on behalf of Parent by its Chairman of the Board, President or any Executive or Senior Vice President and on behalf of Sub by its Chairman of the Board, President or any Vice President, to such effect.

(c) Governmental and Regulatory Consents and Approvals. Other than the filing provided for by Section 1.02, all consents, approvals and actions of, filings with and notices to any Governmental or Regulatory Authority, the failure of which to be obtained or taken could be reasonably expected to have a material adverse effect on the Company and its Subsidiaries or the Surviving Corporation and its Subsidiaries, in each case taken as a whole, or on the ability of Parent and the Company to consummate the transactions contemplated hereby shall have been obtained, all in form and substance reasonably satisfactory to the Company, and no such consent, approval or action shall contain any term or condition which could be

reasonably expected to result in a material diminution of the benefits of the Merger to the Company.

(d) Proceedings. All proceedings to be taken on the part of Parent and Sub in connection with the transactions contemplated by this Agreement and all documents incident thereto shall be reasonably satisfactory in form and substance to the Company, and the Company shall have received copies of all such documents and other evidences as the Company may reasonably request in order to establish the consummation of such transactions and the taking of all proceedings in connection therewith.

(e) Stock Certificates. The Company shall have received the certificates representing the Merger Consideration for each shareholder of the Company as contemplated in Section 2.01.

(f) Listing. Shares of the Parent Common Stock to be issued as the Merger Consideration shall have been approved for listing on the National Market tier of Nasdaq, subject only to official notice of issuance.

(g) Sierra Contract. The Company shall be reasonably satisfied with the then financial operating performance under the PBM Services Agreement, dated as of August 6, 1997 and effective on October 1, 1997, between Pro-Mark Holdings, Inc., and Health Plan of Nevada, Inc., HMO Texas, L.L.C., Sierra Health and Life Insurance Company, Inc., and Sierra Healthcare Options, Inc.

ARTICLE VIII.

TERMINATION, AMENDMENT AND WAIVER

8.01 Termination. This Agreement may be terminated, and the transactions contemplated hereby may be abandoned, at any time prior to the Effective Time, whether prior to or after the Company Shareholders' Approval or the Parent Stockholders' Approval:

(a) by mutual written agreement of Parent, Sub and the Company duly authorized by action taken by or on behalf of their respective Boards of Directors;

(b) by either the Company or Parent upon notification to the non-terminating party by the terminating party:

(i) at any time after June 1, 1998 if the Merger shall not have been consummated on or prior to such date and such failure to consummate the Merger is not caused by a breach of this Agreement by the terminating party;

(ii) if the Company Shareholders' Approval shall not be obtained by reason of the rejection of the transaction at a meeting of such shareholders, or any adjournment thereof, called therefor;

(iii) if the Parent Stockholders' Approval shall not be obtained by reason of the rejection of the transaction at a meeting of such stockholders, or any adjournment thereof, called therefor;

(iv) if any Governmental or Regulatory Authority, the taking of action by which is a condition to the obligations of either the Company or Parent to consummate the transactions contemplated hereby, shall have determined not to take such action and all appeals of such determination shall have been taken and have been unsuccessful;

(v) if there has been a material breach of any representation, warranty, covenant or agreement on the part of the non-terminating party set forth in this Agreement which breach has not been cured within 10 business days following receipt by the non-terminating party of notice of such breach from the terminating party or assurance of such cure reasonably satisfactory to the terminating party shall not have been given by or on behalf of the non-terminating party within such 10 business day period; or

(vi) if any court of competent jurisdiction or other competent Governmental or Regulatory Authority shall have issued an Order making illegal or otherwise restricting, preventing or prohibiting the Merger and such Order shall have become final and nonappealable.

8.02 Effect of Termination. If this Agreement is validly terminated by either the Company or Parent pursuant to Section 8.01, this Agreement will forthwith become null and void and there will be no liability or obligation on the part of the Company, the Principal Shareholders, Parent or Sub (or any of their respective Representatives or affiliates), except: (i) that the provisions of Sections 5.05, 6.01(b), 6.01(c) and 6.06 will continue to apply following any such termination and (ii) that nothing contained herein shall relieve any party hereto from liability for willful breach of its representations, warranties, covenants or agreements contained in this Agreement.

8.03 Amendment. This Agreement may be amended, supplemented or modified by action taken by or on behalf of the respective Boards of Directors of the parties hereto at any time prior to the Effective Time, whether prior to or after adoption of this Agreement at the Company Shareholders' Meeting and the Parent Stockholders' Meeting, but after such adoption only to the extent permitted by applicable law. No such amendment, supplement or modification shall be effective unless set forth in a written instrument duly executed by or on behalf of each party hereto.

8.04 Waiver. At any time prior to the Effective Time any party hereto, by action taken by or on behalf of its Board of Directors, may to the extent permitted by applicable law (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties of the other parties hereto contained herein or in any document delivered pursuant hereto or (iii) waive compliance with any of the covenants, agreements or conditions of the other parties hereto contained herein. No such extension or waiver shall be effective unless set forth in a written instrument duly executed by or on behalf of the party extending the time of performance or waiving any such inaccuracy or non-compliance. No waiver by any party of any term or condition of this Agreement, in any one or more instances, shall be deemed to be or construed as a waiver of the same or any other term or condition of this Agreement on any future occasion.

8.05 Remedies. Notwithstanding any provision of this Agreement to the contrary, unless a party breaching this Agreement shall have engaged in willful fraud, the sole remedy for the breach of any representation, warranty, covenant or other provision of this Agreement shall be the rights of termination provided by Section 8.01 and the effects thereof provided in Section 8.02; provided, however, that the foregoing shall not apply to any such breach of the provisions of Sections 2.01, 2.02, 5.05, 6.01(b), 6.06, 6.07 and 6.10. In no event shall the liability of any Principal Shareholder under this Agreement exceed an amount equal to the product of the following three factors: (i) the number of Company Common Shares held by such Principal Shareholder on the date of this Agreement, (ii) 327.59 and (iii) the Sales Price on the date of this Agreement.

ARTICLE IX.

GENERAL PROVISIONS

9.01 Non-Survival of Representations, Warranties, Covenants and Agreements. The representations, warranties, covenants and agreements contained in this Agreement or in any instrument delivered pursuant to this Agreement shall not survive the Merger but shall terminate at the Effective Time, except for the agreements contained in Article II and in Sections 1.07, 6.01(b), 6.06, 6.07 and 6.10, which shall survive the Effective Time.

9.02 Knowledge. With respect to any representations or warranties contained herein which are made to the knowledge of the Company or Parent or any of their respective Subsidiaries, as the case may be, the knowledge of the officers and directors of the Company or Parent, as the case may be, and of the officers and directors of its respective Subsidiaries, shall be imputed to the Company or Parent, as the case may be, and such Subsidiaries.

9.03 Notices. All notices, requests and other communications hereunder must be in writing and will be deemed to have been duly given only if delivered personally or by

facsimile transmission or mailed (first class postage prepaid) to the parties at the following addresses or facsimile numbers:

If to Parent or Sub, to:

MIM Corporation
One Blue Hill Plaza, 15th Floor
Pearl River, NY 10965
Telephone No.: 914-735-3555
Facsimile No.: 914-735-3599
Attn: Barry Posner, Esq.

with a copy to:

Rogers & Wells
200 Park Avenue
New York, NY 10166
Telephone No.: 212-878-8000
Facsimile No.: 212-878-8375
Attn: Robert E. King, Jr., Esq.

If to the Company or any Principal Shareholder, to:

Continental Managed Pharmacy Services, Inc.
1400 Schaaf Road
Cleveland, OH 44131
Telephone No.: 216-459-2025
Facsimile No.: 216-459-0932
Attn: George Benson, Chief Executive Officer and President

with a copy to:

Arter & Hadden LLP
925 Euclid Avenue
1100 Huntington Building
Cleveland, OH 44115-1475
Telephone No.: 216-696-1100
Facsimile No.: 216-696-2645
Attn: Robert B. Tomaro, Esq.

All such notices, requests and other communications will (i) if delivered personally to the address as provided in this Section, be deemed given upon delivery, (ii) if delivered by facsimile transmission to the facsimile number as provided in this Section, be deemed given upon receipt, and (iii) if delivered by mail in the manner described above to the address as provided in this

Section, be deemed given upon receipt (in each case regardless of whether such notice, request or other communication is received by any other person to whom a copy of such notice is to be delivered pursuant to this Section). Any party from time to time may change its address, facsimile number or other information for the purpose of notices to that party by giving notice specifying such change to the other parties hereto.

9.04 Entire Agreement. This Agreement supersedes all prior discussions and agreements among the parties hereto with respect to the subject matter hereof, including, without limitation, that certain letter of intent dated December 12, 1997 between the Company and Parent, and contains the sole and entire agreement among the parties hereto with respect to the subject matter hereof.

9.05 Public Announcements. Except as otherwise required by law or the rules of any applicable securities exchange or national market system, so long as this Agreement is in effect, Parent and the Company will not, and will not permit any of their respective Representatives to, issue or cause the publication of any press release or make any other public announcement with respect to the transactions contemplated by this Agreement without the consent of the other party, which consent shall not be unreasonably withheld. Parent and the Company will cooperate with each other in the development and distribution of all press releases and other public announcements with respect to this Agreement and the transactions contemplated hereby, and will furnish the other with drafts of any such releases and announcements as far in advance as practicable.

9.06 No Third Party Beneficiary. The terms and provisions of this Agreement are intended solely for the benefit of each party hereto and their respective successors or permitted assigns, and it is not the intention of the parties to confer third-party beneficiary rights upon any other person, except as provided in Sections 6.02(b), 6.02(c) and 6.10.

9.07 No Assignment; Binding Effect. Neither this Agreement nor any right, interest or obligation hereunder may be assigned by any party hereto without the prior written consent of the other parties hereto and any attempt to do so will be void, except that Sub may assign any or all of its rights, interests and obligations hereunder to another direct or indirect wholly-owned Subsidiary of Parent, provided that any such Subsidiary agrees in writing to be bound by all of the terms, conditions and provisions contained herein. Subject to the preceding sentence, this Agreement is binding upon, inures to the benefit of and is enforceable by the parties hereto and their respective successors and assigns.

9.08 Headings. The headings used in this Agreement have been inserted for convenience of reference only and do not define or limit the provisions hereof.

9.09 Invalid Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under any present or future law, and if the rights or obligations of any party hereto under this Agreement will not be materially and adversely affected thereby, (i) such provision will be fully severable, (ii) this Agreement will be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof, (iii) the remaining provisions of this Agreement will remain in full force and effect and will not be affected by the legal, invalid or unenforceable provision or by its severance herefrom and (iv) in lieu of such

illegal, invalid or unenforceable provision, there will be added automatically as a part of this Agreement a legal, valid and enforceable provision as similar in terms to such illegal, invalid or unenforceable provision as may be possible.

9.10 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York applicable to a contract executed and performed in such State, without giving effect to the conflicts of laws principles thereof.

9.11 Counterparts. This Agreement may be executed in any number of counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument.

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be signed by its officer thereunto duly authorized as of the date first above written.

Attest: MIM CORPORATION

By:

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

Secretary Name:

Title:

Attest: CMP ACQUISITION CORP.

By:

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

Secretary Name:

Title:

Attest: CONTINENTAL MANAGED PHARMACY SERVICES, INC.

By:

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

Secretary Name:

Title:

PRINCIPAL SHAREHOLDERS:

Michael Ehrlenbach

ROULSTON INVESTMENT TRUST L.P.,

By: Thomas H. Roulston, its general partner

By:

Thomas H. Roulston

General Partner

ROULSTON VENTURES L.P.,

By: Thomas H. Roulston, its general partner

By:

Thomas H. Roulston
General Partner

GLOSSARY OF DEFINED TERMS

The following terms, when used in this Agreement, have the meanings ascribed to them in the corresponding Sections of this Agreement listed below:

Term		Section
"Acquisition Transaction"	--	Section 5.02
"Affiliate"	--	Section 3.01
"Agreement"	--	Preamble
"Antitrust Division"	--	Section 6.04
"Average Closing Price"	--	Section 2.02(d)
"Certificate of Merger"	--	Section 1.02
"Certificates"	--	Section 2.02(a)
"Closing"	--	Section 1.03
"Closing Date"	--	Section 1.03
"Code"	--	Preamble
"Company"	--	Preamble
"Company Common Shares"	--	Section 2.01(b)
"Company Employee Benefit Plan"	--	Section 3.13(c)(i)
"Company Financial Statements"	--	Section 3.05
"Company Option Plan"	--	Section 2.01(e)
"Company Permits"	--	Section 3.10
"Company Shareholders' Approval"	--	Section 5.03
"Company Shareholders' Meeting"	--	Section 5.03
"Company Subsidiaries"	--	Section 3.01
"Constituent Corporations"	--	Section 1.01
"Contracts"	--	Section 3.04(a)
"Dissenting Share"	--	Section 2.01(d)
"Effective Time"	--	Section 1.02
"ERISA"	--	Section 3.13(a)(i)
"Exchange Act"	--	Section 3.01
"FTC"	--	Section 6.04
"Form S-4"	--	Section 6.02
"GAAP"	--	Preamble
"Governmental or Regulatory Authority"	--	Section 3.04(a)
"HSR Act"	--	Section 3.04(b)
"Intellectual Property"	--	Section 3.17]
"Laws"	--	Section 3.04(a)
"Lien"	--	Section 2.02(a)
"material adverse effect"	--	Section 3.01
"material"	--	Section 3.01
"materially adverse"	--	Section 3.01
"McDonald"	--	Section 3.23

"Merger"	--	Preamble
"Merger Consideration"	--	Section 2.01(c)
"Nasdaq"	--	Section 2.02(d)
"Ohio GCL"	--	Section 1.01
"Options"	--	Section 3.02
"Orders"	--	Section 3.04(a)
"Parent"	--	Preamble
"Parent Common Stock"	--	Section 2.01(c)
"Parent SEC Reports"	--	Section 4.07
"Parent Stockholders' Approval"	--	Section 6.03
"Parent Stockholders' Meeting"	--	Section 6.03
"PBGC"	--	Section 3.13(a)(ii)
"Plan"	--	Section 3.13(c)(ii)
"Potential Acquiror"	--	Section 5.02
"Principal Shareholders"	--	Preamble
"Proxy Statement"	--	Section 6.02
"qualified stock options"	--	Section 6.07
"Representative"	--	Section 5.02
"Sales Price"	--	Section 2.02(d)
"SBC WDR"	--	Section 4.11
"SEC"	--	Preamble
"Secretary of State"	--	Section 1.02
"Securities Act"	--	Section 3.09
"Sub Common Shares"	--	Section 2.01(a)
"Sub"	--	Preamble
"Subsidiary"	--	Section 2.01(b)
"Surviving Corporation"	--	Section 1.01
"Surviving Corporation Common Shares"	--	Section 2.01

Exhibit 10.41

LEASE AGREEMENT

By and Between

Mutual Properties Stonedate L.P.

as Landlord

and

M I M CORPORATION

as Tenant

Property Location: Stonedale Office Building
1935 Kingstown Road
Peace Dale, R. 1. 02883

LEASE AGREEMENT

SUMMARY OF LEASE TERMS

Premises Address:	Stonedale Building 1935 Kingstown Road Peace Dale, R. 1. 02883	
Suite Number:	Suite #101	
Square Footage:	2691 sf	
Term:	One (1) Year	
	Commencement Date:	May 1, 1997
	Expiration Date:	April 30, 1998
Option:	One (1) One (1) Year Option	
Purpose:	General Office Use	
Base Tax Year:	1997	
Advance Front Rent:	$5,158.00 Applied as follows: First Month: $2,579.00 Security Deposit: $2,579.00	
Rent:	Embodied within the express terms of the Lease	

LEASE AGREEMENT

This LEASE AGREEMENT ("Lease") dated as of this day of April, 1997 is made by and between MUTUAL PROPERTIES STONEDALE L.P., a Rhode Island Limited Partnership, having an address of One James P Murphy Highway, West Warwick, R.I. 02893, ("Landlord"), and MIM Corporation a Delaware Corporation having an address of 25 North Road, Peace Dale, R. I. ("Tenant").

Article 1 - Premises

Section 1.01. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the term and subject to the covenants, agreements and conditions hereinafter set forth those certain premises located at Stonedale Office Building, 1935 Kingstown Road, Peace Dale, R.I. 02883 identified as Premises as outlined in red (the "Premises"), on Exhibit A attached hereto.

Section 1.02. The rentable area of the Premises is agreed to be 2691 square feet. The Premises are a portion of the building (the "Building") located at 1935 Kingstown Road, Peace Dale, R. I. 02883 (collectively, the "Property").

Section 1.03. Landlord hereby grants to Tenant the non-exclusive right to use the common areas associated with the Building (the "Common Areas"), which are defined herein as all areas and facilities outside the Premises contained in or related to the Building that are provided for the general use and convenience of Tenant and of other tenants of rental space in the Building and their respective agents, invitees and customers. The Common Areas shall include without limitation, pedestrian walkways, stairways, landscaped areas, sidewalks, service corridors, throughways and private roads servicing the Building. The Common Areas shall also include the parking facilities servicing the Building (the "Parking Area").

Article 2 - Term

Section 2.01. The term (the "Initial Term") of this Lease shall commence on May 1, 1997 (the "Commencement Date") and, subject to earlier termination upon default as hereinafter provided, end on April 30, 1998 (the "Expiration Date"). Landlord and Tenant agree that Landlord shall deliver possession of the Premises to Tenant on or before the Commencement Date, with time being of the essence.

Section 2.02. So long as no event of default shall have occurred and be continuing, Tenant shall have the right to extend the Initial Term of this Lease for One (1) additional period of One (1) year commencing on May 1, 1998 and ending on April 30, 1999 ("Extended Term") on the same terms and conditions as are contained herein, except that

(a) there shall be no additional option term and (b) Base Rent (as hereinafter defined) for the Extended Term shall be an provided in Section 3.04 hereof. Tenant shall exercise such option by giving notice thereof to Landlord not less than ninety (90) days prior to the expiration of the Initial Term or any subsequent Extended Term for the following year. The Initial Term and the Extended Terms are herein collectively referred to as the "Term".

Article 3 - Rent

Section 3.01. Commencing on the Commencement Date and continuing through April 30, 1998 Tenant agrees to pay to Landlord annual rent ("Base Rent") for the use of the Premises, in lawful money of the United States in the following amounts:

Year 1:
From May 1, 1997 through and including April 30, 1998 annual Base Rent of $30,948.00 payable in equal monthly installments of $2,579.00.

All installments of Base Rent shall be payable on the first day of each month in advance without setoffs or deductions. Rent for any period less than a full calendar month shall be prorated.

Section 3.02. In addition to Base Rent, Tenant shall pay as additional rent (hereinafter called "Additional Rent") (a) Tenant's Pro Rata Share (as hereinafter defined) of all real estate taxes and assessments of any kind relating to the Property in excess of those which were assessed for the 1997 tax fiscal year ("Base Tax Year") and (b) a fixed fee as specified below for all Operating Costs (as hereinafter defined) incurred by the Landlord and attributable to Tenant's use of the Premises (collectively "Landlord's Expenses").

Tenant's yearly Pro Rata Share shall be 14.27%. Such Additional Rent shall be in the nature of Rent for purpose of determining Landlord's rights in respect thereto. As soon as reasonably practicable after Landlord's receipt of real estate tax and assessment bills for the Property each Lease year throughout the Term, Landlord shal-I deliver to Tenant each year a reasonably detailed statement setting forth the real estate taxes and assessments due for the Base Tax Year, the real estate taxes and assessments due for the current year, and Tenant's Pro-Rata Share thereof. Tenant shall pay such amount upon receipt of such statement.

Tenant shall also pay Landlord a yearly fee of $1.00 per square foot for the Operating Costs associated with the Property. Such amount shall be payable by Tenant in twelve (12) equal monthly installments and shall be paid at the same time the Base Rent is paid.

For the purpose of this Lease, the term "Operating Costs"

shall mean the following costs and expenses incurred by Landlord for the operation, management and maintenance of the Property: insurance premiums and the reasonable expenses incurred in maintaining and repairing all plumbing, heating, air conditioning and electrical equipment, and managing, equipping, lighting, repairing, cleaning and maintaining, and the Common Areas, specifically including but not limited to landscaping, gardening, parking lot maintenance, line painting, traffic control, sanitary control, removal of snow, ice, trash, rubbish, and other refuse, and the cost of all personnel necessary to implement such services plus 15% of all costs to cover administrative costs relative to the operation of the Common Areas, but not financing costs nor the costs of any major repairs to or replacement of the Building, fixtures (excluding Tenant's fixtures but including all plumbing, heating, air conditioning and electrical equipment) Common Areas and Structural Components thereof. Such financing costs and the costs of any major repairs or replacement shall be paid solely by Landlord.

Section 3.03. All payments of Rent required to be made hereunder shall be made payable to and sent to Landlord at the address set forth in Article 25 hereof.

Section 3.04. Base Rent during the Extended Term May 1, 1998 through April 30, 1999 shall be the same as for the Initial Term.

Article 4 - Possession: Quiet Enjoyment

Section 4.01. Landlord shall, on or before the Commencement Date, deliver possession of the Premises to Tenant, in good condition and repair, and in material compliance with all governmental codes, laws, ordinances, regulations and requirements applicable to the Premises and to Tenant's use thereof.

Section 4.02. Landlord covenants that it has good and marketable record title to the Property free from any liens or encumbrances which would interfere with the Tenant's quiet enjoyment of the Premises during the Term. Landlord covenants and agrees to keep Tenant in quiet possession and enjoyment of the Premises during the Term. Section 4.03. Landlord covenants that it has full, lawful right and authority to enter into the Lease and the execution of the Lease will not violate the provisions of any lease, mortgage, agreement, restriction, law, code or ordinance in effect and applicable to the Demised Premises and/or the Property.

Section 4.04. Landlord will not enter into any lease, agreement, or other undertaking which will violate or interfere with the rights of the Tenant under the Lease.

Section 4.05. Landlord covenants that to the best of its

knowledge that there are no present or pending violations of any applicable public, building or local safety laws or regulations with respect to the Premises, nor is there any violation of any zoning law, ordinance or regulation of any subdivision plat, deed or other restriction.

Section 4.06. Landlord covenants that all plumbing, heating, air conditioning and electrical equipment are of such design, efficiency and capacity as will insure the comfortable and economic enjoyment of the Premises by the Tenant, its agents, employees and invitees throughout the Term of the Lease.

Section 4.07. Landlord shall have the right to relocate Tenant in equivalent space elsewhere in the Building with a minimum of ninety (90) days notice from the date Landlord intends to relocate Tenant until the date Tenant moves into the alternate space. Landlord's right to relocate Tenant shall commence on the Commencement Date and continue through the Term of this Lease.

Article 5 - Use of Premises

Section 5.01. Tenant shall be permitted to use the Premises for the purposes of general office use and for any other legal purpose (the "Permitted Use"). Landlord covenants that the Permitted Use of the Premises is in compliance with and will not violate the provisions of any lease, mortgage, agreement, restrictive covenant, or zoning or building law applicable to the Premises.

Article 6 - Taxes

Section 6.01. Tenant shall pay before delinquency all taxes that become payable during the Term which are levied or assessed upon Tenant's equipment, furniture, fixtures and Tenant's other personal property installed or located in or on the Premises.

Section 6.02. Landlord shall pay before delinquency and subject to reimbursement by Tenant of Tenant's Pro Rata Share, as applicable, in accordance with Section 3.02 hereof, all real property and/or rental taxes which are now or hereafter imposed upon the Property and/or the Building by any governmental agency or authority having jurisdiction over the Property, or any net income, franchise, estate, inheritance or transfer tax imposed upon the Property and/or the Building subject to whatever rights.

Article 7 - Insurance

Section 7.01. Tenant shall maintain, at Tenant's expense throughout the Term, a policy of commercial general liability insurance, against all claims in connection with Tenant's Permitted Use or occupancy of the Premises. Such policies shall have limits of liability

of not less that $1,000,000 for personal injury or death of any one person, not less that $1,000,000 for any one incident, and not less than $500,000 for property damage. Tenant shall also maintain at Tenant's expense throughout the Term workman's compensation insurance affording statutory coverage and containing statutory limits.

Tenant shall furnish Landlord a certificate evidencing such insurance. Such insurance policy shall name Landlord as an additional insured and provide at least thirty (30) days' cancellation notice to Landlord.

Section 7.02. Landlord shall cause to be maintained, throughout the Term (a) a policy of commercial general liability insurance with respect to the Property, and (b) policies of insurance covering damage to the Building, excluding Tenant's fixtures, or equipment, in the amount of the full replacement value thereof, providing protection against all risk of loss. Landlord shall furnish Tenant, upon written demand therefor, a copy of such policies or a certificate evidencing such insurance.

Section 7.03. Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of, or damage to, either party or its property, where such loss or damage is insured by an insurance policy required to be in effect at the time of such loss or damage; and they further mutually agree that their respective insurance companies shall have no right of subrogation against the other on account thereof. Each party shall, obtain any special endorsements, if required by its insurer, whereby the insurer waives its rights of subrogation against the other party hereto.

Article 8 - Indemnification

Section 8.01. Tenant shall hold Landlord harmless from and defend Landlord against any and all claims or liability for any injury or damage to any person or property whatsoever; (a) occurring in, on, or about the Premises; and (b) occurring in, on, or about the Building, when such injury or damage shal-I be caused in part or in whole by the act, neglect, fault, or omission of and duty with respect to the same, by Tenant, its agents, employees, or invitees.

Section 8.02. Landlord shall hold Tenant harmless from and defend Tenant against any and all claims or liability for any injury or damage to any person or property whatsoever; (a) occurring in, or about the Property other than the Premises; and (b) occurring in, on, or about the Premises, when such injury or damage shall be caused in part or in whole by the act, neglect, fault, or omission of any duty with respect to the same, by Landlord, its agents, employees or invitees.

Article 9 - Utilities and Services; Parking

Section 9.01. Landlord shall cause water and sewage service to be furnished to the Premises for the use of Tenant. Tenant shall, at its sole cost and expense, pay or cause to be paid all charges (including any deposits) for water, sewer, gas, electricity, telephone or other services or utilities furnished to the Premises or to Tenant with respect to its operation therein during the Term to the extent that such utilities shall be separately metered and/or directly billed to Tenant by the respective utilities. To the extent that any such utilities are metered and/or billed to more than one tenant (including Tenant) Tenant shall pay Tenant's Pro Rata Share of such amounts. Further, it is expressly agreed and understood between the Tenant and the Landlord that the Tenant shall- hold the Landlord harmless for any and all damages sustained as a direct or indirect result of damage to mains and conduits bringing water gas and/or electricity to the Tenant's premises , provided that the damage to such mains and/or conduits was not caused by the gross negligence or willful misconduct of Landlord.

Section 9.02. Tenant shall have the right in common with the general use of other tenants, to park vehicles in accordance with the parking requirements of the city or town in which the Premises are located free of charge and on an unreserved basis, in the Parking Areas subject to the exclusive control and management of Landlord.

Article 10 - Landlord's Work

Section 10.01. Prior to the Commencement Date, Landlord, at its expense, shall cause certain work to be constructed in accordance with Exhibit B attached hereto and by this reference incorporated herein.

Article 11 - Repairs and Maintenance

Section 11.01. Landlord, at its sole expense, subject to reimbursement of Operating Costs by Tenant as provided in Section 3.02., shall do the following:

(a) Maintain, in good condition and repair, during the Term the structural components of the Property, including, without limitation, the foundation, roof, and exterior walls of the Building which are a part of and/or service the Premises.

(b) Maintain and keep clean all Common Areas, including the Parking Area, provide adequate lighting and drainage for the Parking Area during normal business hours, and maintain all landscaping in a neat and orderly condition.

(c) Perform all other maintenance and repair obligations at the Building and Premises that are not specifically allocated to the Tenant in Section 11.02 hereof, including without limitation maintaining in good order and repair the plumbing, electrical, heating and air conditioning systems whihc are part of or service the Premises.

(d) Remove snow and ice from the Parking Area and driveways serving the Premises.

All repairs and maintenance to be performed by Landlord hereunder shall be done in a timely fashion, as circumstances dictate.

Section 11-02. Tenant, at its sole expense shall do the following:

(a) Make all interior repairs to the Premises during the Term which are necessary to keep the Premises in substantially as good condition as on the Commencement Date, reasonable wear and tear and damage by fire or other casualty excepted.

(b) Keep the Premises neat, clean, orderl.y, in sanitary condition and free of insects and pests, replace al1 lamps, bulbs, fluorescent tubes, and ballasts.

(c) Use reasonable efforts to conserve energy, fuel and water.

(d) Maintain and replace any electrical or plumbing components installed by Tenant and customized for their use.

(e) Provide janitorial services to the Premises consistent with those provided in buildings similar in quality to the Building.

(f) Cause Tenant's own trash and refuse to be removed daily or as often as is reasonably necessary from the Building so as to avoid unreasonable accumulations of the same.

(g) Operate the air conditioning, heating and ventilating equipment throughout the year, as the weather requires, so as to keep the Premises comfortably cool in the warm season, comfortably warm in the col-d season, and adequately ventilated at all times;

(h) Keep all glass in doors and windows within and adjacent to the Premises clean, provide plate glass coverage for al1 risks, and replace promptly with glass of like kind and quality, any plate glass or window glass which may become cracked or broken.

(i) Not cause or permit objectionable odors, or noises to emanate or be dispelled from the Premises.

(j) Not permit the parking of delivery vehicles so as to interfere with the use of any driveway, walk, parking area, mall or other Common Area.

(k) Comply with all laws and ordinances and all valid rules and regulations of governmental authorities, now or hereafter enacted, promulgated or adopted, with respect to the use or occupancy of the Premises.

(1) Refrain from placing in the sewerage system any chemical, waste or substance which may require special treatment or may cause damage or injury to the sewerage system and to pay the cost of any repair or damages in the sewerage system necessitated by any violation of this undertaking; and

(m) Properly remove and dispose of all medical waste.

Article 12 - Alterations

Section 12.01 Tenant shall make no alterations,

installations, additions or improvement ("additions") in or to the Premises in excess of $10,000 without the prior written consent of Landlord, which consent will not be unreasonably withheld. Al1 such permanent additions shal1 be deemed to be part of the Building and to belong to Landlord at the end of the Term.

Article 13 - Trade Fixtures

Section 13.01. All equipment, business and office machines, furniture and other items of personal property (except additions including without limitation walls, floors, ceilings, wiring, plumbing, sewerage, and water pipes and lines) owned or installed by Tenant in the Premises at its expense shall remain the property of Tenant, and may be removed by Tenant at any time provided that Tenant shall, at its expense, repair any damage, holes or openings caused or occasioned by such removal and provided Tenant shall not at such time be in default under any covenant or agreement contained herein. If Tenant is in default, Landlord shal1 have a lien on said trade fixtures, appliances and equipment, and a continuing security interest on all said items and the proceeds thereof, a security against loss or damage resulting from any such default by tenant, and said trade fixtures, appliances and apparatus shall not be removable by Tenant until such default is cured. Tenant shall at Landlord's request execute and deliver to Landlord a financing statement under the Uniform Commercial. Code, which shall, be subordinate only to Tenant's Purchase Money security intrest on said trade fixtures.

Article 14 - Mechanic's Liens

Section 14.01 Tenant shall keep the Property, the Building and the Premises free from and promptly remove any mechanic's liens arising due to Tenant's acts or omissions after written notice from Landlord. Tenant shall have no obligation under this section to keep the Property, the Building, and the Premises free from or to remove any mechanic's liens arising due to other tenant's or Landlord's acts or omissions.

Article 15 - Damage and Destruction

Section 15.01. If the Premises are damaged by fire, earthquake, act of God or the elements, Landlord shall forthwith repair the same, subject to the provisions of this Section hereinafter set forth and provided such repairs can be made within four (4) months under applicable state, federal and city and county laws and regulations. This Lease shall remain in full force and effect, except that if there shall be damage to the Premises and such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, employees or invitees, a proportionate reduction in Rent shall be allowed Tenant for such part of the Premises as shall be rendered unusable by Tenant in the conduct of its business during the time such part is so unusable.

If such repairs cannot be made within four (4) months, Tenant may, upon written notice to the Landlord within thirty (30) days after the date of such fire or other casualty, terminate this Lease as of the date of such fire or other casualty. The Landlord shall be required to notify the Tenant within fifteen (15) days of such casualty of whether the repairs can be completed within said four (4) month period.

Notwithstanding the foregoing, Tenant may elect to terminate this Leae by written notice to Landlord within thirty (30) days of such fire or other casualty if, as a result therof, at least twenty-five percent (25%) of the floor space in the Premises has been damaged and Tenant reasonably determines that it cannot carry on its business in the Premises as intended thereby; provided, however, that Tenant may not terminate this Lease in such event if Landlord provides reasonable written assurance to Tenant within fifteen (15) days of such fire or other casualty that it can restore the Premises to substantially the same condition they were in prior to the fire or other casualty and the Premises are in fact so restored no later then (i) four (4) months from the date of the fire or other casualty and (ii) six (6) months prior to the expiration of the current Lease term. IN the event that Tenant terminates this Lease under this section, Tenant shall be entitled to the return of any Rent (including Additional Rent) paid by Tenant with respect to the period of the Lease term following the fire or other casualty.

Section 15.02. Landlord shall not be required to repair any injury or damage by fire, earthquake, act of God or the elements, or to make any repairs or replacements, of any Property, fixtures or equipment of Tenant or of any improvements installed in the Premises by Tenant, except for the portion of such improvements the cost of which was borne by Landlord; and Tenant shall, at Tenant's sole cost and expense, repair and restore its portion of such improvements.

Section 15.03. In the event the Premises or the Building is totally destroyed or rendered wholly unusable for Tenant's Permitted Use, this Lease shall terminate and Tenant shall only be liable for Rent up to the date of such total destruction.

Article 16 - Condemnation

Section 16.01. If the Premises and/or the Building, or any portion thereof, are taken or condemned under the power of eminent domain, or by purchase in lieu of such taking or condemnation, and as a result therof the use and enjoyment of the Premises by Tenant are materially impaired, Tenant may, at its sole option, but without prejudice to any rights and claims which it may otherwise have on account of such taking, condemnation or sale, terminate this Lease upon written notice to Landlord. If Tenant does not elect to terminate this Lease, the Rent reserved for the remainder of the Term shall be reduced in proportion to the portion of the Premises taken, condemned or sold,

having due regard to the nature and extent of the injury caused thereby to the Premises and to Tenant's Permitted Use thereof, and such reduction in Rent shall be without prejudice to any rights and claims which Tenant may otherwise have on account of such taking or condemnation or sale. All compensation award for such taking of the fee and the Leasehold shall belong to Landlord. All compensation award for moving expenses shall belong to Tenant.

Article 17 - Environmental Provisions

Section 17.01. Landlord and Tenant represent, warrant and covenant that to the best of each party's knowledge each has obtained, is in compliance with, and will continue to comply with all permits, licenses and other authorizations which are required under all environmental laws and regulations applicable to the Property.

Section 17.02. Landlord and Tenant shall comply with the requirements of all federal, state, and local environmental laws relating to the Property; shall immediately notify the Landlord or Tenant, as the case may be in the event of any spill, pollution or contamination affecting the Property from oil, friable asbestos, hazardous waste, hazardous material, or other waste or material regulated or limited by applicable federal, state, or local environmental law or regulation ("Hazardous Material"); and shall immediately forward to the Landlord or Tenant as the case may be any notices relating to such matters received from any governmental agency.

Section 17.03. Landlord shall immediately contain and remove at its sole cost and expense any Hazardous Material on the Premises of which it has knowledge, if the presence of such Hazardous Material is not caused by Tenant, its agents, or employees; such work must be done in compliance with applicable laws. Tenant shall notify Landlord of any material on the Premises which it knows or reasonably suspects to be a Hazardous Material.

Section 17.04. Tenant shall immediately contain and remove at its sole cost and expense any Hazardous Material found on the Premises if caused by Tenant, its agents, or employees; such work must be done in compliance with applicable laws.

Section 17.05. Landlord will indemnify, defend, and hold the Tenant harmless from and against any claim, cost, damage (including without limitation consequential damages), expense (including without limitation reasonable attorneys' fees and expenses), loss, liability, or judgment now or hereafter arising as a result of any claim for environmental cleanup costs, any resulting damage to the environment and any other environmental claims against the Landlord, the Tenant, or the Property relating to any act or failure to act by Landlord or anyone claiming by, through or under Landlord provided such damage was not caused by the Tenant, its agents, employees, or invitees. The

provisions of this Section 17.05 shall continue in effect and shall survive (among other events) any termination or expiration of this Lease.

Section 17.06. Tenant will indemnify, defend, and hold the Landlord harmless from and against any claim, cost, damage (including without limitation consequential damages), expense (including without limitation reasonable attorneys' fees and expenses), loss, liability, or judgment now or hereafter arising as a result of any claim for environmental cleanup costs, any resulting damage to the environment and any other environmental claims against the Tenant, the Landlord, or the Property relating to any act or failure to act by Tenant provided such damage was not caused by the Landlord, its agents, employees, or invitees. The provisions of this Section 17.06 shall continue in effect and shall survive (among other events) any termination or expiration of this Lease.

Article 18 - Security Deposit

Section 18.01. Tenant has deposited with Landlord the sum of $2,579.00 as security for the full and faithful performance and observance by Tenant of all the covenants, terms and conditions herein contained to be performed and observed by Tenant, and Landlord may use, apply or retain the whole or any part of said security to the extent required for the payment of any rent or any sum as to which Tenant is in default in respect to any of the covenants, terms or conditions of this Lease. Said sum (to the extent permitted by law, without interest), or any balance thereof, shall be returned to Tenant after the time fixed as the expiration of this Lease provided that Tenant shall have fully performed all of said covenants, terms and conditions. It is agreed that said security is not an advance payment of, or on account of the rent herein reserved, or any part of settlement thereof, or a measure of Landlord's damages, and in no event shall Tenant be entitled to a return or particular application of said sum or any part thereof, until the end of the Term hereby granted.

Article 19 - Signs and Advertising

Section 19.01. Tenant shall not place any sign, decoration, lettering or advertising matter on or around the Premises, Building or Land without the advance written consent of Landlord, which consent shall not be unreasonably withheld. Any and all signs shall be installed at Tenant's expense and in strict conformance with Landlord's specifications. Tenant further agrees to maintain all such signs and advertising matter as may be approved in good order and repair at all, times. Landlord agrees to maintain a uniformity of all signage for the Building.

Article 20 - Entry by Landlord

Section 20.01. Landlord and its agents shall have the right

to enter into and upon the Premises at reasonable times for the purpose of examining and exhibiting the same, for making any necessary repairs or alterations thereto, for the purpose of supplying any service, or building maintenance to be provided by Landlord hereunder; provided, however, that Landlord shall advise Tenant a reasonable time in advance thereof, and provided further, that the operations of Tenant shall not be interfered with unreasonably thereby. Landlord may enter into and upon the Premises at any time without prior notice to Tenant if such entry is of an emergency nature.

Article 21 - Assignment and Subletting

Section 21.01. Tenant will not assign, sublet, pledge, mortgage, or otherwise transfer this Lease or the whole or any part of the Premises without in each instance having first received the express written consent of Landlord, which consent shall not be unreasonably withheld.

Article 22 - Subordination

Section 22.01. Tenant agrees to subordinate this Lease to any mortgage or other instrument of security placed upon the Premises by Landlord if the holder of such mortgage or other instrument (the "Landlord's Mortgagee") requires such subordination; provided, however, that the Landlord's Mortgagee must enter into an agreement with Tenant and the successors and assigns thereof in which the Landlord's Mortgagee agrees not to disturb the possession and other rights of Tenant under this Lease so long as Tenant continues to perform its obligations hereunder, and, in the event of acquisition of title by the Landlord's Mortgagee through foreclosure proceedings or otherwise, to accept Tenant as tenant of the Premises under the terms and conditions of this Lease and to perform the Landlord's obligations hereunder arising after the acquisition of such title.

Section 22.02. At no cost or expense to the Landlord, and from time to time, Tenant agrees that within thirty (30) days after a written request therefor and upon such form as Landlord provides (hereinafter referred to as "Tenant's Estoppel Certificate") , Tenant will certify to Landlord or any person designated by Landlord ("Landlord's Designee") that: (a) this Lease is in full force and effect; (b) there are no existing uncured defaults hereunder; (c) this Lease is unmodified; (d) the date to which rent and additional rent (if any) have been paid; (e) the amount held by Landlord as a security deposit (if any); and (f) any deviations from any of the preceding declarations. Landlord and Landlord's Designee shall be absolutely entitled to rely upon the declarations contained in Tenant's Estoppel Certificate, and Tenant shall be forever estopped from disputing the truthfulness of any declaration therein contained as of the date to which Tenant's Estoppel Certificate speaks.

Section 22.03. At no cost or expense to the Tenant, and from time to time, Landlord agrees that within thirty (30) days after a written request therefore and upon such form as Tenant provides (hereinafter referred to as "Landlord's Estoppel Certificate), Landlord will certify to Tenant or any person designated by Tenant ("Tenant's Designee") that: (a) this Lease is in ful1 force and effect; (b) there are no existing uncured defaults hereunder; (c) this Lease is unmodified; (d) the date to which Rent and Additional Rent (if any) have been paid; (e) the amount held by Landlord as security deposit (if any); and (f) any deviations from any of the preceding declarations. Tenant and Tenant's Designee shall be absolutely entitled to rely upon the declarations contained in Landlords Estoppel Certificate, and Landlord shall be forever estopped from disputing the truthfulness of any declaration therein contained as of the date to which Landlord's Estoppel Certificate speaks.

Article 23 - Default

Section 23.01. If any of the following shal.] occur, Tenant shall be deemed in default of this Lease: (a) if Tenant shall fail to pay any Rent or other sum when and as the same becomes due and payable and such fail-ure shall, continue for more than ten (1O) days after written notice thereof from the Landlord; (b) if Tenant shall fail to perform any of the other duilies required to be performed by Tenant under this Lease and such failure shall continue for more than thirty (30) days after receipt of writilen notice thereof from Landlord; provided, however, that if such cannot reasonably be performed within such thirty (30) day period, Tenant shall have such additional time as is reasonably necessary to perform such duty; (c) if Tenant shall make a general assignment for the benefit of creditors, admit in writing its inability to pay its debts as they become due, file a petition in bankruptcy, have an order of relief entered against it, or file or have filed against Tenant a petition seeking any reorganization, receivership, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation.

Section 23.02. The Rent is due the lst of the month. If the Rent is not paid on the lst of the month and continues unpaid for a period of ten (10) business days it will be a material breach of the Lease and the Tenant will be subject to legal proceedings. The Landlord may give notice of this breach to the Tenant by regular mail and if the Rent is not paid within five (5) business days of such notice, the Landlord may terminate the lease at his option and the Tenant is subject to eviction, damages and cost of eviction, including reasonable attorneys' fees. For every day after such notice of breach the Rent is unpaid, a $25.00 per day late rental payment accruing as of the first of the month wil1 be due and playable and considered Additional Rent. It is further agreed, that acceptance by the Landlord of any part of any arrearage shall not be deemed a waiver of this provision. If Tenant shall violate either (a) the covenant to pay Rent, Additional Rent or

any other charges of sums required to be paid hereunder and shall fail to comply with said covenant within 10 days (or such shorter period as expressly provided herein) after being sent written notice of such violation by Landlord, or (b) any other covenant other than that to payment of Rent made by it in this Lease and shall fail to comply, or commence compliance, within 10 days after being sent written notice of such violation by Landlord, and diligently complete the same, then Landlord may, at its option, terminate this Lease by serving on Tenant a notice of termination, setting forth in said notice of termination, which shall be no less than 10 business days after mailing of said notice, and the Tenant is subject to eviction, damages and cost of eviction including reasonable attorneys' fees. Tenant waives any right of redemption of the Premises after eviction.

Section 23.03. In the event of default by Tenant, Landlord may exercise all remedies available to Landlord under law, including the right to terminate this Lease upon written notice to Tenant.

Section 23.04. The waiver by either party or any default shall not be deemed to be a waiver of any subsequent default under the same, or under any other term, covenant or condition of this Lease. The subsequent acceptance of any Rent by Landlord shall not be deemed to be a waiver of any preceding default by Tenant under any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such Rent.

Article 24 - Return of Premises; Holdover

Section 24.01. At the expiration or other termination of the Term, Tenant will remove from the premises its property and that of all claiming under it and will peaceably yield up to Landlord the Premises in as good condition in all respects as the same were at the commencement of this Lease, except for ordinary wear and tear, damage by the elements, by any exercise of the right of eminent domain or by any public or other authority, or damage not caused by Tenant and with respect to which Tenant is not requried to maintain insurance hereunder.

Section 24.02. If Tenant shall hold possession of the Premises beyond the Term without Landlord's written consent Tenant shal1 pay to Landlord double the Rent plus the Additional Rent than applicable for each month during which Tenant shall retain such possession, and also shall pay all damages sustained by Landlord on account thereof. The provisions of this paragraph shall not operate as a bar or as a waiver by Landlord of any right of re-entry or any remedy available to Landlord under common law.

Article 25 - Notices

Section 25.01. Al notices which are required to be given

by either party hereunder shall be in writing, sent by certified or registered mail, postage prepaid, return receipt requested, and addressed to the parties at the following addresses:

Landlord: Mutual Properties Stonedale L.P.
One James P Murphy Highway
West Warwick, Rhode lsland 02893
Attention: Stephen G. Soscia

Tenant: MIM Corportion
25 North Road
Peace Dale, R. I. 02883
Attn: Mr Richard J Stader, Vice President

or to such other addresses and to such other persons as the parties may from time to time designate in writing. The time of giving of any such notice shall be deemed to be three (3) days after such notice is mailed.

Article 26 - Broker's Commissions

Section 26.0l. Each party hereto represents that it has not dealt with any other real estate broker or agent in connection with the negotiation of this Lease or the leasing of the Premises except for Stephen G. Soscia dba Mutual Properties Inc. and Keith Monroe dba Prudential Prime Properties. Landlord shall pay Stephen G. Soscia dba Mutual Properties Inc. a commission in accordance with an agreement between Landlord and Mutual Properties Inc. Landlord shall have no obligation to Keith Moiiroe dba Prudential Prime Properties. Tenant shall pay Keith Monroe dba Prudential Prime Properties a commission for the Leasing of the Premises. Tenant shall have no obligation to Mutual Properties Inc. Each party shall hold the other harmless from all damages resulting from any claims that may be asserted against the other party by any broker, finder, or other person or entity with whom the other party has dealt.

Article 27 - Rules and Regulations

Section 27.01. Tenant shall abide by the reasonable rules and regulations from time to time established by Landlord with respect to the Building and the Property. In the event that there shall be conflict between such rules and regulations and the provisions of this Lease, the provisions of this Lease shall control.

Article 28 - Recording of Lease

Section 28.01. The parties hereto agree that this Lease shall not be recorded, but the Landlord and Tenant hereby agree upon request of either party to enter into a notice of lease in recordable form, setting forth the names of the parties, describing the Premises, specifying the Term, and such other provisions, except rental

provisions, with respect to the Lease as will put on notice any third party of the existence of this Lease.

Article 29 - Miscellaneous

Section 29.01. The words "Landlord" and "Tenant", as used herein, shall include the plural as well as the singular. Words used in the masculine gender herein shall include feminine and neuter forms thereof.

Section 29.02. The covenants and conditions contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, and subject to Section 21.01, successors and assigns of the parties hereto.

Section 29.03. The article headings in this Lease are for convenience only, and shall not limit or otherwise affect the meaning of any provisions hereof.

Section 29.04. Tenant shall pay interest at the rate of Eighteen (18%) Percent per annum on any installment of Rent or Additional Rent from the due date when paid more than Ten (10) days after the due date thereof and such interest shall be paid on demand.

Section 29.05. Time is of the essence in each and every provision of this Lease.

Section 29.06. The invalidity or uneriforceability of any provision of this lease shall not affect any other provision hereof.

Section 29.07. Should either party hereto commence an action against the other to enforce any obligation under this Lease, the prevailing.party shall be entitled to recover reasonable attorneys' fees and expenses from the other.

Section 29.08. This lease shall be construed and enforced in accordance with the laws of the State of Rhode Island without respect to its conflict of laws provisions.

Section 29.09. This Lease constitutes the entire agreement between the parties hereto and may not be modified in any manner other than by written agreement, executed by all of the parties hereto or their successors in interest. No prior understanding or representation of any kind made before the execution of this Lease shall be binding upon either party unless incorporated herein.

IN WITNESS WHEREOF, the parties hereto have executed this lease as of the date first set forth above.

LANDLORD: Mutual Properties Stonedale L.P.
a Rhode Island Limited Partnership
By STO Real Estate Inc General Partner

By: /s/ Stephen G. Soscia Pres.

Stephen G. Soscia President

TENANT: MIM CORPORATION

By: /s/ Richard J. Stader

Richard J. Stader
Its: Vice President

(Landlord)
STATE OF RHODE ISLAND
COUNTY OF

In Warwick, on the 23rd day of April,1997, before me personally appeared Stephen G. Soscia, the President of STO Real Estate Inc.to me known and known by me to be the person executing the foregoing instrument, and he acknowledged said instrument by him executed to be his free act and deed in said capacity and the free act and deed of the General Partnership.

/s/ James A. Lombardi

Notary Public
My Commission Expires: 3/5/98

(Tenant)
STATE OF RHODE ISLAND
COUNTY OF

In Peace Dale on the 23rd day of April, 1997 before me personally appeared Richard J. Stader the Vice President of MIM Corporation to me known and known by me to be the person executing the foregoing instrument, and he acknowledged said instrument by him executed to be his free act and deed in said capacity and the free act and deed of the corporation.

/s/ James A. Lombardi

Notary Public
My Commission Expires: 3/5/98

Exhibit "A"

[Floor plan of Suite 101]

EXHIBIT "B"

Landlord's Work

MIM CORPORATION

Landlord shall perform the following at Landlord's sole cost and expense:

1. Remve interior wall as shown on plan
2. Patch flooring and ceiling where wall is removed as required
3. Patch, paint and remove scuff marks from interior walls as required.
4. Repaint lunch room to match other interior walls.
5. Relocate doorway of conference room as shown on plan.
6. Provide door (with glass) for lunch room as shown on plan.

Exhibit 10.42

AGREEMENT

This AGREEMENT, dated as of the 23d day of April, 1997 (the "Effective Date"), is made by and between Mutual Properties Stonedale L.P., a Rhode Island limited partnership having an address of One James P. Murphy Highway, West Warwick, Rhode Island 02893 ("Mutual Properties"), and MIM Corporation, a Delaware corporation having an address of 25 North Road, Peace Dale, Rhode Island 02883 ("MIMI").

WITNESSETH:

WHEREAS, Mutual Properties and MIM have on the Effective Date entered into a Lease Agreement (the "Lease Agreement") for the lease by MIM, as lessee thereunder, from Mutual Properties, as lessor, of certain space for general office and business use in the so-called Stonedale Office Building (the "Building") located at 1935 Kingstown Road, Peace Dale, Rhode Island, such space known as Suite 101 and measuring approximately 2,691 square feet in area ("Suite 101");

WHEREAS, the Lease Agreement is to remain effective for a period of one (1) year, with an option in MIM to renew for an additional one (1) year period;

WHEREAS, to meet the contingency of needing additional lease space for similar use, MIM desires to obtain an option and right of first refusal with respect to other, adjacent space in the Building; and

WHEREAS, Mutual Properties desires to grant MIM such rights subject to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual promises herein contained and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. For such period as the Lease Agreement is in effect, and provided that MlM is not in material breach thereunder, MIM shall have an option ("Option") to lease space in the Building located on the same floor as and across the hall from Suite 101, such space known as Suite 103 and measuring approximately 1,200 square feet, as shown on Exhibit A hereto ("Suite 103"), together with the non-exclusive right to use the Common Areas (as defined in the Lease Agreement). MIM may exercise the Option by giving Mutual Properties written notice thereof in the manner and at the address specified for the giving of notice under the Lease Agreement. The parties thereupon shall promptly, but in no event later than fifteen (15) days after MIM's exercise of the Option, enter into a lease agreement for the lease of Suite 103 on the same terms and conditions as are set forth in the Lease Agreement, with such adjustments and modifications as are necessary based on the difference in leasable floor space and such other modifications as the parties shall determine. The option right set forth in this Paragraph I shall be void in the event Mutual Properties offers to lease Suite 103 to MIM pursuant to Paragraph 2 hereof, but shall

once again be effective if MIM does not exercise its right of first refusal thereunder and Mutual Properties fails to lease the premises to an interested third party in accordance therewith.

2. For such period as the Lease Agreement is in effect, and provided that MIM is not in material breach thereunder, MIM shall also have a right of first refusal to lease Suite 103, together with the non-exclusive right to use the Common Areas (as defined in the Lease Agreement). Prior to accepting any offer to lease Suite 103 to a third party, Mutual Properties shall first offer said premises in writing to MIM, in the manner specified for giving notice under the Lease Agreement, on the same terms and conditions (including without limitation the same monthly rental) as those which Mutual Properties is willing to accept from such third party in good faith. Such offer shall set forth all such terms and conditions. MIM shall then have fifteen (15) days from the receipt thereof to accept such offer in writing. If MIM does not accept the offer to lease during such fifteen (15) day period, the offer will be deemed rejected. If MIM rejects the offer, Mutual Properties may then lease Suite 103 to the interested third party on terms and conditions no more favorable than those offered by Mutual Properties to MIM; provided, however, that if Mutual Properties and such third party do not execute a lease for the premises within thirty (30) days of MIM's rejection of the offer to lease, MIM's Option under Paragraph 1 will once again become effective. For purposes hereof, acceptance by MIM of an offer to lease under this provision shall be deemed effective on the date such acceptance is hand delivered to Mutual Properties at the address specified for notice under the Lease Agreement or on the date such acceptance is sent by certified mail, return receipt requested, to such address.

3. The rights and obligations of the parties under this Agreement shall be binding on and inure to the benefit of the successors and assigns thereof.

4. This Agreement shall be governed by the laws of the State of Rhode Island without regard to its conflicts of laws provisions.

5. This Agreement constitutes the entire agreement of the parties with respect to the subject matter hereof, and no amendment hereto or modification hereof shall be effective unless the same is in writing and signed by both parties.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

WITNESS: Mutual Properties Stonedale L.P.

By: STO Real Estate Inc.
Its General Partner

/s/ Karena Pelosi
- --------------------------------

By: /s/ Stephen G. Soscia Pres.

Stephen G. Soscia
Its President

MIM Corporation

/s/ James L. Lombardi

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By: /s/ Richard J. Stader

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Richard J. Stader
Its Vice President

EXHIBIT A

[Floor diagram of lower level]

Exhibit 10.43

LEASE AMENDMENT AND EXTENSION AGREEMENT

This Lease Amendment and Extension Agreement ("Agreement") is made and entered into on the 10th day of December, 1997 by and between MIM Corporation, a Delaware Corporation, (the "Tenant"), and MUTUAL PROPERTIES STONEDALE L.P., (the "Landlord"),

WHEREAS: a certain lease was entered into by and between Landlord and Tenant dated April 23, 1997 (the "Lease") covering premises at 1935 Kingstown Road, Peace Dale, R. I., capitalized terms used in this Agreement are defined herein or in the Lease; and

WHEREAS: Landlord and Tenant now desire to amend the Lease by adding additional suites to the Premises, extending the Initial Term and changing the Expiration Date and otherwise amending the Lease.

NOW THEREFORE, in consideration of the premises and mutual covenants herein set forth and for other good and valuable consideration, Landlord and Tenant hereby agree to amend the Lease for those certain premises located at Stonedale Office Building, 1935 Kingstown Road, Peace Dale, Rhode Island as follows:

1. Exhibit A and the defirition of Premises as used in Article 1 - Premises and thereafter are amended to include, in addition to Suite 101 containing 2691 rentable square feet (the "Original Suite"), Suites 301 containing 1834 rentable square feet and Suite 303 containing 2707 rentable square feet (the "Additional Suites"). The Original Suite and the Additional Suites contain a total of 7232 rentable square feet.

2. Section 2.01 of Article 2 - Term is amended to read as follows:

The term of this Lease (the "Term") with respect to the Original Suite shall commence on May 1, 1997 (the "Commencement Date of the Original Suite") and, subject to earlier termination upon default as hereinafter provided, end on January 31, 2003 (the"Expiration Date"). The commencement of the Term for the Additional Suites shall be upon substantial completion of the Additional Improvements (as hereinafter defined) by the Landlord, but in no event later than February 1, 1998 (the "Commencement Date of the Additional Suites") and shall continue, subject to earlier termination upon default as hereinafter provided until the Expiration Date.

3. Section 2.02 is deleted in its entirety and the following substituted therefor:

Section 2.02. Provided Tenant is not in default hereunder, Tenant may terminate this Lease with respect to the entire Premises or a part thereof upon nine (9) months advance written notice to Landlord given any time after August 1, 1999 (the "Notice"). The termination of the Lease, in its entirety or with respect to any Suite, identified in the Notice, (Tenant may not terminate a portion of any Suite) shall be effective as of the last day of the ninth month following Landlord's receipt of the Notice (the "Effective Date"). For any such termination to become effective on the Effective Date, Tenant shall pay to Landlord prior to the Effective Date a lump sum termination fee equal to

three (3) months Rent and Additional Rent then allocable to the Premises or portion thereof affected by the Notice and Tenant shall not be in default under the Lease through the Effective Date. In the event of a partial termination, Rent shall be proportionately reduced on the remaining premises from and after the Effective Date.

4. Section 3.01. is deleted in its entirety and the following provisions substituted therefor:

Section 3.01. Beginning on the Commencement Date of the Original Suite and continuing through and including December 31, 1997, Tenant agrees to pay to Landlord for the use of the Premises, in lawful money of the United States annual base rent ("Base Rent") in the amount of $30,948.00 payable in monthly installments of $2,579.00. Beginning on January 1, 1998, annual Base Rent in the amount of $36,336.00 shall be payable monthly in equal installments of $3028.00. Beginning on the Commencement Date of the Additional Suites and continuing through and including January 31, 2003, annual Base Rent in the amount of $97,632.00 shall be payable monthly in equal installments of $8,136.00.

All installments of Base Rent shall be payable on the first day of each month, in advance, without setoff or deduction. Rent for any period less than a full calendar month shall be prorated.

5. Section 3.02 is amended as follows. Section 3.02 (b.) shall be deleted in its entirety and the following substituted therefor:

(b.) Tenant's Pro Rata Share of all Operating Costs (as hereinafter defined) incurred by Landlord (collectively "Landlord's Expenses").

The first sentence of the second paragraph of Section 3.02 is deleted and the following substituted therefor:

Tenant's yearly Pro Rata Share for the Original Suite only shall be 14.27%. From and after the Commencement Date of the Additional Suites, Tenant's Pro Rata Share shall be 38.35%.

The third paragraph is deleted and the following substituted therefor:

Beginning on the Commencement Date of the Additional Suites and continuing throughout the Term, Tenant shall pay monthly in advance the amount of $605.00 as its Pro Rata Share of the Operating Costs of the Property. As soon as reasonably practicable after the end of each fiscal year, Landlord shall supply Tenant with a reasonably detailed statement setting forth all Operating Costs and a determination of Tenant's Pro Rata Share thereof. In the event the amount paid in advance by Tenant is less than Tenant's actual Pro Rata Share of Landlord's Operating Costs for each calendar year of the Term, Tenant shall pay any additional sum required within 30 days after receipt of Landlord's statement therefor. Notwithstanding the foregoing, Landlord and Tenant agree that in each year of the Tenn starting with calendar year 1999, Tenant's Pro Rata Share of Operating Costs shall not increase by more than three per cent (3%) over the amount paid for the immediately preceding year.

6. Paragraph 3.04 is deleted in its entirety.

7. Paragraph 4.07 is deleted in its entirety.

8. Section 10.01 is amended to read as follows:

Prior to the Commencement date of the Original Suite, Landlord, at its expense, shall cause certain work to be constructed in accordance with Exhibit B attached hereto and by this reference incorporated herein. Prior to the Commencement Date of the Additional Suites, Landlord, at its expense, shall complete the improvements described on Exhibit C attached hereto and by this reference incorporated herein.

9. The first sentence of Section 18.01 is deleted in its entirety and the following substituted therefor:

Section 18.01. At the Conmencement Date of the Original Suite, Tenant deposited with the Landlord the sum of $2,579.00 as a security deposit. Upon the signing of this Amendment, Tenant deposited with the Landlord an additional $5,557.00 making the total security deposit $8,136.00. The security deposit is to assure the full and faithfiil performance and observance by Tenant of all covenants, terms and conditions herein contained to be performed and observed by Tenant and Landlord may use, apply or retain the whole or any part of the security deposit to the extent required for the payment of any rent or any sum as to which Tenant is in default with respect to any of the covenants, terms or conditions of this Lease.

Except as amended hereby, all other terms and conditions of the Lease shall remain in filll force and effect and are in all respects hereby ratified and affirmed.

IN WITNESS WHEREOF, the Landlord and Tenant have hereunto set their hands as of the day and date first above written.

MIM CORPORATION TENANT

/s/ E. David Corvese

By: E. David Corvese
It's Vice Chairman

MUTUAL PROPERTIES STONEDALE L.P.
LANDLORD
By: STO Real Estate Inc G.P.

/s/ Stephen G. Soscia Pres.

By: Stephen G. Soscia, President

EXHIBIT "C"

Landlord's Work

MIM Corporation

Landlord shall perform the following at Landlord's sole cost and expense:

1. Remove and/or construct interior walls to create floor plan layout as shown on plan attached.

2. Install new floor coverings if and as required to provide uniform finished floors.

3. Provide finished ceilings, reconstruct lighting, and fire safety systems to accommodate new floor plan layout.

4. Paint walls as required to provide clean wall surfaces.

Exhibit "C"

[Floor plan]

Exhibit 10.44

LEASE AMENDMENT AND EXTENSION AGREEMENT - II

This Lease Amendment and Extension Agreement ("Amendment") is made and entered into on the 27th day of March, 1998 by and between MIM Corporation, a Delaware Corporation (the "Tenant"), and MUTUAL PROPERTIES STONEDALE L.P. (the "Landlord").

WHEREAS Landlord and Tenant are the parties to a certain lease dated April 23, 1997 covering premises at 1935 Kingstown Road, Peace Dale, R. I. which was amended and extended pursuant to that certain Lease Amendment and Extension Agreement between the parties hereto dated December 10, 1997 (as so amended, the "Lease"), terms defined in the Lease having the same meaning when used in this Amendment; and

WHEREAS Landlord and Tenant now desire to further amend the Lease by adding further suites to the Premises, extending the Initial Term, deleting Tenant's right to terminate, changing the Expiration Date and otherwise amending the Lease;

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein set forth and other good and valuable consideration, Landlord and Tenant hereby agree to amend the Lease as follows:

1. Exhibit A and the definition of Premises as used in Article I - Premises and thereafter are amended to include the following additional suites (the "Further Suites"): Suite 110 containing 602 rentable square feet and Suite 104 containing 1505 rentable square feet. The Original Suite, the Additional Suites and the Further Suites contain a total of 9339 rentable square feet.

2. Section 2.01 of Article 2 - Term is amended to read as follows:

Section 2.01. The term of this Lease (the "Term") with respect to the Original Suite shall commence on May 1, 1997 (the "Commencement Date of the Original Suite") and, subject to earlier termination upon default as hereinafter provided, end on August 31, 2003 (the"Expiration Date"). The commencement of the Term for the Additional Suites shall be upon substantial completion of the Additional Improvements (as hereinafter defined) by the Landlord, but in no event later than February 1, 1998 (the "Commencement Date of the Additional Suites") and shall continue, subject to earlier termination upon default as hereinafter provided until the Expiration Date. The commencement of the Term for Suite 110 shall be April 1, 1998, and the commencement of the Term for Suite 104 shall be upon substantial completion of the Further Improvements (as hereinafter defined) by the Landlord, but in no event later than June 1, 1998 (collectively, the "Commencement Dates" of the Further Suites).

3. Section 2.02 is deleted in its entirety.

4. Section 3.01. is deleted in its entirety and the following provisions substituted therefor:

Section 3.01. Beginning on the Commencement Date of the Original Suite and continuing through and including December 31, 1997, Tenant agrees to pay to Landlord for the use of the Premises, in lawful money of the United States annual base rent ("Base Rent") in the amount of $30,948.00 payable in monthly installments of $2,579.00. Beginning on January 1, 1998, annual Base Rent in the amount of $36,336.00 shall be payable monthly in equal installments of $3028.00. Beginning on the Commencement Date of the Additional Suites, annual Base Rent in the amount of $97,632.00 shall be payable monthly in equal installments of $8,136.00. Beginning on the Commencement Date of Suite 110, annual Base Rent in the amount of $105,759 shall be payable monthly in equal installments of $8,813.25. Beginning on the Commencement Date of Suite 104 and continuing through and including the Expiration Date, annual Base Rent in the amount of $126,076.44 shall be payable monthly in equal installments of $10,506.37.

All installments of Base Rent shall be payable on the first day of each month, in advance, without setoff or deduction. Rent for any period less than a full calendar month shall be prorated.

5. Section 3.02 is amended as follows.

The first paragraph of Section 3.02 shall be deleted in its entirety and the following substituted therefor:

In addition to Base Rent, Tenant shall pay as additional rent (hereinafter called "Additional Rent") (a) Tenant's Pro Rata Share (as hereinafter defined) of all real estate taxes and assessments of any kind relating to the Property

and (b) Tenant's Pro Rata Share of all Operating Costs (as hereinafter defined) incurred by Landlord (collectively "Landlord's Expenses").

The first sentence of the second paragraph of Section 3.02 is deleted and the following substituted therefor:

From and after the Commencement Date of the Original Suite, the Additional Suites, Suite 110 and Suite 104, Tenant's Pro Rata Share shall be 14.27%, 38.35%, 41.55% and 49.53%, respectively.

The third paragragh is deleted and the following substituted therefor:

Beginning on the Commencement Date of the Additional Suites Tenant shall pay monthly in advance the amount of $605.00, and beginning on the Commencement Date of Suite 110 Tenant shall pay monthly in advance the amount of $656.00, and beginning on the Commencement Date of Suite 104 and continuing throughout the Term Tenant shall pay monthly in advance the amount of $780.00, as its estimated Pro Rata Share of the Operating Costs of the Property. As soon as reasonably practicable after the end of each fiscal year, Landlord shall supply Tenant with a reasonably detailed statement setting forth all Operating Costs and a determination of Tenant's Pro Rata Share thereof. In the event the amount paid in advance by Tenant is less than Tenant's actual Pro Rara Share of Landlord's Operating Costs for any calendar year of the Term, Tenant shall pay any additional sum required within 30 days after receipt of Landlord's statement therefor. The foregoing notwithstanding, Landlord and Tenant agree that in each year of the Term starting with calendar year 1999, Tenant's Pro Rata Share of Operating

Costs shall not increase by more than three per cent (3%) over the amount paid for the immediately preceding year.

6. Section 10.01 is amended to read as follows:

Section 10.01. Prior to the Commencement Dates of the Original Suite, the Additional Suites and Suite 104, Landlord, at its expense, shall cause certain work to be constructed in accordance with Exhibits B, C and D, respectively, attached hereto and by this reference incorporated herein.

7. The first sentence of Section 18.01 is deleted in its entirety and the following substituted therefor:

Section 18.01. At the Commencement Date of the Original Suite, Tenant deposited with the Landlord the sum of $2,579.00 as a security deposit. On December 10, 1997, Tenant deposited with the Landlord an additional $5,557.00 making the total security deposit $8,136.00. Upon the signing of this Amendment, Tenant shall deposit an additional $677.25, making the total security deposit $8,813.25. On the Commencement Date of Suite 104, Tenant shall deposit an additional $1,692.75, making the total security deposit $10,506.00. The security deposit is to assure the full and faithful performance and observance by Tenant of all covenants, terms and conditions herein contained to be performed and observed by Tenant and Landlord may use, apply or retain the whole or any part of the security deposit to the extent required for the payment of any rent or any sum as to which Tenant is in default with respect to any of the covenants, terms or conditions of this Lease.

Except as amended hereby, all other terms and conditions of the Lease shall remain in full force and effect and are in all respects hereby ratified and affirmed.

IN WITNESS WHEREOF, the Landlord and Tenant have hereunto set their hands as of the day and date first above written.

TENANT: MIM CORPORATION

By /s/ Richard H. Friedman

Name and Title COO

LANDLORD: MUTUAL PROPERTIES STONEDALE L.P.
By STO Real Estate Inc. G. P.

By /s/ Stephen G. Soscia

Stephen G. Soscia, President

EXHIBIT "D"

[Floor plan of Suite 104]

Exhibit 10.44

LEASE AGREEMENT
By and Between

Mutual Properties Stonedale L.P.

as Landlord

and

Pro-Mark Holdings, Inc.

as Tenant

Property Location: Stonedale Office Building

1935 Kingstown Road

Peace Dale, R.I. 02881

LEASE AGREEMENT

SUMMARY OF LEASE TERMS

Premises Address: Stonedale Building
1935 Kingstown Road
Peace Dale, R. I. 02883

Unit Number: Suites #201, #203

Square Footage:

Suite	Area
201	3735
203	2707
Total	6442

Term: Five (5) Years

Commencement Date: April 1, 1998

Expiration Date: March 31, 2003

Option to Renew: None:

Purpose: General Office Use

Base Tax Year: 1997

Advance Front Rent $14,494.50
Applied as follows:
First Month: $7,247.25
Security Deposit: $7,247.25

Rent: Embodied within the express terms of the Lease.

LEASE AGREEMENT

This LEASE AGREEMENT ("Lease") dated as of this 23rd day of December, 1997, is made by and between MUTUAL PROPERTIES STONEDALE L.P., a Rhode Island Limited Partnership, having an address of One James P Murphy Highway, West Warwick, R.I. 02893, ("Landlord"), and Pro-Mark Holdings, Inc. a Delaware Corporation, having an address of 1935 Kingstown Road, Peace Dale, R. 1. ("Tenant").

Article I - Premises

Section 1.01. Landlord hereby leases to Tenant, and Tenant hereby leases from Landlord, for the term and subject to the covenants, agreements and conditions hereinafter set forth those certain premises located at Stonedale Office Building, 1935 Kingstown Road, Peace Dale, RI. 02883 identified as premises as outlined in red (the "Premises"), on Exhibit A attached hereto.

Section 1.02. The rentable area of the Premises is agreed to be 6442 square feet which consists of Suite #201 containing 3735 square feet and Suite #203 containing 2707 square feet The Premises are a portion of the building (the "Building") located at 1935 Kingstown Road, Peace Dale, R.I. 02883 (collectively, the "Property").

Section 1.03. Landlord hereby grants to Tenant the nonexclusive right to use the common areas associated with the Building (the "Common Areas"), which are defined herein as all areas and facilities outside the Premises contained in or related to the Building that are provided for the general use and convenience of Tenant and of other tenants of rental space in the Building and their respective agents, invitees and customers. The Common Areas shall include without limitation, pedestrian walkways, stairways, landscaped areas, sidewalks, service corridors, throughways and private roads servicing the Building. The Common Areas shall also include the parking facilities servicing the Building (the "Parking Area").

Article 2 - Term

Section 2.01. The term (the "Initial Term") of this Lease shall commence on April 1, 1998 (the "Commencement Date") and, subject to earlier termination or upon default or as hereinafter provided, end on March 31, 2003 (the "Expiration Date"). Landlord and Tenant agree that Landlord shall deliver possession of the Premises to Tenant on or before the Commencement Date, with time being of the essence.

Section 2.02. Provided Tenant is not in default hereunder, Tenant may terminate this Lease with respect to the entire Premises or a part thereof upon six (6) months advance written notice to Landlord given any time after March 31, 2000 (the "Notice"). The termination of the Lease, in its entirety or with respect to any Suite, identified in the Notice , (Tenant may not terminate a portion of any Suite), shall be effective as of the last day of the sixth month following Landlord's receipt of the Notice (the "Effective Date"). For any such termination to become effective on the Effective Date,

Tenant shall pay to Landlord prior to the Effective Date a lump sum termination fee equal to three (3) months Rent and Additional Rent then allocable to the Premises or portion thereof affected by the Notice and Tenant shall not be in default under the Lease through the Effective Date. In the event of a partial termination, Rent shall be proportionately reduced on the remaining premises from and after the Effective Date.

Article 3 - Rent

Section 3.0. Commencing on the Commencement Date and continuing through March 31, 2003, Tenant agrees to pay to Landlord annual rent ("Base Rent") for the use of the Premises, in lawful money of the United States in the following amounts:

Years 1 - 5:
From April 1, 1998 through and including March 31, 2003, annual Base Rent of $86,967.00 payable in equal monthly installment of $7,247.25.

All installments of Base Rent shall be payable on the first day of each month in advance without setoff or deduction. Rent for any period less than a full calendar month shall be prorated.

Section 3.02. In addition to Base Rent, Tenant shall pay as additional rent (hereinafter called "Additional Rent") (a) Tenant's Pro Rata Share (as hereinafter defined) of all real estate taxes and assessments of any kind relating to the Property in excess of those which were assessed for the 1997 tax fiscal year ("Base Tax Year") and (b) Tenants Pro Rata Share of all Operating Costs (as hereinafter defined) incurred by the Landlord (collectively "Landlords' Expenses").

Tenant's Pro Rata Share shall be 34.17%. Such Additional Rent shall be in the nature of Rent for purpose of determining Landlord's rights in respect thereto. As soon as reasonably practicable after Landlord's receipt of real estate tax and assessment bills for the Property each Lease year throughout the Term, Landlord shall deliver to Tenant each year a reasonably detailed statement setting forth the real estate taxes and assessments due for the Base Tax Year, the real estate taxes and assessments due for the current year, and Tenant's Pro Rata Share thereof. Tenant shall pay such amount upon receipt of such statement.

Beginning on the Commencement Date and continuing on the first of each month throughout the Term, Tenant agrees to pay monthly in advance the sum of $540.00 as Tenant's Pro-Rata share of the Operating Cost of the Property. As soon as reasonably practicable after the end of each fiscal year, Landlord shall supply Tenant with a reasonably detailed statement setting forth all Operating Cost and a determination of Tenant's Pro-Rata Share thereof. In the event the amount paid by Tenant shall be less than its Pro-Rata Share of Landlord's Operating Cost for each calendar year of the Term, Tenant shall pay said excess cost within Thirty (30) days after receipt of such determination each year throughout the Term. Notwithstanding the foregoing, Landlord and Tenant agree that in each subsequent year of the term, Tenant's Pro-Rata Share of Operating Costs shall not in crease by more than 3% each year.

For the purpose of this Lease, the term "Operating Costs" shall mean the following costs and expenses incurred by Landlord for the operation, management and maintenance of the Property: insurance premiums and the reasonable expenses incurred in maintaining and repairing all plumbing, heating, air conditioning and electrical equipment and managing, equipping, lighting, repairing, cleaning and maintaining, and the Common Areas, specifically including but not limited to landscaping, gardening, parking lot maintenance, line painting, traffic control, sanitary control, removal of snow, ice, trash, rubbish and other refuse, and the cost of all personnel necessary to implement such services plus 15% of all costs to cover administrative cost relative in the operation of the Common Areas, but not financing costs nor the costs of any major repairs to or replacement of the Building, fixtures (excluding Tenant's fixtures but including all plumbing, heating, air conditioning and electrical equipment) Common Areas and Structural Components thereof. Such financing costs and the costs of any major repairs or replacement shall be paid solely by Landlord.

Section 3.03. All payments of Rent required to be made hereunder shall be made payable to and sent to Landlord at the address set forth in Article 25 hereof.

Article 4 - Possession: Quiet Enjoyment

Section 4.01. Landlord shall, on or before the Commencement Date, deliver possession of the Premises to Tenant, in good condition and repair, and in material compliance with all governmental codes, laws, ordinances, regulations and requirements applicable to the Premises and to Tenant's use thereof. To the extent government agencies or regulatory bodies require facility updates be made to comply with laws and regulation under the Americans With Disabilities Act (the "ADA") it will be the Landlords responsibility to make such renovations at Landlords expense.

Section 4.02. Landlord covenants that it has good and marketable record title to the Property free from any liens or encumbrances which would interfere with the Tenant's quiet enjoyment of the Premises during the Term. Landlord covenants and agrees to keep Tenant in quiet possession and enjoyment of the Premises during the Term.

Section 4.03. Landlord covenants that it has full, lawful right and authority to enter into the Lease and the execution of the Lease will not violate the provisions of any lease, mortgage, agreement, restriction, law, code or ordinance in effect and applicable to the Premises and/or the Property.

Section 4.04. Landlord will not enter into any lease, agreement, or other undertaking which will violate or interfere with the rights of the Tenant under the Lease.

Section 4.05. Landlord covenants that to the best of its knowledge that there are no present or pending violations of any applicable public, building or local safety laws or regulations with respect to the Premises, nor is there any violation of any zoning law, ordinance or regulation of any subdivision plat, deed or other restriction.

Section 4.06. Landlord covenants that all plumbing, heating, air conditioning and electrical equipment are of such design, efficiency and capacity as will insure the comfortable and economic enjoyment of the Premises by the Tenant, its agents, employees and invitees throughout the Term of the Lease.

Section 4.07.Landlord shall provide Tenant with additional space within the Building at the same Base Rent then in effect for these Premises, at any time during the Term as the same shall be or become available from time to time.

Article 5 - Use of Premises

Section 5.01. Tenant shall be permitted to use the Premises for the purposes of General Office Use and for any other legal purpose (the "Permitted Use"). Landlord covenants that the Permitted Use of the Premises is in compliance with and will not violate the provisions of any lease, mortgage, agreement, restrictive covenant, or zoning or building law applicable to the Premises.

Article 6 - Taxes

Section 6.01. Tenant shall pay before delinquency all taxes that become payable during the Term which are levied or assessed upon Tenant's equipment, furniture, fixtures and Tenant's other personal property installed or located in or on the Premises.

Section 6.02. Landlord shall pay before delinquency and subject to reimbursement by Tenant of Tenant's Pro Rata Share, in accordance with Section 3.02. hereof, all real property and/or rental taxes which are now or hereafter imposed upon the Property and/or the Building by any governmental agency or authority having jurisdiction over the Property, or any net income, franchise, estate, inheritance or transfer tax imposed upon the Property and/or the Building subject to whatever rights.

Article 7 - Insurance

Section 7.01. Tenant shall maintain, at Tenant's expense throughout the Term, a policy of commercial general liability insurance, against all claims in connection with Tenant's Permitted Use or occupancy of the Premises. Such policies shall have limits of liability of not less that $1,000,000 for personal injury or death of any one person, not less that $1,000,000 for any one incident, and not less than $500,000 for property damage. Tenant shall also maintain at Tenant's expense throughout the Term workman's compensation insurance affording statutory coverage and containing statutory limits.

Tenant shall furnish Landlord a certificate evidencing such insurance. Such insurance policy shall name Landlord as an additional insured and provide at least thirty (3 0) days' cancellation notice to Landlord.

Section 7.02. Landlord shall cause to be maintained, throughout the Term (a) a policy

of commercial general liability insurance with respect to the Property, and (b) policies of insurance covering damage to the Building, excluding Tenant's fixtures, or equipment, in the amount of the full replacement value thereof, providing protection against all risk of loss. Landlord shall furnish Tenant, upon written demand therefor, a copy of such policies or a certificate evidencing such insurance.

Section 7.03. Landlord and Tenant hereby mutually waive their respective rights of recovery against each other for any loss of, or damage to, either party or its property, where such loss or damage is insured by an insurance policy required to be in effect at the time of such loss or damage; and they further mutually agree that their respective insurance companies shall have no right of subrogation against the other on account thereof. Each party shall obtain any special endorsements, if required by its insurer, whereby the insurer waives its rights of subrogation against the other party hereto.

Article 8 - Indemnification

Section 8.01. Tenant shall hold Landlord harmless from and defend Landlord against any and all claims or liability for any injury or damage to any person or property whatsoever; (a) occurring in, on, or about the Premises; and (b) occurring in, on, or about the Building, when such injury or damage shall be caused in part or in whole by the act, neglect, fault, or omission of and duty with respect to the same, by Tenant, its agents, employees, or invitees.

Section 8.02. Landlord shall hold Tenant harmless from and defend Tenant against any and all claims or liability for any injury or damage to any person or property whatsoever; (a) occurring in, or about the Property other than the Premises; and (b) occurring in, on, or about the Premises, when such injury or damage shall be caused in part or in whole by the act, neglect, fault, or omission of any duty with respect to the same, by Landlord, its agents, employees or invitees.

Article 9 - Utilities and Services; Parking

Section 9.01. Landlord shall cause water and sewage service to be furnished to the Premises for the use of Tenant. Tenant shall, at its sole cost and expense, pay or cause to be paid all charges (including any deposits) for water, sewer, gas, electricity, telephone or other services or utilities furnished to the Premises or to Tenant with respect to its operation therein during the Term to the extent that such utilities shall be separately metered and/or directly billed to Tenant by the respective utilities. To the extent that any such utilities are metered and/or billed to more than one tenant (including Tenant) Tenant shall pay Tenant's pro rata share of such amounts. Further, it is expressly agreed and understood between the Tenant and the Landlord that the Tenant shall hold the Landlord harmless for any and all damages sustained as a direct or indirect result of damage to mains and conduits bringing water gas and/or electricity to the Tenanfs pren-fises, provided that the damage to such mains and/or conduits was not caused by the gross negligence or willful misconduct of Landlord.

Section 9.02. Tenant shall have the right in common with the general use of other tenants, to park vehicles in accordance with the parking requirements of the city or town in which the Premises are located free of charge and on an unreserved basis, in the Parking Areas subject to the exclusive control and management of Landlord.

Article 10 - Landlord's Work

Section 10.01. Prior to the Commencement Date, Landlord, at its expense, shall cause certain work to be constructed in accordance with Exhibit B attached hereto and by this reference incorporated herein. Article 11 - Repairs and Maintenance

Section 11.01. Landlord, at its sole expense subject to reimbursement of Operating Costs by Tenant as provided in Section 3.02. shall do the following:

(a) Maintain, in good condition and repair, during the Term the structural components of the Property, including without limitation the foundation, roof, exterior walls of the Building which are a part of and/or service the Premises.

(b) Maintain and keep clean all Common Areas, including the Parking Area, provide adequate lighting and drainage for the Parking Area during normal business hours, and maintain all landscaping in a neat and orderly condition.

(c) Perform all other maintenance and repair obligations at the Building and Premises that are not specifically allocated to the Tenant in Section 11.02 hereof, including without limitation maintaining in good order and repair the plumbing, electrical, heating and air conditioning systems which are part of or service the Premises.

(d) Remove snow and ice from the Parking Area and driveways serving the Premises.

All repairs and maintenance to be performed by Landlord hereunder shall be done in a timely fashion, as circumstances dictate.

Section 11.02. Tenant, at its sole expense shall do the following:

(a) Make all interior repairs to the Premises during the Term which are necessary to keep the Premises in substantially as good condition as on the Conunencement Date, reasonable wear and tear and damage by fire or other insured casualty excepted.

(b) Keep the Premises neat, clean, orderly, in sanitary condition and free of insects and pests, replace all lamps, bulbs, fluorescent tubes, and ballasts.

(c) Use reasonable efforts to conserve energy, fuel and water.

(d) Maintain and replace any electrical or plumbing components installed by Tenant and customized for their use.

(e) Provide janitorial services to the Premises consistent with those provided in buildings similar in quality to the Building.

(f) Cause Tenant's own trash and refuse to be removed daily or as often as is reasonably necessary from the Building so as to avoid unreasonable accumulations of the same.

(g) Operate the air conditioning, heating and ventilating equipment throughout the year, as the weather requires, so as to keep the Premises comfortably cool in the warm season, comfortably warm in the cold season, and adequately ventilated at all times.

(h) Keep all glass in doors and windows within and adjacent to the Premises clean, provide plate glass coverage for all risks and replace promptly with glass of like kind and quality,any plate glass or window glass which may become cracked or broken.

(i) Not cause or permit objectionable odors, or noises to emanate or be dispelled from the Premises.

0) Not permit the parking of delivery vehicles so as to interfere with the use of any driveway, walk, parking area, mall or other Common Area.

(k) Comply with all laws and ordinances and all valid rules and regulations of governmental authorities, now or hereafter enacted, promulgated or adopted, with respect to the use or occupancy of the Premises.

(1) Refrain from placing in the sewerage system any chemical, waste or substance which may require special treatment or may cause damage or injury to the sewerage system and to pay the cost of any repair or damages in the sewerage system necessitated by any violation of this undertaking; and

(m) Properly remove and dispose of all medical waste.

Article 12 - Alterations

Section 12.01. Tenant shall make no alterations, installations, additions or improvement ("additions") in or to the Premises in excess of $10,000 without the prior written consent of Landlord, which consent will not be unreasonably withheld. All such permanent additions shall be deemed to be part of the Building and to belong to Landlord at the end of the Term.

Article 13- Trade Fixtures

Section 13.01. All equipment, business and office machines, furniture and other items of personal property (except additions including without limitation walls, floors, ceilings, wiring, plumbing, sewerage, and water pipes and lines) owned or installed by Tenant in the Premises at its expense shall remain the property of Tenant, and may be removed by Tenant at any time provided that Tenant shall at its expense, repair any damage, holes or openings caused or occasioned by such removal and provided Tenant shall not at such time be in default under any covenant or agreement contained herein. If Tenant is in default, Landlord shall have a lien on said trade fixtures, appliances and equipment, and a continuing security interest on all said items and the proceeds thereof, a security against loss or damage resulting from any such default by tenant, and said trade fixtures, appliances and apparatus shall not be removable by Tenant until such default is cured. Tenant shall at Landlord's request execute and deliver to Landlord a financing statement under the Uniform Commercial Code, which shall be subordinate only to Tenant's Purchase Money security interest on said trade fixtures.

Article 14 - Mechanic's Liens

Section 14.01 Tenant shall keep the Property, the Building and the Premises free from and promptly remove any mechanic's liens arising due to Tenant's acts or omissions after written notice from Landlord. Tenant shall have no obligation under this section to keep the Property, the Building, and the Premises free from or to remove any mechanic's liens arising due to other tenant's or Landlord's acts or omissions.

Article 15 - Damage and Destruction

Section 15.01. If the Premises are damaged by fire, earthquake, act of God or the elements, Landlord shall forthwith repair the same, subject to the provisions of this Section hereinafter set forth and provided such repairs can be made within four (4) months under applicable state, federal and city and county laws and regulations. This Lease shall remain in full force and effect, except that if there shall be damage to the Premises, and such damage is not the result of the negligence or willful misconduct of Tenant or Tenant's agents, employees or invitees, a proportionate reduction in Rent shall be allowed Tenant for such part of the Premises as shall be rendered unusable by Tenant in the conduct of its business during the time such part is so unusable. If such repairs cannot be made within four (4) months, Tenant may, upon written notice to the Landlord, within thirty (30) days after the date of such fire or other casualty, terminate this Lease as of the date of such fire or other casualty. The Landlord shall be required to notify the Tenant within fifteen (15) days of such casualty of whether the repairs can be completed within said four (4) month period.

Notwithstanding the foregoing, Tenant may elect to terminate this Lease by written notice to Landlord within thirty (30) days of such fire or other casualty if, as a result thereof, at least twenty-five percent (25%) of the floor space in the Premises has been damaged and Tenant reasonably determines that it cannot carry on its business in the Premises as intended thereby; provided, however, that Tenant may not terminate this Lease in such event if Landlord provides reasonable written assurance to Tenant within fifteen (15) days of such fire or other casualty that it can restore the Premises to substantially the same condition they were in prior to the fire or other casualty and the Premises are in fact so restored no later than (i) four (4) months from the date of the fire or other casualty and (ii) six (6) months prior to the expiration of the current Lease term. In the event that Tenant terminates this Lease under this section, Tenant shall be entitled to the return of any Rent (including Additional Rent) paid by Tenant with respect to the period of the Lease term following the fire or other casualty.

Section 15.02. Landlord shall not be required to repair any injury or damage by fire, earthquake, act of God or the elements, or to make any repairs or replacements, of any Property, fixtures or equipment of Tenant or of any improvements installed in the Premises by Tenant, except for the portion of such improvements the cost of which was bome by Landlord; and Tenant shall, at Tenant's sole cost and expense, repair and restore its portion of such improvements.

Section 15.03. In the event the Premises or the Building is totally destroyed or

rendered wholly unusable for Tenant's Permitted Use, this Lease shall terminate and Tenant and Tenant shall only be liable for Rent up to the date of such total destruction.

Article 16 - Condemnation

Section 16.01. If the Premises and/or the Building, or any portion thereof, are taken or condemned under the power of eminent domain, or by purchase in lieu of such taking or condemnation, and as a result thereof the use and enjoyment of the Premises by Tenant are materially impaired, Tenant may, at its sole option, but without prejudice to any rights and claims which it may otherwise have on account of such taking, condemnation or sale, terminate this Lease upon written notice to Landlord. If Tenant does not elect to terminate this Lease, the Rent reserved for the remainder of the Term shall be reduced in proportion to the portion of the Premises taken, condemned or sold, having due regard to the nature and extent of the injury caused thereby to the Premises and to Tenant's Permitted Use thereof, and such reduction in Rent shall be without prejudice to any rights and claims which Tenant may otherwise have on account of such taking or condemnation or sale. All compensation award for such taking of the fee and the Leasehold shall belong to the Landlord. All compensation award for moving expenses, shall belong to Tenant.

Article 17 - Environmental Provisions

Section 17.01 Landlord and Tenant represent, warrant and covenant that to the best of each party's knowledge each has obtained, is in compliance with, and will continue to comply with all permits, licenses and other authorizations which are required under all environmental laws and regulations applicable to the Property.

Section 17.02. Landlord and Tenant shall comply with the requirements of all federal, state, and local environmental laws relating to the Property, shall immediately notify the Landlord or Tenant, as the case may be in the event of any spill, pollution or contamination affecting the Property from oil, friable asbestos, hazardous waste, hazardous material, or other waste or material regulated or limited by applicable federal, state, or local environmental law or regulation ("Hazardous Material"); and shall immediately forward to the Landlord or Tenant as the case may be any notices relating to such matters received from any governmental agency.

Section 17.03. Landlord shall immediately contain and remove at its sole cost and expense any Hazardous Material found on the Premises of which it has knowledge, if the presence of such Hazardous Material is not caused by Tenant, its agents, or employees; such work must be done in compliance with applicable laws. Tenant shall notify Landlord of any material on the Premises which it knows or reasonably suspects to be a Hazardous Material.

Section 17.04. Tenant shall immediately contain and remove at its sole cost and expense any Hazardous Material found on the Premises if caused by Tenant, its agents, or employees; such work must be done in compliance with applicable laws.

Section 17.05. Landlord will indemnify, defend, and hold the Tenant harmless from and against any claim, cost, damage (including without limitation consequential damages), expense (including without limitation reasonable attorney's fees and expenses), loss, liability, or judgment now or hereafter arising as a result of any claim for environmental cleanup costs, any resulting damage to the environment and any other environmental claims against the Landlord, the Tenant, or the Property relating to any act or failure to act by Landlord or anyone claiming by, through or under Landlord provided such damage was not caused by the Tenant, its agents, employees, or invitees. The provisions of this Section 17.05, shall continue in effect and shall survive (among other events) any termination or expiration of this Lease.

Section 17.06. Tenant will indemnify, defend, and hold the Landlord harmless from and against any claim, cost, damage (including without limitation consequential damages), expense (including without limitation reasonable attorney' fees and expenses), loss, liability, or judgment now or hereafter arising as a result of any claim for environmental cleanup costs, any resulting damage to the environment and any other environmental claims against the Tenant, the Landlord, or the Property relating to any act or failure to act by Tenant provided such damage was not caused by the Landlord, its agents, employees, or invitees. The provisions of this Section 17.06. shall continue in effect and shall survive (among other events) any termination or expiration of this Lease.

Article 18 - Security Deposit

Section 1801. Tenant has deposited with Landlord the sum of $7,247.25 as security for the full and faithful performance and observance by Tenant of all the covenants, terms and conditions herein contained to be performed and observed by Tenant, and Landlord may use, apply or retain the whole or any part of said security to the extent required for the payment of any Rent or any sum as to which Tenant is in default in respect to any of the covenants, terms or conditions of this Lease. Said sum (to the extent permitted by law, without interest), or any balance thereof, shall be returned to Tenant after the time fixed as the expiration of the Lease provided that Tenant shall have fully performed all of said covenants, terms and conditions. It is agreed that said security is not an advance payment of, or on account of the Rent herein reserved, or any part of settlement thereof, or a measure of Landlord's damages, and in no event shall Tenant be entitled to a return or particular application of said sum or any part thereof, until the end of the Term hereby granted.

Article 19- Signs and Advertising

Section 19.01. Tenant shall not place any sign, decoration, lettering or advertising matter on or around the Premises, Building or Land without the advance written consent of Landlord, which consent shall not be unreasonably withheld. Any and all signs shall be installed at Tenant's expense and in strict conformance with Landlord's specifications. Tenant further agrees to maintain all such signs and advertising matter as may be approved in good order and repair at all times. Landlord agrees to maintain a uniformity of all signage for the Building.

Article 20- Entry by Landlord

Section 20.01. Landlord and its agents shall have the right to enter into and upon the Premises at reasonable times for the purpose of examining and exhibiting the same, for making any necessary repairs or alterations thereto, for the purpose of supplying any service, or building maintenance to be provided by Landlord hereunder; provided, however, that Landlord shall advise Tenant a reasonable time in advance thereof, and provided further, that the operations of Tenant shall not be interfered with unreasonably thereby. Landlord may enter into and upon the Premies at any time without prior notice to Tenant if such entry is of an emergency nature.

Article 21 - Assignment and Subletting

Section 21.01. Tenant will not assign, sublet, pledge, mortgage, or otherwise transfer this Lease or the whole or any part of the Premises without in each instance having first received the express written consent of Landlord, which consent shall not be unreasonably withheld.

Article 22 - Subordination

Section 22.01. Tenant agrees to subordinate this Lease to any mortgage or other instrument of security placed upon the Premises by Landlord if the holder of such mortgage or other instrument (the "Landlord's Mortgagee") requires such subordination; provided, however that the Landlord's Mortgagee must enter into an agreement with Tenant and the successors and assigns thereof in which the Landlord's Mortgagee agrees not to disturb the possession and other rights of Tenant under this Lease so long as Tenant continues to perform its obligations hereunder, and, in the event of acquisition of title by the Landlord's Mortgagee through foreclosure proceedings or otherwise, to accept Tenant as tenant of the Premises under the terms and conditions of this Lease and to perform the Landlord's obligations hereunder arising after the acquisition of such title.

Section 22.02. At no expense to the Landlord, and from time to time, Tenant agrees that within thirty (30) days after a written request therefore and upon such form as Landlord provides (hereinafter refer-red to as "Tenant's Estoppel Certificate"), Tenant will certify to Landlord or any person designated by Landlord ("Landlord's Designee") that: (a) this Lease is in full force and effect; (b) there are no existing uncured defaults hereunder; (c) this Lease is unmodified; (d) the date to which Rent and Additional Rent (if any) have been paid; (e) the amount held by Landlord as a security deposit (if any); and (f) any deviations from any of the preceding declarations. Landlord and Landlord's Designee shall be absolutely entitled to rely upon the declarations contained in Tenant's Estoppel Certificate, and Tenant shall be forever estopped from disputing the truthfulness of any declaration therein contained as of the date to which Tenant's Estoppel Certificate speaks.

Section 22.03. At no cost or expense to the Tenant, and from time to time, Landlord agrees that within thirty (30) days after a written request therefore and upon such form as Tenant provides (hereinafter referred to as "Landlord's Estoppel Certificate"), Landlord will certify to Tenant or any person designated by Tenant (Tenant's Designee"), that: (a) this Lease is in full force

and effect; (b) there are no existing uncured defaults hereunder; (c) this Lease is unmodified; (d) the date to which Rent and Additional Rent (if any) have been paid; (e) the amount held by Landlord as security deposit (if any); and (f) any deviations from any of the preceding declarations. Tenant and Tenant's Designee shall be absolutely entitled to rely upon the declarations contained in Landlord Estoppel Certificate, and Landlord shall be forever estopped from disputing the truthfulness of any declarations therein contained as of the date to which Landlord's Estoppel Certificate speaks.

Article 23 - Default

Section 23.01. If any of the following shall occur, Tenant shall be deemed in default of this Lease: (a) if Tenant shall fail to pay any Rent or other sum when and as the same becomes due and payable and such failure shall continue for more than ten (10) days after written notice thereof from the Landlord; (b) if Tenant shall fail to perform any of the other duties required to be performed by Tenant under this Lease and such failure shall continue for more than thirty (30) days after receipt of written notice thereof from Landlord; provided, however, that if such cannot reasonably be performed within such thirty (30) day period, Tenant shall have such additional time as is reasonably necessary to perform such duty; (c) if Tenant shall make a general assignment for the benefit of creditors, admit in writing its inability to pay its debts as they become due, file a petition in bankruptcy, have an order of relief entered against it, or file or have filed against Tenant a petition seeking any reorganization, receivership, arrangement, composition, readjustment, liquidation, dissolution or similar relief under any present or future statute, law or regulation.

Section 23.02. The Rent is due the 1st of the month. If the Rent is not paid on the 1st of the month and continues unpaid for a period of ten (10) business days, it will be a material breach of the Lease and the Tenant will be subject to legal proceedings. The Landlord may give notice of this breach to the Tenant by regular mail and if the Rent is not paid within Five (5) days of such notice, the Landlord may terminate the Lease at its option and the Tenant is subject to eviction, damages and cost of eviction, including reasonable attorneys' fees. For every day after such notice of breach the Rent is unpaid, a $25.00 per day late rental payment accruing as of the first of the month will be due and payable and considered Additional Rent. It is further agreed, that acceptance by the Landlord of any part of any arrearage shall not be deemed a waiver of this provision. If Tenant shall violate either (a) the covenant to pay Rent, Additional Rent or any other charges or sums required to be paid hereunder and shall fail to comply with said covenant within 10 days (or such shorter period as expressly provided herein) after being sent written notice of such violation by Landlord, or (b) any other covenant other than that of payment of Rent made by it in this Lease and shall fail to comply, or commence compliance, within 10 days after being sent written notice of such violation by Landlord, and diligently complete the same, then Landlord may, at its option, terminate this Lease by serving on Tenant a notice of termination, setting forth in said notice of termination, a termination date which shall be no less than 10 business days after mailing of said notice. The Tenant shall be subject to eviction, damages and cost of eviction including reasonable attorneys' fees. Tenant waives any right of redemption of the Premises after eviction.

Section 23.03. The waiver by either party of any default shall not be deemed to be

a waiver of any subsequent default under the same, or under any other term, covenant or condition of the Lease. The subsequent acceptance of any Rent by Landlord shall not be deemed to be a waiver of any preceding default by Tenant under any term, covenant or condition of this Lease, other than the failure of Tenant to pay the particular Rent so accepted, regardless of Landlord's knowledge of such preceding default at the time of acceptance of such Rent.

Article 24 - Return of Premises: Holdover

Section 24.01. At the expiration of or other termination of the Term, Tenant will remove from the Premises its property and that of all claiming under it and will peaceably yield up to Landlord the Premises in as good condition in all respects as the same were at the commencement of this Lease, except for ordinary wear and tear, damage by the elements, by any exercise of the right of eminent domain or by any public or other authority, or damage not caused by Tenant and with respect to which Tenant is not required to maintain insurance hereunder.

Section 24.02. If Tenant shall hold possession of the Premises beyond the Term without Landlord's written consent Tenant shall pay to Landlord double the Rent plus the Additional Rent than applicable for each month during which Tenant shall retain such possession, and also shall pay all damages sustained by Landlord on account thereof The provisions of this paragraph shall not operate as a bar or as a waiver by Landlord of any right of re-entry or any remedy available to Landlord under common law.

Article 25 - Notices

Section 25.01. All notices which are required to be given by either party hereunder shall be in writing, sent by certified or registered mail, postage prepaid, return receipt requested, and addressed to the parties at the following addresses:

Landlord: Mutual Properties Stonedale L.P.
One James P Murphy Highway
West Warwick, R.I. 02893
Attention: Stephen G. Soscia

Tenant: Pro-Mark Holdings, Inc.
33 North Road
Peace Dale, R.I. 02883
Attention: Steven M. Dias, CFO

or to such other addresses and to such other persons as the parties may from time to time designate in writing. The time of giving of any such notice shall be deemed to be three (3) days after such notice is mailed.

Article 26 - Broker's Commission

Section 26.01. Each party hereto represents that it has not dealt with any other real estate broker or agent in connection with the negotiation of this Lease or the leasing of the Premises except for Stephen G. Soscia, dba Mutual Properties, Inc. Each party shall hold the other harmless from all damages resulting from any claims that may be asserted against the other party by any broker, finder, or other person or entity with whom the other party has dealt.

Article 27 - Rules and Repulations

Section 27.01. Tenant shall abide by the reasonable rules and regulations from time to time established by Landlord with respect to the Building and the Property. In the event that there shall be conflict between such rules and regulations and the provisions of this Lease, the provisions of this Lease shall control.

Article 28 - Recording of Lease

Section 28.01. The parties hereto agree that this Lease shall not be recorded, but the Landlord and Tenant hereby agree upon request of either party to enter into a notice of lease in recordable form, setting forth the names of the parties, describing the Premises, specifying the Term and such other provisions, except rental provisions, with respect to the Lease as will put on notice any third party of the existence of the Lease.

Article 29 - Miscellaneous

Section 29.01 The words "Landlord": and "Tenant", as used herein, shall include the plural as well as the singular. Words used in the masculine gender herein shall include feminine and neuter forms thereof,

Section 29.02. The covenants and conditions contained herein shall be binding upon and inure to the benefit of the heirs, executors, administrators, and subject to Section 21.01, successors and assigns of the parties hereto.

Section 29.03. The article headings in this Lease are for convenience only, and shall not limit or otherwise affect the meaning of any provisions hereof.

Section 29.04. Tenant shall pay interest at the rate of Eighteen (18%) Percent per annum on any installment of Rent or Additional Rent from the due date when paid more than Ten (10) days after the due date thereof and such interest shall be paid on demand. Section 29,05. Time is of the essence in each and every provision of this Lease. Section 29.06 The invalidity or unenforceability of any provision of this Lease shall

not affect any other provision hereof.

Section 29.07. Should either party hereto commence an action against the other to enforce any obligation under this Lease, the prevailing party shall be entitled to recover reasonable attorney's fees and expense ftom the other.

Section 29.08 This Lease shall be construed and enforced in accordance with the laws of the State of Rhode Island without respect to its conflict of laws provisions.

Section 29.09. This Lease constitutes the entire agreement between the parties hereto and may not be modified in any manner other than by written agreement, executed by all of the parties hereto or their successors in interest. No prior understanding or representation of any kind made before the execution of this Lease shall be binding upon either party unless incorporated herein.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first set forth above.

Landlord: Mutual Properties Stonedale L.P.
A Rhode Island Limited Partnership
By: STO Real Estate Inc. General Partner

By: /s/ Stephen G. Soscia, Pres.

Stephen G. Soscia President

Tenant: Pro-Mark Holdings, Inc.

By: /s/ E. David Corvese

E. David Corvese
Its: President an CEO

(Landlord)
STATE OF RHODE ISLAND

COUNTY OF KENT

In Warwick, on the 12th day of December 1997, before me personally appeared Stephen G. Soscia, the President of STO Real Estate Inc. to me known and known by me to be the person executing the foregoing instrument, and he acknowledged said instrument by him executed to be his free act and deed in said capacity and the free act and deed of the General Partnership.

/s/ Karena Pelosi

Notary Public
My Commission Expires: 6/26/2001

(Tenant)
STATE OF RHODE ISLAND
COUNTY OF _______________

In ____________________ on the ______ day of December, 1997 before me personally appeared E. David Corvese, the President and CEO of Pro-Mark Holdings, Inc. to me known and known by me to be the person executing the foregoing instrument, and he acknowledged said instrument by him executed to be his free act and deed in said capacity and the free act and deed of the corporation.

Notary Public
My Commission Expires

EXHIBIT "B"

Landlord's Work

Pro-Mark Holdings Corporation

Landlord shall perform the following at Landlord's sole cost and expense:

1. Remove and/or construct interior walls to create floor plan layout as shown on plan attached.

2. Install new floor coverings if and as required to provide uniform finished floors.

3. Provide finished ceilings, reconstruct lighting, and fire safety systems to accommodate new floor plan layout.

4. Paint walls as required to provide clean wall surfaces.

EXHIBIT "A"

[Floor diagram of Main Level]

EXHIBIT "B"

[Detailed floor diagram of main level]

Exhibit 10.46

LEASE AMENDMENT AND EXTENSION AGREEMENT

This Lease Amendment and Extension Agreement ("Amendment") is made and entered into on the 27th day of March, 1998 by and between Pro-Mark Holdings, Inc., a Delaware Corporation (the "Tenant"), and MUTUAL PROPERTIES STONEDALE L.P. (the "Landlord").

WHEREAS Landlord and Tenant are the parties to a certain lease dated as of December 23, 1997 covering premises at 1935 Kingstown Road, Peace Dale, R. I. (the "Lease"), terms defined in the Lease having the same meaning when used in this Amendment; and

WHEREAS Landlord and Tenant now desire to amend the Lease by adding additional suites to the Premises, extending the Initial Term, deleting Tenant's right to terminate, changing the Expiration Date and otherwise amending the Lease;

NOW, THEREFORE, in consideration of the premises, the mutual covenants herein set forth and other good and valuable consideration, Landlord and Tenant hereby agree to amend the Lease as follows:

1. Exhibit A and the definition of Premises as used in Article I - Premises and thereafter are amended to include, in addition to Suites 201 and 203 containing a total of 6,442 rentable square feet (the "Original Suites"), Suite 302 containing 1869 rentable square feet (the "Additional Suite"). The Original Suites and the Additional Suite contain a total of 8311 rentable square feet.

2. Section 2.01 of Article 2 - Term is amended to read as follows:

Section 2.01. The term of this Lease (the "Term") with respect to the Original Suites shall commence on April 5, 1998 (the "Commencement Date of the Original Suites") and, subject to earlier termination upon default as hereinafter provided, end on September 30, 2004 (the"Expiration Date"). The commencement of the Term for the Additional Suite shall be upon vacation of said suite by the current occupants thereof and substantial completion of the Additional Improvements (as hereinafter defined) by the Landlord, but in no event later than November 1, 1998 (the "Commencement Date of the Additional Suite") and shall continue, subject to earlier termination upon default as hereinafter provided until the Expiration Date.

3. Section 2.02 is deleted in its entirety.

4. Section 3.01. is deleted in its entirety and the following provisions substituted therefor:

Section 3.01. Beginning on the Commencement Date of the Original Suites, Tenant agrees to pay to Landlord for the use of the Premises, in lawful money of the United States annual base rent ("Base Rent") in the amount of $86,967.00 payable in monthly installments of $7,247.25. Beginning on the Commencement Date of the Additional Suite and continuing throughout the Term, annual Base Rent in the amount of $112,198.56 shall be payable monthly in equal installments of $9,349.88.

All installments of Base Rent shall be payable on the first day of each month, in advance, without setoff or deduction. Rent for any period less than a full calendar month shall be prorated.

5. Section 3.02 is amended as follows.

The first paragraph of Section 3.02 shall be deleted in its entirety and the following substituted therefor:

In addition to Base Rent, Tenant shall pay as additional rent (hereinafter called "Additional Rent") (a) Tenant's Pro Rata Share (as hereinafter defined) of all real estate taxes and assessments of any kind relating to the Property and (b) Tenant's Pro Rata Share of all Operating Costs (as hereinafter defined) incurred by Landlord (collectively "Landlord's Expenses").

The first sentence of the second paragraph of Section 3.02 is deleted and the following substituted therefor:

From and after the Commencement Date of the Original Suites and the Additional Suite, Tenant's Pro Rata Share shall be 34.17% and 44.08%, respectively.

The third paragragh is deleted and the following substituted therefor:

Beginning on the Commencement Date of the Original Suites and continuing on the first of each month Tenant shall pay monthly in advance the amount of $540.00, and beginning on the Commencement Date of the Additional

Suite and continuing throughout the Term Tenant shall pay monthly in advance the amount of $695.00, as its estimated Pro Rata Share of the Operating Costs of the Property. As soon as reasonably practicable after the end of each fiscal year, Landlord shall supply Tenant with a reasonably detailed statement setting forth all Operating Costs and a determination of Tenant's Pro Rata Share thereof. In the event the amount paid in advance by Tenant is less than Tenant's actual Pro Rata Share of Landlord's Operating Costs for any calendar year of the Term, Tenant shall pay any additional sum required within 30 days after receipt of Landlord's statement therefor. The foregoing notwithstanding, Landlord and Tenant agree that in each year of the Term starting with calendar year 1999, Tenant's Pro Rata Share of Operating Costs shall not increase by more than three per cent (3%) over the amount paid for the immediately preceding year.

6. Section 10.01 is amended to read as follows:

Section 10.01. Promptly after the Commencement Date of the Original Suites and prior to the Commencement Date of the Additional Suite, Landlord, at its expense, shall cause certain work to be constructed in accordance with Exhibits B and C, respectively, attached hereto and by this reference incorporated herein. Upon the signing of this Amendment, Tenant will pay to Landlord the sum of $32,500 which shall be used to help defray the cost to Landlord of the said work.

7. The first sentence of Section 18.01 is deleted in its entirety and the following substituted therefor:

Section 18.01. Tenant has deposited with the Landlord the sum of $7,247.25 as a security deposit. On the Commencement Date of the Additional Suite, Tenant shall deposit an additional $2,102.63, making the total security deposit $9,349.88. The security deposit is to assure the full and faithful performance and observance by Tenant of all covenants, terms and conditions herein contained to be performed and observed by Tenant and Landlord may use, apply or retain the whole or any part of the security deposit to the extent required for the payment of any rent or any sum as to which Tenant is in default with respect to any of the covenants, terms or conditions of this Lease.

Except as amended hereby, all other terms and conditions of the Lease shall remain in full force and effect and are in all respects hereby ratified and affirmed.

IN WITNESS WHEREOF, the Landlord and Tenant have hereunto set their hands as of the day and date first above written.

TENANT: PRO-MARK HOLDINGS, INC.

By /s/ Russell J. Corvese

Name and Title Russell J. Corvese, CIO

LANDLORD: MUTUAL PROPERTIES STONEDALE L.P.
By STO Real Estate Inc. G. P.

By /s/ Stephen G. Soscia

Stephen G. Soscia, President

EXHIBIT "B"

[Floor plan of Suite 201-203]

Exhibit "C"

Pro Mark Holdings, Inc.
Suite 302

Landlord's Improvements

Tenant shall provide Landlord with interior floor plan layout not later than sixty (60) days prior to the date Landlord's Improvements are to be completed. Landlord shall reconfigure interior partitions, not to include demising walls of Suite 302, as shown on plan provided by Tenant. Landlord shall provide carpeted floor and painted walls.

5

YEAR
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DEC-31-1997
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