FORM 10-Q
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended SEPTEMBER 30, 1999

OR

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

For the transition period from _________ to __________

Commission file number 0-28740

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

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

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

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

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

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

Yes [X] No [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS:

On November 4, 1999, there were outstanding 18,729,198 shares of the Company's common stock, $.0001 par value per share ("Common Stock").

PART 1
FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 1999	December 31, 1998
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	$ 15,307	$ 4,495
Investment securities	5,057	11,694
Receivables, less allowance for doubtful accounts of $1,984 and $2,239 at September 30, 1999 and December 31, 1998, respectively	72,797	64,747
Inventory	956	1,187
Prepaid expenses and other current assets	716	857
Total current assets	94,833	82,980
Other investments	2,317	2,311
Property and equipment, net	6,180	4,823
Due from affiliate and officer, less allowance for doubtful accounts of $403 at September 30, 1999 and December 31, 1998, respectively	1,606	34
Other assets, net	159	293
Deferred income taxes	-	270
Intangible assets, net	20,218	19,395
Total assets	$ 125,313	$ 110,106
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	$ 504	$ 277
Current portion of long-term debt	337	208
Accounts payable	5,088	6,926
Claims payable	46,593	32,855
Payables to plan sponsors and others	21,168	16,490
Accrued expenses	6,851	6,401
Total current liabilities	80,541	63,157
Capital lease obligations, net of current portion	856	598
Long-term debt, net of current portion	1,997	6,185
Commitments and contingencies		
Minority interest	1,112	1,112
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, 18,729,198 and 18,090,748 shares issued and outstanding at September 30, 1999 and December 31, 1998, respectively	2	2
Treasury stock at cost	(338)	-
	91,614	91,603
Accumulated deficit	(48,922)	(50,790)
Stockholder notes receivable	(1,550)	(1,761)
Total stockholders' equity	40,807	39,054
Total liabilities and stockholders' equity	$ 125,313	$ 110,106

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

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

	Three months ended September 30, 1999	Three months ended September 30, 1998	Nine months ended September 30, 1999	Nine months ended September 30, 1998
	(Unaudited)		(Unaudited)	
Revenue	$ 101,388	$ 115,737	$ 265,197	$ 323,578
Cost of revenue	93,711	107,839	241,522	303,883
Gross profit	7,677	7,898	23,675	19,695
Selling, general and administrative expenses	7,090	6,053	21,641	15,314
Amortization of goodwill and other intangibles	312	18	805	18
Income from operations	275	1,827	1,229	4,363
Interest income, net	254	428	638	1,418
Other	-	-	-	-
Income before minority interest	529	2,255	1,867	5,781
Minority interest	-	-	-	(1)
Net income	$ 529	$ 2,255	$ 1,867	$ 5,780
Basic income per common share	$ 0.03	$ 0.15	$ 0.10	$ 0.41
Diluted income per common share	$ 0.03	$ 0.14	$ 0.10	$ 0.37
Weighted average common shares used in computing basic income per share	18,729	15,485	18,636	14,142
Weighted average common shares used in computing diluted income per share	18,861	16,659	18,902	15,753

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

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

	Nine Months Ended September 30, 1999	1998
	(Unaudited)	
Cash flows from operating activities:		
Net income	$ 1,867	$ 5,780
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Minority Interest		1
Depreciation, amortization and other	1,735	1,236
Stock option charges	6	22
Provision for losses on receivables and due from affiliates	(55)	(139)
Changes in assets and liabilities:		
Receivables	(7,995)	(14,556)
Inventory	231	(83)
Prepaid expenses and other current assets	141	157
Accounts payable	(1,838)	(1,644)
Deferred revenue	-	(2,799)
Claims payable	13,738	5,027
Payables to plan sponsors and others	4,677	7,024
Accrued expenses	450	(1,351)
Net cash provided by (used in) operating activities	12,957	(1,325)
Cash flows from investing activities:		
Purchase of property and equipment	(1,843)	(1,568)
Loans to affiliate and officer, net	(2,064)	-
Stockholder loans, net	211	(34)
Purchase of investment securities	-	(25,872)
Maturities of investment securities	6,637	28,373
Decrease (increase) in other assets	131	28
Cost incurred in purchase of subsidiary,net of cash acquired	(379)	(594)
Net cash provided by investing activities	2,693	333
Cash flows from financing activities:		
Principal payments on capital lease obligations	(447)	(167)
(Decrease) increase in debt	(4,058)	1,708
Stock Option charges	5	4
Purchase of treasury stock	(338)	-
Net cash used in financing activities	(4,838)	1,545
Net increase in cash and cash equivalents	10,812	553
Cash and cash equivalents--beginning of period	$ 4,495	$ 9,593
Cash and cash equivalents--end of period	$ 15,307	$ 10,146
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Interest	$ 135	$ 37
SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:		
Equipment acquired under capital lease obligations	$ 933	$ -

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

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

NOTE 1 - BASIS OF PRESENTATION

The accompanying unaudited consolidated interim financial statements of MIM Corporation and subsidiaries (the "Company") have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "Commission"). Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of management, all adjustments considered necessary for a fair presentation of the financial statements, primarily consisting of normal recurring adjustments, have been included. The results of operations and cash flows for the nine months ended September 30, 1999 are not necessarily indicative of the results of operations or cash flows which may be reported for the remainder of 1999.

These unaudited consolidated financial statements should be read in conjunction with the Company's audited consolidated financial statements, notes and information included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 filed with the Commission (the "Form 10-K").

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

NOTE 2 - EARNINGS PER SHARE

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
NUMERATOR:				
Net income	$ 529	$ 2,255	$ 1,867	$ 5,781
DENOMINATOR:				
Weighted average number of common shares outstanding	18,729	15,485	18,636	14,142
BASIC EARNINGS PER SHARE	$ .03	$ .15	$ .10	$ .41
DENOMINATOR:				
Weighted average number of common shares outstanding	18,729	15,485	18,636	14,142
Common share equivalents of outstanding stock options	132	1,174	266	1,611
Total shares outstanding	18,861	16,659	18,902	15,753
DILUTED EARNINGS PER SHARE	$ .03	$ .14	$ .10	$ .37

NOTE 3 - ACQUISITION

On August 24, 1998, the Company completed its acquisition of Continental Managed Pharmacy Services, Inc. and its subsidiaries (collectively, "Continental"), a company which provides pharmacy benefit management services and mail order pharmacy services. The acquisition was treated as a purchase for financial reporting purposes. The Company issued 3,912 shares of Common Stock as consideration for the purchase. The aggregate purchase price, including costs of acquisition of $2,681, approximated $21,081. The fair value of assets acquired approximated $11,100 and liabilities assumed approximated $11,800, resulting in approximately $19,881 of goodwill and $1,200 of other intangible assets which will be amortized over their estimated useful lives (25 years for goodwill and six and four years, respectively, for other intangibles). The consolidated financial statements of the Company for the three and nine month periods ended September 30, 1999 include the results of Continental.

The following unaudited consolidated pro forma information has been prepared assuming Continental was acquired as of January 1, 1998, with pro forma adjustments for amortization of goodwill and other intangible assets and income taxes. The pro forma information is presented for informational purposes only and is not indicative of what would have occurred if the acquisition had been made on January 1, 1998. In addition, this pro forma information is not intended to be a projection of future operating results.

	NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998
Revenue	$ 265,197	$ 364,225
Net income	$ 1,867	$ 5,099
Basic earnings per share	$ .10	$ .36
Diluted earnings per share	$ .10	$ .36

The amounts above include $39,349 of revenue from the operations of Continental for the nine months ended September 30, 1999 and $47,685 for the nine months ended September 30, 1998.

NOTE 4 - COMMITMENTS AND CONTINGENCIES

On March 31, 1999, the State of Tennessee, (the "State"), and Xantus Healthplan of Tennessee, Inc. ("Xantus"), a TennCare customer, entered into a consent decree under which Xantus was placed in receivership under the laws of the State of Tennessee. On September 2, 1999 the Commissioner of the Tennessee Department of Commerce and Insurance, (the "Commissioner") as receiver of Xantus, filed a proposed plan of rehabilitation (the "Plan"), as opposed to a liquidation of Xantus. A rehabilitation under receivership, similar to a reorganization under federal bankruptcy laws, if approved by the Chancery Court (the "Court"), of the State of Tennessee, would allow Xantus to remain operating as a TennCare managed care organization, providing full health care related services to its enrollers. Under the Plan, the State has, among other things, agreed to loan to Xantus approximately $30,000 to be used solely to repay pre-petition claims of providers, which claims aggregate approximately $80,000. Under the Plan, the receivers have also proposed that Xantus would contribute a portion of its pre-petition available cash flow towards repayment of pre-petition provider claims, making $34,800 million in total available to repay provider's pre-petition claims. The receivers have proposed, among other things, that (i) all providers other than MIM receive the pro-rata portion that each provider's pre-petition claim bears to the pre-petition claims of all providers; and (ii) MIM receive (A) its pro-rata portion of its actual out of pocket expenditures, that is $6.8 million, rather than its total claim against Xantus of $10.8 million, and (B) its pro-rata portion of unpaid pharmacy claims which it would be required in turn to pay over to pharmacies on account of unpaid pharmacy claims. The Company has filed, among other motions, a Motion to Modify the Plan on the grounds that, among other things, it unfairly and inequitably treats MIM differently than all other providers and asking the Court to modify the Plan to treat MIM similarly. The hearing to approve the Plan is scheduled for November 12, 1999, at which time the Company shall be heard on its objections. As of October 1, 1999, Xantus owed the Company $10,866 for pharmacy benefit management ("PBM") services rendered by the Company from January 1, 1999 through April 1, 1999, approximately $4,000 of which the Company has withheld from its pharmacy providers as permitted by the Company's agreements with them. On November 12, 1999, the Court ruled in favor of the Company's Motion, thereby requiring the receivers to treat the Company the same as all other providers. As such, the Plan will require Xantus to pay the Company over $4,000, $2,000 of which is expected to be received by the end of November 1999 and the remainder of which is expected to be received by year end. The failure of the Company to collect from Xantus or other third parties against whom the Company may have claims all or a substantial portion of the unrecovered monies paid out to pharmacies could have a material adverse effect on the Company's results of operations.

NOTE 5 - LOAN TO OFFICER

In April 1999, the Company loaned to its Chairman and Chief Executive Officer $1,700, evidenced by a promissory note secured by a pledge of 1,500 shares of the Company's Common Stock. The note requires repayment of principal and interest by March 31, 2004. Interest accrues monthly at the "Prime Rate" (as defined in the note) then in effect. The loan was approved by the Company's Board of Directors in order to provide funds with which such executive officer could pay the Federal and state tax liability associated with the exercise of stock options representing 1,500 shares of the Company's Common Stock in January 1998.

NOTE 6 - CONTRACTS

As part of the Company's normal review process, the Company determined that each of the Company's agreements (collectively, the "Agreements") with Tennessee Health Partnership ("THP") and Preferred Health Partnership of Tennessee, Inc. ("PHP") were not achieving profitability projections. As a result thereof, in the first quarter of 1999, and in accordance with the terms of the Agreements, the Company exercised its right to terminate the Agreements effective on September 28, 1999.

On June 25, 1999, the Company notified both THP and PHP that it would cease providing PBM services to them and their members if past due amounts of approximately $500 and $540 were not paid within 30 days as required by the Agreements. On July 23, 1999, THP and PHP filed complaints in the United States District Court for the Eastern District of Tennessee alleging that the Company did not have the right to cease providing PBM services under the Agreements. The complaints also alleged that THP and PHP disputed the outstanding amounts invoiced by the Company under the Agreements and demanded that such disputes be arbitrated as required under the Agreements. Additionally, THP and PHP applied for a temporary restraining order as well as a preliminary and permanent injunction to prevent the Company from ceasing to provide PBM services until the conclusion of such arbitration proceedings.

The hearing on the motion for the temporary restraining order was scheduled to be heard on Wednesday, August 4, 1999. However, on Tuesday, August 3, 1999, the Company, THP and PHP agreed, among other things, that (i) the Company would withdraw its termination notices which were to become effective September 28, 1999; (ii) the Agreements would be extended until December 31, 1999 under a fee-for-service (rather than on capitated) arrangement effective October 1, 1999 through December 31, 1999; and (iii) THP and PHP would dismiss the complaints without prejudice, subject to sharing or arbitration as described below. The Company and THP and PHP will terminate their relationship on December 31, 1999. MIM has demanded arbitration with respect to certain unpaid amounts withheld by THP during 1998 and the Company intends to commence arbitration on disputed amounts under the Agreements shortly. The Company does not believe that its inability to enter into the New Agreements with either or both of THP and PHP will have a material adverse effect on the Company's results of operations or financial condition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements, the related notes thereto and Management's Discussion and Analysis of Financial Condition and Results of Operations included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 (the "Form 10-K"), as well as the unaudited consolidated interim financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 1999 filed with the Commission (this "Report").

This Report contains statements not purely historical and which may be considered forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including statements regarding the Company's expectations, hopes, beliefs, intentions or strategies regarding the future. Forward looking statements may include statements relating to the Company's business development activities, sales and marketing efforts, the status of material contractual arrangements including the negotiation or re-negotiation of such arrangements, future capital expenditures, the effects of regulation and competition on the Company's business, future operating performance of the Company and the results, the benefits and risks associated with integration of acquired companies, the effect of year 2000 problems on the Company's operations, the likely outcome of, and the effect of legal proceedings or investigations on the Company and its business and operations and/or the resolution or settlement thereof. Investors are cautioned that any such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and that actual results may differ materially from those in the forward looking statements as a result of various factors. These factors include, among other things, risks associated with risk-based or "capitated" contracts, increased government regulation related to the health care and insurance industries in general and more specifically, pharmacy benefit management organizations, increased competition from the Company's competitors, including competitors with greater financial, technical, marketing and other resources, and the existence of complex laws and regulations relating to the Company's business. This Report along with the Company's Form 10-K contain information regarding important factors that could cause such differences. The Company does not undertake any 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.

OVERVIEW

The Company is an independent pharmacy benefit management ("PBM") and prescription mail service organization that partners with managed care organizations and healthcare providers to endeavor to control prescription drug costs. A majority of the Company's revenues have been derived from providing PBM services in the State of Tennessee to managed care organizations ("MCO's") participating in the State of Tennessee's TennCare program and behavioral health organizations ("BHO's") participating in the State of Tennessee's TennCare Partners program. At September 30, 1999, the Company provided PBM services to 120 health plan sponsors with an aggregate of approximately 3.1 million plan members, of which TennCare represented 7 health plans with approximately 1.2 million plan members. The TennCare contracts accounted for 52.9% of the Company's revenues for the nine months ended September 30, 1999 and 73.4% of the Company's revenues for the nine months ended September 30, 1998.

RESULTS OF OPERATIONS

Three months ended September 30, 1999 compared to three months ended September 30, 1998

For the three months ended September 30, 1999, the Company recorded revenue of $101.4 million compared with revenue of $115.7 million for the three months ended September 30, 1998, a decrease of $14.3 million. Contracts with TennCare sponsors accounted for decreased revenues of $26.7 million as the Company did not retain contracts as of January 1, 1999 with the two TennCare BHO's it previously managed under a contract (the "RxCare Contract") with RxCare of Tennessee, Inc ("RxCare"), which expired on December 31, 1998. See "Other Matters" below for a more detailed discussion of the Company's past relationship with RxCare and the expiration of the RxCare Contract. The loss of these contracts represents $18.8 and $12.5 million respectively of the decrease in revenue, partially offset by increases in other contracts with TennCare sponsors of approximately $4.6 million. Commercial revenue increased $12.7 million, offset by a decrease of $3.4 million due to the loss of a contract with a Nevada-based managed care organization, representing a net increase of $9.3 million in commercial revenue. This overall decrease in revenues was partially offset by an increase in revenues of $3.0 million as a result of the

Company's acquisition in August 1998 of the operations of Continental Managed Pharmacy Services Inc. ("Continental").

For the three months ended September 30, 1999, approximately 46% of the Company's revenues were generated from capitated contracts compared to 35% for the three months ended September 30, 1998, an increase of 11%. As of January 1, 1999, the Company began providing capitated PBM services to major MCO's previously managed on a fee-for-service basis through 1998 under the RxCare contract.

Cost of revenue for the three months ended September 30, 1999 decreased to $93.7 million from $107.8 million for the three months ended September 30, 1998, a decrease of $14.1 million. Contracts with TennCare sponsors accounted for $24.7 million of such decrease as the Company did not retain contracts as of January 1, 1999 with the two TennCare BHO's it previously managed under the RxCare Contract and did not begin providing services to another TennCare MCO previously managed under the RxCare Contract until May 1, 1999. The loss of these contracts represents $30.8 million., of the decrease, partially offset by increases in other contracts with TennCare sponsors of approximately $6.1 million. Cost of revenue increases of $12.7 million from commercial business were offset by a decrease in cost of revenue of $4 million due to the loss of a contract with a Nevada-based managed care organization, representing an increase of $8.7 million. As a percentage of revenue, cost of revenue decreased to 92.4% for the three months ended September 30, 1999 from 93.2% for the three months ended June 30, 1998, a decrease of .8%. This decrease resulted primarily due to the contribution of Continental's mail service drug distribution business which has experienced better profit margins than historically experienced by the Company's PBM business.

Selling, general and administrative expenses were $7.1 million for the three months ended September 30, 1999 compared to $6.1 million for the three months ended June 30, 1998, an increase of $1.0 million. The acquisition of Continental accounted for the entire $1.0 million increase. As a percentage of revenue, selling, general and administrative expenses increased to 7.0% for the three months ended September 30, 1999 from 5.2% for the three months ended September 30, 1998, an increase of 1.8%, primarily attributable to revenue decreases experienced from the loss of certain contracts with TennCare sponsors as discussed above.

Amortization expense relates solely to the Company's acquisition of Continental. The Continental acquisition resulted in the recording of approxieately $19.9 million of goodwill and $1.2 million of other intangible assets, which will be amortized over their estimated useful lives (25 years for goodwill and six years and four years for other intangible assets).

For the three months ended September 30, 1999, the Company recorded interest income, net of interest expense, of $.3 million compared to interest income of $.4 million for the three months ended September 30, 1998, a decrease of $.1 million. This decrease in interest income resulted from a reduced level of investment opportunities due to the additional working capital needs of the Company. See "Liquidity and Capital Resources."

For the three months ended September 30, 1999, the Company recorded net income of $.5 million, or $.03 per diluted share as compared to net income of $2.3 million, or $.14 per diluted share, for the three months ended September 30, 1998.

Nine months ended September 30, 1999 compared to nine months ended September 30, 1998

For the nine months ended September 30, 1999, the Company recorded revenue of $265.2 million compared with revenue of $323.6 million for the nine months ended September 30, 1998, a decrease of $58.6 million. Contracts with TennCare sponsors accounted for decreased revenues of $97.2 million as the Company did not retain contracts as of January 1, 1999 with the two TennCare BHO's it previously managed under the RxCare Contract and did not begin providing PBM services to another TennCare MCO previously managed under the RxCare Contract until May 1, 1999. The loss of these contracts represents

$50.5 million and $33.5 million, respectively, of the decrease in revenue, with additional decreases in other contracts with TennCare sponsors of approximately $13.2 million. This additional decrease was primarily the result of the Company not contracting with one TennCare MCO until May 1, 1999. Commercial revenue increased $27.5 million, offset by a decrease of $21.7 million due to the loss of a contract with a Nevada- based managed care organization, representing a net increase of $5.8 million in commercial revenue. The overall decrease in revenues was partially offset by an increase in revenues of $32.8 million as a result of the Company's acquisition of Continental.

For the nine months ended September 30, 1999, approximately 41% of the Company's revenues were generated from capitated contracts compared to 35% for the nine months ended September 30, 1998, an increase of 6%. This increase resulted from changes in arrangements with the TennCare MCO's in 1999 as compared to 1998. As of January 1, 1999, the Company began providing capitated PBM services to two major MCO's previously managed on a fee-for-service basis throughout 1998 under the RxCare Contract.

Cost of revenue for the nine months ended September 30, 1999 decreased to $241.5 million from $303.9 million for the nine months ended September 30, 1998, a decrease of $62.4 million. Contracts with TennCare sponsors accounted for $88.0 million of such decrease as the Company did not retain contracts as of January 1, 1999 with the two TennCare BHO's it previously managed under the RxCare Contract and did not begin providing PBM services to another TennCare MCO previously managed under the RxCare Contract until May 1, 1999. The loss of these contracts represents $48.0 million and $32.1 million, respectively, of the decrease, with additional decreases in other contracts with TennCare sponsors of approximately $7.9 million. Cost of revenue increases of $26.1 million from commercial business included a decrease in cost of revenue of $25.8 million due to the loss of a contract with a Nevada-based managed care organization, representing a net decrease of $.3 million. Such decreases in cost of revenue were partially offset by increases of $25.9 million as a result of the Company's acquisition of Continental. As a percentage of revenue, cost of revenue decreased to 91.1% for the nine months ended September 30, 1999 from 93.9% for the nine months ended September 30, 1998, a decrease of 2.8%. This decrease resulted primarily due to the contribution of Continental's mail service drug distribution business which has experienced better profit margins than historically experienced by the Company's PBM business.

Selling, general and administrative expenses were $21.6 million for the nine months ended September 30, 1999 compared to $15.3 million for the nine months ended September 30, 1998, an increase of $6.3 million. The acquisition of Continental accounted for $5.9 million of the increase. The remaining $.4 million increase in expenses reflects expenditures incurred in connection with the Company's continuing commitment to enhance its ability to manage efficiently pharmacy benefits by investing in information systems to support new and existing customers. As a percentage of revenue, selling, general and administrative expenses increased to 8.2% for the nine months ended September 30, 1999 from 4.7% for the nine months ended September 30, 1998, an increase of 3.5%, primarily attributable to revenue decreases experienced from the loss of certain contracts with TennCare sponsors as discussed above.

Amortization expense relates solely to the Company's acquisition of Continental. The Continental acquisition resulted in the recording of approximately $19.9 million of goodwill and $1.2 million of other intangible assets, which will be amortized over their estimated useful lives (25 years for goodwill and six years and four years for other intangible assets).

For the nine months ended September 30, 1999, the Company recorded interest income, net of interest expense, of $0.6 million compared to interest income of $1.4 million for the nine months ended September 30, 1998, a decrease of $0.8 million. This decrease in interest income resulted from a reduced level of invested capital due to the additional working capital needs of the Company. See "Liquidity and Capital Resources."

For the nine months ended September 30, 1999, the Company recorded net income of $1.9 million, or $.10 per diluted share compared to net income of $5.8 million, or $.37 per diluted share, for the nine months ended September 30, 1998.

LIQUIDITY AND CAPITAL RESOURCES

The Company utilizes both funds generated from operations, if any, and funds raised in its initial public offering (the "Offering") for capital expenditures and working capital needs. For the nine months ended September 30, 1999, net cash provided from operating activities totaled $13.0 million, due mainly to an increase in claims payable of $13.7 million.

Investing activities generated $2.7 million primarily from the proceeds of maturities of investment securities of $6.6 million. This cash provided was partially offset by purchases of $1.8 million of equipment and a loan to an officer of $1.7 million. The equipment purchases were primarily upgrades and enhancements of information systems necessary to strengthen and support the Company's ability to manage its customer's PBM programs and to be competitive in the PBM industry. The loan to an officer enabled the Chairman to pay Federal and state tax liabilities associated with the exercise of stock options. Financing activities used $4.8 million of cash primarily to decrease the Company's revolving debt by $4.0 million.

At September 30, 1999, the Company had working capital of $14.3 million compared to $19.8 million at December 31, 1998, a decrease of $5.5 million. Cash and cash equivalents increased to $15.3 million at September 30, 1999 compared with $4.5 million at December 31, 1998, an increase of $10.8 million. The Company had investment securities held to maturity of $5.1 million at September 30, 1999 compared with $11.7 million at December 31, 1998, a decrease of $6.6 million. The decrease in investment securities was due to the Company's increased working capital requirements. With the exception of the Company's $2.3 million preferred stock investment in Wang Healthcare Information Systems, Inc., the Company's investments are corporate debt securities rated AA or higher and government securities.

On March 31, 1999, the State of Tennessee, (the "State"), and Xantus Healthplan of Tennessee, Inc. ("Xantus"), a TennCare customer, entered into a consent decree under which Xantus was placed in receivership under the laws of the State of Tennessee. On September 2, 1999 the Commissioner of the Tennessee Department of Commerce and Insurance, (the "Commissioner") as receiver of Xantus, filed a proposed plan of rehabilitation (the "Plan"), as opposed to a liquidation of Xantus. A rehabilitation under receivership, similar to a reorganization under federal bankruptcy laws, if approved by the Chancery Court (the "Court"), of the State of Tennessee, would allow Xantus to remain operating as a TennCare managed care organization, providing full health care related services to its enrollers. Under the Plan, the State has, among other things, agreed to loan to Xantus approximately $30 million to be used solely to repay pre-petition claims of providers, which claims aggregate approximately $80 million. Under the Plan, the receivers have also proposed that Xantus would contribute a portion of its pre-petition available cash flow towards repayment of pre-petition provider claims, making $34.8 million in total available to repay provider's pre-petition claims. The receivers have proposed among other things, that (i) all providers other than MIM receive the pro-rata portion that each provider's pre-petition claim bears to the pre-petition claims of all providers; and (ii) MIM receive (A) its pro-rata portion of its actual out of pocket expenditures, that is $6.8 million, rather than its total claim against Xantus of $10.8 million, and (B) its pro-rata portion of unpaid pharmacy claims which it would be required in turn to pay over to pharmacies on account of unpaid pharmacy claims. The Company has filed, among other motions, a Motion to Modify the Plan on the grounds that, among other things, it unfairly and inequitably treats MIM differently than all other providers and asking the Court to modify the Plan to treat MIM similarly. The hearing to approve the Plan is scheduled for November 12, 1999, at which time the Company shall be heard on its objections. As of October 1, 1999, Xantus owed the Company $10.86 for pharmacy benefit management ("PBM") services rendered by the Company from January 1, 1999 through April 1, 1999, approximately $4 million of which the Company has withheld from its pharmacy providers as permitted by the Company's agreements with them. On November 12, 1999 the Court ruled in favor of the Company's Motion, thereby requiring the receivers to treat the Company the same as all other providers. As such, the Plan will be modified to require Xantus to pay the Company over $4 million, approximately $2.0 million of which is expected to be received by the end of November 1999 and the remainder of which is expected to be received by year end. The failure of the Company to collect from Xantus or other third parties against whom the Company may have claims all or a substantial portion of the unrecovered monies paid out to pharmacies could have a material adverse effect on the Company's results of operations.

As part of the Company's normal review process, the Company determined that each of the Company's agreements (collectively, the "Agreements") with Tennessee Health Partnership ("THP") and Preferred

Health Partnership of Tennessee, Inc. ("PHP") were not achieving profitability projections. Accordingly, in the first quarter of 1999, in accordance with the terms of the Agreements, the Company exercised its right to terminate the Agreements effective on September 28, 1999.

On June 25, 1999, the Company notified both THP and PHP that it would cease providing PBM services to them and their members if past due amounts of approximately $500 and $540 were not paid within 30 days as required by the Agreements. On July 23, 1999, THP and PHP filed complaints in the United States District Court for the Eastern District of Tennessee alleging that the Company did not have the right to cease providing services under the Agreements. The complaints also alleged that THP and PHP disputed the outstanding amounts invoiced by the Company under the Agreements and demanded that such disputes be arbitrated as required under the Agreements. Additionally, THP and PHP applied for a temporary restraining order as well as a preliminary and permanent injunction to prevent the Company from ceasing to provide PBM services until the conclusion of such arbitration proceedings.

The hearing on the motion for the temporary restraining order was scheduled to be heard on Wednesday, August 4, 1999. However, on Tuesday, August 3, 1999, the Company, THP and PHP agreed, among other things, that (i) the Company would withdraw its termination notices which were to become effective September 28, 1999; (ii) the Agreements would be extended until December 31, 1999 under a fee-for-service (rather a than capitated) arrangement effective October 1, 1999 through December 31, 1999; and (iii) THP and PHP would dismiss the complaints without prejudice, subject to sharing or arbitration as described below. The Company and THP and PHP will terminate their relationship effective December 31, 1999. The Company has demanded arbitration with respect to certain unpaid amounts withheld by THP during 1998 and the Company intends to commence arbitration on disputed amounts under the existing agreement shortly. The Company does not believe that its inability to renegotiate successfully contracts with either or both of THP and PHP would have a material adverse effect on its results of operations or financial condition.

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

UnderSection 145 of the Delaware General Corporation Law ("Section 145") and the Company's Amended and Restated By-Laws ("By-Laws"), the Company is obligated to indemnify two former officers of the Company (one of which is also a former director and still a principal stockholder of the Company) who are the subject of indictments brought in the United States District Court for the Western District of Tennessee (as more fully described in the Form 10-K), unless it is ultimately determined by the Company's Board of Directors that these former officers failed to act in good faith and in a manner they reasonably believed to be in the best interests of the Company, that they had reason to believe that their conduct was unlawful of for any other reason under which indemnification would not be required under Section 145 or the By-Laws. In addition, until the Board makes such a determination, the Company is also obligated under Section 145 and its By-Laws to advance the costs of legal defense to such persons; however, if the Board determines that either or both of these former officers are not entitled to indemnification, such individuals would be obligated to reimburse the Company for all amounts so advanced. The Company is not presently in a position to assess the likelihood that either or both of these former officers will be entitled to such indemnification and continued advancement of legal defense costs or to estimate the total amount that the Company may have to pay or advance in connection with such obligations or the time period over which such amounts will have to be advanced. No assurance can be given, however, that the Company's obligations to either or both of these former officers would not have a material adverse effect on the Company's results of operations or financial condition or liquidity.

At December 31, 1998, the Company had, for tax purposes, unused net operating loss ("NOL") carryforwards of approximately $47 million which will begin expiring in 2008. As it is uncertain whether the Company will realize the full benefit from these NOL carryforwards, the Company has recorded a valuation allowance equal to the deferred tax asset generated by the carryforwards. The Company assesses the need for a valuation allowance at each balance sheet date. The Company has undergone a "change in control" as defined in the Internal Revenue Code of 1986, as amended ("Code"), and the rules and regulations promulgated thereunder. The amount of NOL carryforwards that may be utilized in any given year will be subject to a limitation as a result of this change. The annual limitation approximates $2.7 million. Actual utilization in any year will vary based on the Company's tax position in that year.

As the Company grows, it anticipates that its working capital needs will also increase. The Company expects to spend approximately $.7 million on capital expenditures during the fourth quarter of 1999 primarily for expansion and continued upgrading of information systems. The Company believes that it has sufficient cash on hand or available to fund the Company's anticipated working capital and other cash needs for at least the next twelve months.

The Company may also pursue joint venture arrangements, business acquisitions and other strategic transactions and arrangements designed to expand its business, which the Company would expect to fund from cash on hand or future indebtedness or, if appropriate, the sale or exchange of equity securities of the Company.

OTHER MATTERS

From January 1994 through December 31, 1998, the Company provided a broad range of PBM services on behalf of RxCare, to the TennCare, TennCare Partners and commercial PBM business under the RxCare Contract. Under the terms of the RxCare Contract, the Company performed essentially all of RxCare's obligations under its PBM contracts with plan sponsors, including designing and marketing PBM programs and services. Under the RxCare Contract, the Company paid certain amounts to RxCare and shared with RxCare the profit, if any, derived from services performed under RxCare's contracts with the plan sponsors.

The Company and RxCare did not renew the RxCare Contract which expired on December 31, 1998. The negotiated termination of the Company's relationship with RxCare, which among other things, allowed the Company to market directly its services to Tennessee customers, including those MCO's and commercial customers then serviced by the Company through the RxCare Contract, prior to its expiration. The RxCare Contract had previously prohibited the Company from soliciting and/or marketing its PBM services in Tennessee other than on behalf of, and for the benefit of, RxCare. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Overview" in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1998 for a more detailed discussion of the Company's past relationship with RxCare and the expiration of the RxCare Contract.

The Company's pharmaceutical claims costs historically have been subject to significant increases from October through February, which the Company believes is due to the need for increased medical attention to, and intervention with, MCO's members during the colder months. The resulting increase in pharmaceutical costs impacts the profitability of capitated contracts or other risk-based arrangements. Risk-based business represented approximately 41% of the Company's revenues while non-risk business (including the provision of mail order services) represented approximately 59% of the Company's revenues for the nine months ended September 30, 1999. Non-risk arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under risk-based contracts. The Company presently anticipates that approximately 41% of its revenues in fiscal 1999 will be derived from risk-based arrangements.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, a component of pharmaceutical claims, have historically affected the Company's cost of revenue. The Company believes that it is likely that prices will continue to increase which could have an adverse effect on the Company's gross profit. 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 rate increases. The higher level of non-risk contracts with the Company's customers in 1999 compared to prior years mitigates the adverse effects of price increases, although no assurance can be given that the recent trend towards non-risk arrangements will continue.

Generally, loss contracts arise only on capitated or other risk-based contracts and primarily result from higher than expected pharmacy utilization rates, higher than expected inflation in drug costs and the inability of the Company to restrict its MCO clients' formularies to the extent anticipated by the Company at the time contracted PBM services are implemented, thereby resulting in higher than expected drug costs. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. Management does not believe that there is an overall trend towards losses on its existing capitated contracts.

YEAR 2000 DISCLOSURE

The so-called "year 2000 problem," which is common to many companies, concerns the inability of information systems, primarily computer hardware and software programs, to recognize properly and process date sensitive information following December 31, 1999. The Company has used this IS project as an opportunity to evaluate its state of readiness, estimate expected costs and identify and quantify risks associated with any potential year 2000 issues.

STATE OF READINESS:

In evaluating the Company's potential exposure to the year 2000 problem, management first identified those systems that were critical to the ongoing business of the Company and that would require significant manual intervention should those systems be unable to process dates correctly following December 31, 1999. Those systems were the Company's claims adjudication and processing system and the internal accounting system (which includes pharmacy reimbursement). Once those systems were identified, the following steps were identified as those that would be required to be taken to ascertain the Company's state of readiness:

I. Obtaining letters from software and hardware vendors concerning the ability of their products to properly process dates after December 31, 1999;

II. Testing the operating systems of all hardware used in the identified information systems to determine if dates after December 31, 1999 can be processed correctly;

III. Surveying other parties who provide or process information in electronic format to the Company as to their state of readiness and ability to process dates after December 31, 1999; and

IV. Testing the identified information systems to confirm that they will properly recognize and process dates after DecembeR 31, 1999.

The Company (excluding for purposes of this year 2000 discussion only, Continental) has completed Step I. The Company will continue to obtain letters from new hardware and software vendors. The Company has completed the implementation of Step II. All server/host operating systems have been upgraded to manufacturer specifications to be year 2000 compliant. The Company will continue to monitor software manufacturer patch releases for additional enhancements.

With respect to Step III above, the Company has engaged in discussions with the third party vendors that transmit data from member pharmacies and has been advised that such third party vendors' systems will be able to properly recognize and process dates after December 31, 1999.

With respect to Step IV above, the Company successfully completed a year 2000 compliance test of the claims adjudication and processing systems during our regularly scheduled disaster recovery drill, which took place on June 28, 1999. As a result of this compliance test, the Company believes its claims adjudication and processing system will be able to properly accept and transmit data after December 31, 1999 with no significant disruption. The Company's internal accounting and other administrative systems generally have been internally developed during the last few years or are presently being developed. Accordingly, in light of the fact that such systems were developed with a view to year 2000 compliance, the Company expects that these systems will be able to properly recognize and process dates after December 31, 1999.

Continental's computer systems related to the delivery of pharmaceutical products through mail order were upgraded in the fourth quarter of 1998 to become year 2000 compliant. Continental's internal accounting systems were upgraded during the second quarter of 1999, and are now year 2000 compliant. The substantial amount of the remaining systems are compliant. Work is continuing on those systems that are not yet compliant, and will be completed shortly.

COSTS:

As noted above, the Company spent approximately $2.6 million during 1997 and 1998 to improve its information systems. In addition, the Company has spent approximately $1.0 million during the first nine months of 1999 and anticipates that it will spend approximately $.7 million in the fourth quarter of 1999, to further improve its information systems. These improvements were not, and are not intended to specifically address the year 2000 issue, but rather to address other business needs and issues. Nonetheless, the IS project has provided the Company with a platform from which to address all year 2000 issues. Management does not believe that the amount of funds expended in connection with the IS project would have differed materially in the absence of the year 2000 problem. The Company's cash on hand as a result of the Offering has provided all of the funds expended to date on the IS project and is expected to provide substantially all of the funds expected to be spent during 1999 on the IS project.

RISKS:

On July 29, 1998, the Commission issued Release No. 33-7558 (the "Release") in an effort to provide further guidance to reporting companies concerning disclosure of the year 2000 problem. In this Release the Commission required that registrants include in its year 2000 disclosure a description of its "most reasonably likely worst case scenario." Based on the Company's assessment and the results of remediation performed to date as described above, the Company believes that all problems related to the year 2000 will be addressed in a timely manner so that the Company will experience little or no disruption in its business immediately following December 31, 1999. However, if unforeseen difficulties arise, or if further compliance testing is delayed, the Company anticipates that its "most reasonably likely worst case scenario" (as required to be described by the Release) is that some percentage of the Company's claims would need to be processed manually for some limited period of time, because member pharmacies would not be able to transmit data electronically. At this point in time, the Company cannot reasonably estimate the number of pharmacies or the level of claims involved or the costs that would be incurred if the Company were required to hire temporary staff and incur other expenses to manually process such claims. In addition, the Company anticipates that all businesses (regardless of their state of readiness), including the Company, will encounter some minimal level of disruption in its business (e.g., phone and fax systems, alarm systems, etc.) as a result of the year 2000 problem. However, the Company does not believe that it will incur any material expenses or suffer any material loss of revenues in connection with such minimal disruptions.

CONTINGENCY PLANS:

As discussed above, in the event of the occurrence of the "most reasonably likely worst case scenario" the Company would hire an appropriate level of temporary staff to manually process the pharmacy claims submitted on paper. As discussed above, at this time the Company cannot reasonably estimate the number of pharmacies or level of claims involved or the costs that would be incurred if the Company were required to hire temporary staff and incur other expenses to manually process such claims. While some level of manual processing is common in the industry and while manual processing increases the time it takes the Company to pay the member pharmacies and invoice the related payers, the Company does not foresee any material lost revenues or other material expenses that would be incurred if this scenario occured. However, an extended delay in processing claims, making payments to pharmacies and billing the Company's customers could materially adversely impact the Company's liquidity.

In addition, while not part of the "most reasonably likely worst case scenario," the delay in paying such pharmacies for their claims could result in adverse relations between the Cgmpany and the pharmacies. Such adverse relations could cause certain pharmacies to drop out of the Company's networks which in turn could cause the Company to be in breach under service area provisions under certain of its services agreements with its customers. The Company does not believe that any material relationship with any pharmacy will be so affected or that any material number of pharmacies would withdraw from the Company's networks or that it will breach any such service area provision of any contract with its customers. Notwithstanding the foregoing, based upon past experience, the Company believes that it could quickly replace any such withdrawing pharmacy so as to prevent any breach of any such provision. Also, certain states' laws and regulations generally require that doctors and pharmacy providers be paid by health insurers (or by their PBM and other subcontractors) within a fixed number of days (usually between 30 and 45 days) of the submission by such providers of properly completed claims forms and submissions. To the extent that delays in the adjudication of pharmacy claims are delayed beyond the number of days legally permitted under applicable state law, such delays could lead to the imposition of monetary fines or the suspension or revocation of particular state permits, licenses, consents or approvals. In light of the uniqueness of the Y2K problem, the Company does not believe that many state regulators, in exercising discretion would impose sanctions as severe as suspension or revocation of any such licenses, permits or approvals, but no such assurances can be given that such sanctions would not be imposed. The Company cannot presently reasonably estimate the possible impact in terms of lost revenues, additional expenses or litigation damages or expenses that could result from such events.

FORWARD LOOKING STATEMENTS:

Certain information set forth above regarding the year 2000 problem and the Company's plans to address those problems are forward looking statements under the Securities Act and the Exchange Act. See the first paragraph in "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a discussion of forward looking statements and related risks and uncertainties. In addition, certain factors particular to the year 2000 problem could cause actual results to differ materially from those contained in the forward looking statements, including, without limitation: failure to identify critical information systems which experience failures, delays and errors in the compliance and remediation efforts described above, unexpected failures by key vendors, member pharmacies, software providers or business partners to be year 2000 compliant or the inability to repair critical information systems in the time frames described above. In any such event, the Company's results of operations and financial condition could be materially adversely affected. In addition, the failure to be year 2000 compliant of third parties outside of the Company's control such as electric utilities or financial institutions could adversely effect the Company's results of operations and financial condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company believes that interest rate risk represents the only market risk exposure applicable to the Company. The Company's exposure to market risks associated with changes in interest rates relates primarily to the Company's investments in marketable securities in accordance with the Company's corporate investment policies and guidelines. All of these instruments are classified as "held-to-maturity" on the Company's consolidated balance sheets and were entered into by the Company solely for investment purposes and not for trading purposes. The Company does not invest in or otherwise use derivative financial instruments. The Company's investments consist primarily of corporate debt securities, corporate preferred stock and State and local governmental obligations, each rated AA or higher. The table below presents principal cash flow amounts and related weighted average effective interest rates by expected (contractual) maturity dates for the Company's financial instruments subject to interest rate risk:

	1999	2000	2001	2002	2003	THEREAFTER
Short-term investments						
Fixed rate investments	5,000	-	-	-	-	-
Weighted average rate	6.70%	-	-	-	-	-
Long-term investments:						
Fixed rate investments	-	-	-	-	-	-
Weighted average rate	-	-	-	-	-	-
Long-term debt:						
Variable rate instruments	46	312	1,977	-	-	-
Weighted average rate	9.00%	9.00%	7.78%	-	-	-

In the table above, the weighted average interest rate for fixed and variable rate financial instruments in each year was computed utilizing the effective interest rate at September 30, 1999 for that instrument multiplied by the percentage obtained by dividing the principal payments expected in that year with respect to that instrument by the aggregate expected principal payments with respect to all financial instruments within the same class of instrument.

At September 30, 1999, the carrying values of cash and cash equivalents, accounts receivable, accounts payable, claims payable and payables to plan sponsors and others approximate fair value due to their short-term nature.

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

PART II
OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

On March 31, 1999, the State and Xantus entered into a consent decree under which Xantus was placed in receivership under the laws of the State of Tennessee. On September 2, 1999 the Commissioner, as receiver of Xantus, filed the Plan, as opposed to a liquidation of Xantus. A rehabilitation under receivership, similar to a reorganization under federal bankruptcy laws, if approved by Court, would allow Xantus to remain operating as a TennCare managed care organization, providing full health care related services to its enrollers. Under the Plan, the State has, among other things, agreed to loan to Xantus approximately $30 million to be used solely to repay pre-petition claims of providers, which claims aggregate approximately $80 million. Under the Plan, the receivers have also proposed that Xantus would contribute a portion of its pre-petition available cash flow towards repayment of pre-petition provider claims, making $34.8 million in total available to repay provider's pre-petition claims. The receivers have proposed among other things, that (i) all providers other than MIM receive the pro-rata portion that each provider's pre-petition claim bears to the pre-petition claims of all providers; and (ii) MIM receive (A) its pro-rata portion of its actual out of pocket expenditures, that is $6.8 million, rather than its total claim against Xantus of $10.8 million, and (B) its pro-rata portion of unpaid pharmacy claims which it would be required in turn to pay over to pharmacies, on account of unpaid pharmacy claims. The Company has filed, among other motions, a Motion to Modify the Plan on the grounds that, among other things, it unfairly and inequitably treats MIM differently than all other providers and asking the Court to modify the Plan to treat MIM similarly. The hearing to approve the Plan is scheduled for November 12, 1999, at which time the Company shall be heard on its objections. As of October 1, 1999, Xantus owed the Company $10.86 million for pharmacy benefit management ("PBM") services rendered by the Company from January 1, 1999 through April 1, 1999, approximately $4 million of which the Company has withheld from its pharmacy providers as permitted by the Company's agreements with them. On November 12, 1999 the Court ruled in favor of the Company's Motion, thereby requiring the receivers to treat the Company the same as all other providers. As such, the Plan will be modified to require Xantus to pay the Company over $4 million, approximately $2.0 million of which is expected to be received by the end of November 1999 and the remainder of which is expected to be received by year end. The failure of the Company to collect from Xantus or other third parties against whom the Company may have claims all or a substantial portion of the unrecovered monies paid out to pharmacies could have a material adverse effect on the Company's results of operations.

As part of the Company's normal review process, the Company determined that each of the Company's agreements (collectively, the "Agreements") with Tennessee Health Partnership ("THP") and Preferred Health Partnership of Tennessee, Inc. ("PHP") were not achieving profitability projections. As a result thereof, in the first quarter of 1999, and in accordance with the terms of the Agreements, the Company exercised its right to terminate the Agreements effective on September 28, 1999.

On June 25, 1999, the Company notified both THP and PHP that it would cease providing PBM services to them and their members if past due amounts of approximately $500 and $540 were not paid within 30 days as required by the Agreements. On July 23, 1999, THP and PHP filed complaints in the United States District Court for the Eastern District of Tennessee alleging that the Company did not have the right to cease providing PBM services under the Agreements. The complaints also alleged that THP and PHP disputed the outstanding amounts invoiced by the Company under the Agreements and demanded that such disputes be arbitrated as required under the Agreements. Additionally, THP and PHP applied for a temporary restraining order as well as a preliminary and permanent injunction to prevent the Company from ceasing to provide PBM services until the conclusion of such arbitration proceedings.

The hearing on the motion for the temporary restraining order was scheduled to be heard on Wednesday, August 4, 1999. However, on Tuesday, August 3, 1999, the Company, THP and PHP agreed, among other things, that (i) the Company would withdraw its termination notices which were to become effective September 28, 1999; (ii) the Agreements would be extended until December 31, 1999 under a fee-for-service (rather than on capitated) arrangement effective October 1, 1999 through December 31, 1999; and (iii) THP and PHP would dismiss the complaints without prejudice, subject to sharing or arbitration as described below. The Company and THP and PHP will terminate their relationship on December 31, 1999. The Company has demanded arbitration with respect to certain unpaid amounts withheld by THP during 1998, and the Company intends to commence arbitration on disputed amounts under the Agreements shortly. The Company does not believe that its inability to enter into the New Agreements with either or both of THP and PHP will have a material adverse effect on the Company's results of operations or financial condition.

ITEM 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

From August 14, 1996 through September 30, 1999, the $46,788,000 net proceeds from the initial public offering (the "Offering"), pursuant to a Registration Statement assigned file number 333-05327 by the Securities and Exchange 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	$ 6,063,908
Purchases of real estate	$ -
Acquisition of other business	$ 2,341,000
Repayment of indebtedness	$ -
Working capital	$18,019,520

Temporary investments:

Marketable securities................................	$ 5,056,773
Overnight cash deposits..............................	$15,306,799

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, however, as disclosed in the Offering prospectus and subsequent Forms SR, the Company intended to apply approximately $18.6 million of Offering proceeds to fund an expansion of the "preferred generics" program. The Company has determined not to apply any material portion of the Offering proceeds to fund any expansion of this program. The Company presently intends to use the remaining Offering proceeds to support the growth of its PBM and mail order business.

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

The Company's annual meeting of stockholders (the "Annual Meeting") was held on August 19, 1999. Listed below are the proposals submitted to stockholder vote at the Annual Meeting and the results of the stockholder vote there at:

1. Election of six (6) directors to the Board of Directors, each to serve for a one (1) year term. The Company's nominated and elected directors are Richard H. Friedman, Scott R. Yablon, Richard A. Cirillo, Esq., Louis DiFazio, Ph.D., Michael Kooper and Louis a. Luzzi, Ph.D., the votes in favor of and against the election of each director were as follows:

NAME	FOR	WITHHELD
Richard H. Friedman	10,639,089	3,028,769
Scott R. Yablon	10,641,689	3,026,169
Dr. Louis A. Luzzi	10,685,597	2,982,261
Richard A. Cirillo	10,641,689	3,026,169
Dr. Louis DiFazio	10,685,597	2,982,261
Michael Kooper	10,685,597	2,982,261

2. Amendments to the Company's Amended and Restated 1996 Stock Incentive Plan (the "Employee Plan") in order to add performance shares and performance units as securities subject to grant by the Company to employees thereunder, to make available an additional 825,450 shares of Common Stock for grant thereunder and other related technical changes thereto.

FOR	AGAINST	ABSTAIN
7,361,378	4,700,651	19,960

3. Amendments to the Company's 1996 Non-Employee Director's Plan (the "Directors Plan") in order to make available under the Directors Plan an additional 2,000,000 shares of Common Stock for grant thereunder.

FOR	AGAINST	ABSTAIN
8,616,944	3,438,965	26,080

There were no other proposals submitted for stockholder approval at the Annual Meeting.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
10.60	Amendment No. 1 to Employment Agreement, dated as of October 11, 1999 between MIM Corporation an Richard H. Friedman
10.61	Form of Performance Shares Agreement
10.62	Form of Performance Units Agreement
10.63	Form of Non-Qualified Stock Option Agreement
27	Financial Data Schedule

(b) Reports on Form 8-K

The Company did not file any reports on Form 8-K during the third quarter of fiscal 1999.

SIGNATURES

Pursuant to the requirements 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.

MIM CORPORATION

Date: November 15, 1999

/S/ EDWARD J. SITAR

Edward J. Sitar
Chief Financial Officer
(Principal Financial Officer)

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

10.60	Amendment No. 1 to Employment Agreement, dated as of October 11, 1999 between MIM Corporation an Richard H. Friedman
10.61	Form of Performance Shares Agreement
10.62	Form of Performance Units Agreement
10.63	Form of Non-Qualified Stock Option Agreement
27	Financial Data Schedule

Exhibit 10.60

Amendment No. 1 to Employment Agreement

This Amendment No. 1 (this "Amendment") to Employment Agreement is entered into as of October 11, 1999 by and between MIM Corporation, a Delaware corporation (the "Company"), and Richard H. Friedman ("Executive").

WHEREAS, the Company and Executive entered into an Employment Agreement dated as of December 1, 1998 (the "Original Agreement");

WHEREAS, certain compensation provisions in the Original Agreement were subject to stockholder approval pursuant to Section 3.8 of the Original Agreement;

WHEREAS, the Company included a proposal (the "Proposal") in its proxy statement dated as of July 2, 1999 with respect to its 1999 Annual Meeting of Stockholders ("Annual Meeting") in order to obtain stockholder approval of the relevant compensation provisions of the Original Agreement;

WHEREAS, the Company submitted the Original Agreement to stockholders for approval primarily to ensure the deductibility for Federal tax purposes of compensation payable to Executive under the Original Agreement in accordance with Section 162(m) of the Internal Revenue Code of 1986, as amended, and the rules and regulations promulgated thereunder;

WHEREAS, with the consent of Executive, the Company withdrew the Proposal from consideration at the Annual Meeting based upon, among other things, an insufficient number of shares necessary to approve the Proposal being voted by proxy prior to the Meeting;

WHEREAS, therefore, the stockholder approval condition precedent set forth in Section 3.8 will not be satisfied by December 31, 1999 and, accordingly, the compensation provisions of the Original Agreement subject to such condition may be ineffective; and

WHEREAS, in light of the withdrawal of the Proposal, the Company and Executive have agreed to amend the Original Agreement on the terms and conditions set forth herein so as (a) not to deprive Executive of the benefit of (i) certain forms of incentive compensation granted in the Original Agreement and (ii) certain other compensation payable to Executive upon the occurrence of certain events, including termination, all as more fully described in the Original Agreement and (b) to ensure on behalf of the Company the deductibility for Federal tax purposes of any compensation payable to Executive under the Agreement;

NOW, THEREFORE, in consideration of the mutual covenants set forth herein and other valuable consideration, the sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound, hereby agree as follows:

1. Capitalized terms used herein without definition shall have the meanings ascribed to such terms in the Original Agreement and all references to the "Agreement" in the Original Agreement and herein shall hereafter mean the Original Agreement as amended by this Amendment.

2. Section 3.8 of the Original Agreement is hereby deleted in its entirety and shall be deemed to be of no further force or effect from and after the date hereof, and shall be replaced by the following: "Notwithstanding any provision herein to the contrary, to the extent that any compensation that would be payable to Executive hereunder (but for the operation of this Section 3.8) would not be deductible for Federal tax purposes by the Company as a result of the limitations of Section 162(m) of the Internal Revenue Code of 1986, as amended, as determined by the Company's tax counsel or independent public accountants ("nondeductible compensation"), then such nondeductible compensation shall not be payable by the Company or paid by the Company in the taxable year of the Company in which such payment otherwise would be required (but for the operation of this Section 3.8) to be made under the Agreement or any other agreement entered into between the Company and Executive to effectuate the provisions hereof, but, instead, shall be deferred to and become payable in the next subsequent taxable year of the Company in which such compensation would be deductible for Federal tax purposes by the Company taking into account the limitations of Section 162(m)."

3. The proviso of Section 3.9 of the Original Agreement is hereby deleted in its entirety and shall be deemed to be of no further force or effect from and after the date hereof.

4. Section 3.3(a) of the Original Agreement is hereby amended to add a new sentence to the end of the paragraph as follows: "The payment of all bonus payments made to Executive hereunder shall be subject to the limitations set forth in Section 3.8 hereof."

5. Section 3.3(b) of the Original Agreement is hereby deleted in its entirety and replaced with the following: "Upon execution and delivery of this Agreement, Executive shall be granted and shall be entitled to

receive 200,000 Performance Units under the Company's Amended and Restated 1996 Stock Incentive Plan ("Plan"), subject to the terms and conditions of the Plan and a definitive Performance Unit Agreement to be negotiated and entered into by the parties."

6. Section 3.3(c) of the Original Agreement is hereby deleted in its entirety.

7. Section 3.4 of the Original Agreement is hereby deleted in its entirety and replaced with the following: "Upon execution and delivery of this

8. Agreement, the Executive shall be granted and shall be entitled to receive options ("Options") to purchase 250,000 shares of the common stock, par value $0.0001 per share, of the Company ("Common Stock"), under the Company's Amended and Restated 1996 Stock Incentive Plan, at a price per share equal to $2.37 per share in the case of ISO's (as defined below), being 110% of the closing sales price per share of the Common Stock, and $2.16 per share in the case of NQSO's (as defined below), being the closing sales price per share of the Common Stock, in each case, on the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") on October 8, 1999, the date on which the Company's Compensation Committee granted the Executive these Options. The Options shall, to the extent permitted by Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), be qualified as incentive stock options ("ISO's"). Options in excess of the number permitted to receive ISO treatment under Section 422 of the Code shall not be qualified as ISO's and shall be treated as non-qualified stock options ("NQSO's"). Subject to Sections 4 and 5 hereof and the applicable stock option award agreement (i) 83,333 of such Options shall vest and become exercisable on each of the first and second anniversaries of the date thereof, and (ii) the remaining 83,334 Options shall vest and become exercisable, on the third anniversary of the date hereof. The Options shall be subject to the terms and conditions of the Plan and a definitive stock option agreement to be negotiated and entered into by the parties."

9. Section 4.1 of the Original Agreement is hereby amended by deleting clause (iv) in its entirety and renumbering clause (v) as clause (iv); in addition, the cross reference to clause (v) in the last sentence of Section 4.1 shall be amended to cross reference to clause (iv).

10. Section 4.2 of the Original Agreement is hereby amended by deleting clause (iv) in its entirety and renumbering clauses (v) and (vi) as clauses (iv) and (v) respectively; in addition, the cross reference to clause (v) in the proviso of clause (v) (now (iv)) shall be amended to cross reference to clause (iv).

11. Section 5.1(b) of the Original Agreement is hereby amended by deleting clause (ii) in its entirety and renumbering clauses (iii), (iv) and (v) as clauses (ii), (iii) and (iv) respectively.

12. Section 5.1(c) of the Original Agreement is hereby amended by deleting clause (iii) in its entirety and replacing it with the following "all Performance Units shall lapse and terminate immediately; and"

13. Section 5.2(b) of the Original Agreement is hereby amended by deleting clause (v) in its entirety and renumbering clause (vi) as clause (v).

14. Section 5.2(c) of the Original Agreement is hereby amended by deleting clause (v) in its entirety and renumbering clause (vi) as clause (v).

15. Section 5.3(b) of the Original Agreement is hereby amended by deleting clause (v) in its entirety and renumbering clause (vi) as clause (v).

16. Section 7.4(i) of the Original Agreement is hereby amended to delete the address block for Rogers & Wells under the heading "with a copy to" and to replace it with the following:

King & Spalding
1185 Avenue of the Americas
New York, New York 10036-4003
Attention: Richard A. Cirillo

17. The parties agree to enter into an Amended and Restated Employment Agreement on the terms and conditions set forth in the Original Agreement as modified by this Amendment. Upon execution and delivery, the Amended and Restated Employment Agreement will replace and supercede the Original Agreement and this Amendment.

18. Except as modified hereby, the Agreement shall remain unmodified and in full force and effect.

19. This Amendment shall be construed in accordance with, and its interpretation shall otherwise be governed by, the laws of the State of New York, without giving effect to otherwise applicable principles of conflicts of law.

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

MIM CORPORATION

By:/s/ Barry A. Posner

Its: Vice President and General Counsel

/s/ Richard H. Friedman

Executive

Exhibit 10.61

PERFORMANCE SHARES AGREEMENT

PERFORMANCE SHARES AGREEMENT (the "Agreement") made as of the _____ day of _________, 1999 (the "Grant Date"), between MIM Corporation, a Delaware corporation (the "Company"), and ____________________ (the "Awardee").

WHEREAS, the Company desires to afford the Awardee an opportunity to own shares of the common stock, par value $.0001 per share, of the Company ("Common Shares"), as hereinafter provided, in accordance with the provisions of the MIM Corporation 1996 Stock Incentive Plan, as amended and restated effective December 1, 1998, a copy of which is attached (the "Plan").

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration the legal sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereunder, agree as follows:

1. GRANT OF RESTRICTED SHARES. The Company hereby grants to the Awardee an aggregate of _____________ Common Shares (the "Performance Shares"), the effectiveness of which grant is contingent in all respects upon approval of the Plan by the shareholders of the Company on or before December 31, 1999. The grant is in all respects limited and conditioned as hereinafter provided, and is subject to the terms and conditions of the Plan now in effect and as they may be amended from time to time (which terms and conditions are and automatically shall be incorporated herein by reference and made a part hereof and shall control in the event of any conflict with any other terms of this Performance Shares Agreement).

2. VESTING AND FORFEITURE. If the Awardee's Date of Termination does not occur during the Restricted Period, then, at the end of the Restricted Period, the Awardee shall become vested in all of the Performance Shares. If (a) the Company meets the target Earnings Per Share for the year 2001 (as reflected on Exhibit 1 attached hereto) and (b) the Awardee's Date of Termination does not occur prior to December 31, 2001, then the Awardee shall become vested in all of the Performance Shares upon closing of the Company's financial statements for the year 2001 (the "Accelerated Vesting Date"). If the Awardee does not meet the requirements for vesting contained in this paragraph, the Awardee shall immediately forfeit all of the Performance Shares, except to the extent provided as follows:

(a) If the Awardee's Date of Termination occurs by reason of the Awardee's death, Disability or by reason of Termination without Cause or for Good Reason, the Awardee shall become immediately vested, as of the Date of Termination, in (i) 1/3 of the Performance Shares if the Date of Termination occurs before the first anniversary of the Grant Date and the Company achieves the target Earnings Per Share (as reflected on Exhibit 1) for the fiscal year in which the Date of Termination occurs; (ii) 2/3 of the Performance Shares if the Date of Termination occurs on or after the first anniversary but before the second anniversary of the Grant Date and the Company achieves the target Earnings Per Share (as reflected on Exhibit 1) for the fiscal year in which the Date of Termination occurs; and, (iii) all of the Performance Shares if the Date of Termination occurs on or after the second anniversary but before the day following the third anniversary of the Grant Date and the Company achieves the target Earnings Per Shares (as reflected on Exhibit 1) for the fiscal year in which the Date of Termination occurs.

(b) The Awardee shall become vested in all of the Performance Shares as of the Date of Termination if the Awardee's Employment is terminated within one year following such Change in Control (provided such termination occurs prior to the end of the Restricted Period and such termination is a Termination without Cause or is a Termination for Good Reason).

If the Awardee is at any time Terminated for Cause or if the Awardee resigns without Good Reason, the Awardee shall forfeit all Performance Shares that have not previously vested.

3. DELIVERY OF RESTRICTED STOCK. As soon as practicable after the first to occur of (a) the expiration of the Restricted Period, (b) the Awardee's Date of Termination and (c) the date of a Change in Control, the Committee shall certify in writing as to whether or not the performance objectives have been satisfied. If the Committee certifies that the performance objectives have been satisfied, or determines that Performance Shares otherwise have vested, the restrictions applicable to such Performance Shares shall lapse and a certificate for the number of Common Shares with respect to which the restrictions have lapsed shall be delivered to the Awardee free and clear of all such restrictions.

4. TRANSFERS. Performance Shares may not be sold, assigned, transferred, pledged or otherwise encumbered until the Awardee is vested in the shares and then only to the extent the Awardee is vested in the shares.

5. DIVIDENDS AND VOTING RIGHTS. The Awardee shall be entitled to receive any regular cash dividends paid with respect to Performance Shares that become payable during the Restricted Period; provided, however, that no such dividends shall be payable to or for the benefit of the Awardee with respect to record dates occurring prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Awardee has forfeited Performance Shares; and provided further that all distributions made with respect to the Performance Shares as a result of any split, distribution or

combination of Performance Shares or other similar transaction shall be deemed to be Performance Shares subject to the provisions of this Agreement. The Awardee shall be entitled to vote the Performance Shares during the Restricted Period to the same extent as would have been applicable to the Awardee if the Awardee was then vested in the shares; provided, however, that the Awardee shall not be entitled to vote the shares with respect to record dates for such voting rights arising prior to the Grant Date, or with respect to record dates occurring on or after the date, if any, on which the Awardee has forfeited the Performance Shares.

6. DEPOSIT OF PERFORMANCE SHARES. Each certificate issued in respect of Performance Shares granted under this Agreement shall be registered in the name of the Awardee and shall be deposited with the Company. The grant of Performance Shares is conditioned upon the Awardee endorsing in blank a stock power for the Performance Shares and delivering such stock power to the depository designated by the Committee contemporaneously with the issuance and deposit of the Performance Shares with the Company.

7. DEFINITIONS. For purposes of this Agreement, the terms used in this Agreement shall be defined as follows:

(a) DATE OF TERMINATION. The Awardee's "Date of Termination" shall be the first day occurring on or after the Grant Date on which the Awardee's Employment by the Company and its Subsidiaries and Affiliates is terminated, regardless of the reason for the termination of Employment; provided that a termination of Employment shall not be deemed to occur by reason of a transfer of the Awardee between any of the Company and its Subsidiaries and Affiliates; and further provided that the Awardee's employment shall not be considered terminated while the Awardee is on a leave of absence from the Company or a Subsidiary or Affiliate approved by the Awardee's employer.

(b) DESIGNATED BENEFICIARY. The term "Designated Beneficiary" means the beneficiary or beneficiaries designated by the Awardee in a writing filed with the Committee in such form and at such time as the Committee shall require.

(c) DISABILITY. The term "Disability" shall have the meaning provided in Section

22(e)(3) of the Code.

(d) RESTRICTED PERIOD. The term "Restricted Period" means the period commencing on the Grant Date and ending on December 31, 2006.

(e) TERMINATION WITHOUT CAUSE OR FOR GOOD REASON. The term "Termination without Cause or for Good Reason" shall mean the termination of the Awardee's Employment by the Company and its Subsidiaries and Affiliates for reasons other than "Cause" or by the Awardee for "Good Reason," as such quoted terms are defined in the Employment Agreement (the "Employment Agreement") dated as of March 1, 1999 between the Company and the Awardee.

(f) PLAN DEFINITIONS. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan shall have the same meaning where used in this Agreement.

8. SHARES ACQUIRED FOR INVESTMENT. The Awardee hereby represents that the Performance Shares are being acquired for investment for the Awardee's own account, not as a nominee or agent, and not with the view to, or for resale in connection with, any distribution thereof. The Awardee understands that the Performance Shares have not been, and will not be, registered under the Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any

state by reason of exemptions from the registration provisions of the Securities Act and such laws which depend upon, among other things, the bona fide nature of the investment intent and the accuracy of the Awardee's representations as expressed herein.

9. WITHHOLDING OF TAXES. Any obligation of the Company to deliver Common Shares pursuant to this Agreement shall be subject to applicable federal, state and local withholding tax requirements. The Company shall have the right to require recipients or their beneficiaries or legal representatives to remit to the Company an amount sufficient to satisfy such withholding tax requirements, or to deduct from all payments to be made hereunder amounts sufficient to satisfy all such withholding tax requirements. The Committee may, in its sole discretion, permit a recipient to satisfy his or her tax withholding obligation either by (i) surrendering Common Shares owned by the recipient or (ii) having the Company withhold from Common Shares otherwise deliverable to the Awardee. Shares surrendered or withheld shall be valued at their Fair Market Value as of the date on which income is required to be recognized for income tax purposes. The Awardee hereby agrees that he will not make an election under Section 83(b) of the Code with respect to any or all of the Performance Shares.

10. HEIRS AND SUCCESSORS. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. If any rights of the Awardee or benefits distributable to the Awardee under this Agreement have not been exercised or distributed, respectively, at the time of the Awardee's death, such rights shall be exercisable by the Designated Beneficiary, and such benefits shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. If a deceased Awardee fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Awardee, any rights that would have been exercisable by the Awardee and any benefits distributable to the Awardee shall be exercised by or distributed to the legal representative of the estate of the Awardee. If a deceased Awardee designates a beneficiary but the Designated Beneficiary dies before the Designated Beneficiary's exercise of all rights under this Agreement or before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any rights that would have been exercisable by the Designated Beneficiary shall be exercised by the legal representative of the estate of the Designated Beneficiary, and any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

11. GOVERNING LAW. This Agreement shall be construed in accordance with, and its interpretation shall be governed by applicable federal law, and otherwise by the laws of the State of Delaware.

12. ADMINISTRATION. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement is final and binding.

13. ENTIRE AGREEMENT. This Agreement and the Employment Agreement contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior contracts and other agreements to the extent of any discrepancies or conflicts between this Agreement and the Employment Agreement, the terms of the Employment shall govern.

IN WITNESS WHEREOF, the Company has caused this Performance Shares Agreement to be duly executed by its officers thereunto duly authorized, and the Awardee has hereunto set his hand and seal, all on the day and year first above written.

MIM CORPORATION

By

Name:
Title:

ACCEPTED AND AGREED TO:

Awardee

Exhibit 10.62

PERFORMANCE UNITS AGREEMENT

PERFORMANCE UNITS AGREEMENT (the "Agreement") made as of the _____ day of _________, 1999 (the "Grant Date"), between MIM Corporation, a Delaware corporation (the "Company"), and ____________________ (the "Awardee").

WHEREAS, the Company desires to afford the Awardee an opportunity to participate in the growth of the Company as hereinafter provided, in accordance with the provisions of the MIM Corporation 1996 Stock Incentive Plan, as amended and restated effective December 1, 1998, a copy of which is attached (the "Plan").

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration the legal sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereunder, agree as follows:

1. GRANT OF PERFORMANCE UNITS. The Company hereby grants to the Awardee as of the date hereof (the "Grant Date") an aggregate of _____________ Performance Units, the effectiveness of which grant shall be contingent in all respects upon approval of the Plan by the shareholders of the Company on or before December 31, 1999. The grant is in all respects limited and conditioned as hereinafter provided, and is subject to the terms and conditions of the Plan now in effect and as they may be amended from time to time (which terms and conditions are and automatically shall be incorporated herein by reference and made a part hereof and shall control in the event of any conflict with any other terms of this Performance Units Agreement).

2. VESTING AND FORFEITURE. If the Awardee's Date of Termination does not occur prior to December 31, 2001, the Performance Units shall vest as of such date and shall be payable at the accrued value achieved for the year 2001 in accordance with the Performance Objective set forth in Exhibit 1, PROVIDED, HOWEVER, that the accrued value of the Performance Units shall be zero if the Company's Net After Tax Earnings are below the threshold amount for 2001. If the Awardee's Date of Termination is prior to December 31, 2001, the Awardee shall forfeit the Performance Units, except to the extent provided as follows:

(a) The Performance Units shall vest as of the Awardee's Date of Termination if such termination occurs by reason of the Awardee's death, Disability or Termination without Cause or for Good Reason and shall be payable at the accrued value measured at the end of the fiscal year immediately following such termination in accordance with Exhibit 1.

(b) The Performance Units shall vest as of the date of a Change in Control if the Awardee's Employment is terminated within one year following such Change in Control (provided such termination is a Termination without Cause or for Good Reason). Such Performance Units shall be immediately payable at the maximum target value set forth on Exhibit 1.

(c) If the Awardee is terminated at any time for Cause or if the Awardee resigns at any time without Good Reason, the Awardee shall forfeit all Performance Units (whether vested or not).

3. PAYMENT OF PERFORMANCE UNITS. As soon as practicable after the earliest to occur of (a) the Awardee's Date of Termination and (b) the date of a Change in Control, the Committee shall certify in writing as to whether or not the Performance Objectives have been satisfied. If the Committee certifies that the Performance Objectives have been satisfied, or determines that the Performance Units otherwise have vested, the Company shall pay to the Awardee the amount determined under Section 2 in two equal installments, the first of which shall be payable as soon as practicable following such certification or determination and the second of which shall be payable within 60 days before or after the first anniversary of the date of the first such payment. Notwithstanding anything contained in this Agreement to the contrary, however, in no event shall an Awardee receive payment in excess of $1,000,000 in respect of Performance Units for any given year. Any amount earned by an Awardee in excess of $1,000,000 shall be deferred and paid as soon as possible in any subsequent year subject to the limitations provided in the penultimate sentence of this Section.

4. TRANSFERS. Performance Units may not be sold, assigned, transferred, pledged or otherwise encumbered.

5. DEFINITIONS. For purposes of this Agreement, the terms used in this Agreement shall be defined as follows and be subject to the following:

(a) DATE OF TERMINATION. The Awardee's "Date of Termination" shall be the first day occurring on or after the Grant Date on which the Awardee's employment by the Company and its Subsidiaries and Affiliates is terminated, regardless of the reason for the termination of Employment; provided that a termination of Employment shall not be deemed to occur by reason of a transfer of the Awardee between any of the Company and its Subsidiaries and Affiliates; and further provided that the Awardee's Employment shall not be considered terminated while the Awardee is on a leave of absence from the Company or any Subsidiary or Affiliate approved by the Awardee's employer.

(b) DESIGNATED BENEFICIARY. The term "Designated Beneficiary" shall mean the beneficiary or beneficiaries designated by the Awardee in a writing filed with the Committee in such form and at such time as the Committee shall require.

(c) DISABILITY. The term "Disability" shall have the meaning provided in Section 22(e)(3) ---------- of the Code.

(d) NET AFTER TAX EARNINGS. The term "Net After Tax Earnings" with respect to a year shall mean the consolidated net earnings of the Company and its Subsidiaries after taxes, as reflected in the audited financial statements of the Company and its Subsidiaries for the year in question.

(e) TERMINATION WITHOUT CAUSE OR FOR GOOD REASON. The term "Termination without Cause or for Good Reason" shall mean the termination of the Awardee's Employment by the Company and its Subsidiaries and Affiliates for reasons other than "Cause" or by the Awardee for "Good Reason," as such quoted terms are defined in the Employment Agreement (the "Employment Agreement"), dated as of March 1, 1999 between the Company and the Awardee

(f) PLAN DEFINITIONS. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan shall have the same meaning where used in this Agreement.

6. WITHHOLDING OF TAXES. Any obligation of the Company to make any payment with respect to Performance Units shall be subject to applicable federal, state and local withholding tax requirements. The Company shall have the right to require recipients or their beneficiaries or legal representatives to remit to the Company an amount sufficient to satisfy such withholding tax requirements, or to deduct from all payments to be made hereunder amounts sufficient to satisfy all such withholding tax requirements.

7. HEIRS AND SUCCESSORS. This Agreement shall be binding upon, and inure to the benefit of, the Company and its successors and assigns, and upon any person acquiring, whether by merger, consolidation, purchase of assets or otherwise, all or substantially all of the Company's assets and business. If any rights of the Awardee or benefits distributable to the Awardee under this Agreement have not been distributed at the time of the Awardee's death, such rights shall be distributed to the Designated Beneficiary, in accordance with the provisions of this Agreement and the Plan. If a deceased Awardee fails to designate a beneficiary, or if the Designated Beneficiary does not survive the Awardee, any benefits distributable to the Awardee shall be distributed to the legal representative of the estate of the Awardee. If a deceased Awardee designates a beneficiary but the Designated Beneficiary dies before the complete distribution of benefits to the Designated Beneficiary under this Agreement, then any benefits distributable to the Designated Beneficiary shall be distributed to the legal representative of the estate of the Designated Beneficiary.

8. GOVERNING LAW. This Agreement shall be construed in accordance with, and its interpretation shall be governed by applicable federal law, and otherwise by the laws of the State of Delaware.

9. ADMINISTRATION. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement is final and binding.

10. ENTIRE AGREEMENT. This Agreement and the Employment Agreement contain the entire agreement between the parties with respect to the subject matter hereof and supersede all prior contracts and other agreements to the extent of any discrepancies or conflicts between this Agreement and the Employment Agreement, the terms of the Employment shall govern.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officers thereunto duly authorized, and the Awardee has hereunto set his hand and seal, all on the day and year first above written.

MIM CORPORATION

By

Name:
Title:

ACCEPTED AND AGREED TO:

Awardee

EXHIBIT 1

Performance Objectives

The performance threshold and goals shall be as follows:

THRESHOLD	BASE YEAR 1998	1999	2000	2001	2002
Net After Tax Earnings	$8,000,000	$8,000,000	$14,400,000	$21,600,000	$30,000,000
Performance Unit Value	$0.00	$1.00	$4.00	$10.00	$10.00
Below threshold, no unit values are accrued or earned					
TARGET	1998	1999	2000	2001	2002
Net After Tax Earnings	$8,000,000	$10,000,000	$18,000,000	$27,000,000	$37,500,000
Performance Unit Value	$0.00	$2.00	$8.00	$25.00	$25.00
MAXIMUM	1998	1999	2000	2001	2002
Net After Tax Earnings	$8,000,000	$12,000,000	$21,600,000	$32,000,000	$45,000,000
Performance Unit Value	$0.00	$3.00	$10.00	$40.00	$40.00

Exhibit 10.63

NON-QUALIFIED STOCK OPTION AGREEMENT

NON-QUALIFIED STOCK OPTION AGREEMENT (the "Agreement") made as of the 2nd day of December, 1998 (the "Grant Date"), between MIM Corporation, a Delaware corporation (the "Company"), and ____________________ (the "Awardee").

WHEREAS the Company desires to afford the Awardee an opportunity to purchase shares of the common stock, par value $0.0001 per share, of the Company ("Common Stock"), as hereinafter provided, in accordance with the provisions of the MIM Corporation 1996 Stock Incentive Plan, as amended and restated effective December 1, 1998, a copy of which is attached (the "Plan").

NOW THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration the legal sufficiency of which is hereby acknowledged, the parties hereto, intending to be legally bound hereunder, agree as follows:

1. GRANT OF OPTION. The Company hereby grants to the Awardee the right and option (the "Option") to purchase all or any part of an aggregate of _________ shares of the Common Stock (the "Shares"). The Option is in all respects limited and conditioned as hereinafter provided, and is subject to the terms and conditions of the Plan now in effect and as they may be amended from time to time (which terms and conditions are and automatically shall be incorporated herein by reference and made a part hereof and shall control in the event of any conflict with any other terms of this Option Agreement). It is intended that the Option granted hereunder be a non-qualified stock option ("NQSO") and NOT an incentive stock option ("ISO") as such term is defined in Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2. DEFINITIONS. For purposes of this Agreement, the terms used herein shall be defined as follows:

(a) CAUSE. The term "Cause" shall mean any of the following:

(1) Commission by Awardee of criminal conduct which involves moral turpitude;

(2) Acts which constitute fraud or self-dealing on the part of Awardee against the Company, including, without limitation, misappropriation or embezzlement;

(3) Willful engagement by Awardee in conduct which is materially injurious to the Company; or

(4) Gross misconduct by Awardee in the performance of duties as an employee of the Company, including, without limitation, failure to obey lawful written instructions of the Board of Directors, any committee thereof or any executive officer of the Company or failure to correct any conduct which constitutes a breach of any written agreement between Awardee and the Company or of any written policy promulgated by the Board of Directors, any committee thereof or any executive officer of the Company, in either case after not less than 30 days' notice in writing to Awardee of the Company's intention to terminate Awardee if such failure is not corrected within the specified period (or after such shorter notice period if the Company in good faith deems such shorter notice period to be necessary due to the possibility of material injury to the Company).

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

"40% Person(s)" (as each of the terms set forth in (I), (II), and (III) hereof are defined in that certain Amended and Restated Rights Agreement, dated May 14, 1998, between the Company and American Stock Transfer & Trust Company, as Rights Agent.

(c) DATE OF TERMINATION. The Awardee's "Date of Termination" shall be the first day occurring on or after the Reference Date on which the Awardee's Employment by the Company and its Subsidiaries and Affiliates is terminated, regardless of the reason for the termination of Employment; provided that a termination of Employment shall not be deemed to occur by reason of a transfer of the Awardee between any of the Company and its Subsidiaries and Affiliates; and further provided that the Awardee's employment shall not be considered terminated while the Awardee is on a leave of absence from the Company or a Subsidiary or Affiliate approved by the Awardee's employer.

(d) DISABILITY. The term "Disability" shall have the meaning provided in Section 22(e)(3) of the Code.

(e) GOOD REASON. The term Good Reason shall mean any of the following:

(1) The Company fails to continue to employ Awardee in the same capacity or a comparable or more senior executive capacity, with substantially the same or more senior duties, responsibilities and authority;

(2) The Company materially reduces the aggregate amount of compensation and benefits payable to Awardee or fails to pay when due any base salary, bonus or other compensation or amount payable to Awardee, and such failure continues for a period of five (5) days following the giving of written notice of such failure by Awardee; or

(3) The Company breaches any material provision of this Agreement, and such breach continues for a period of thirty (30) days following the giving of written notice of such breach by Awardee.

(f) TERMINATION WITHOUT CAUSE OR FOR GOOD REASON. The term "Termination without Cause or for Good Reason" shall mean the termination of the Awardee's Employment by the Company and its Subsidiaries and Affiliates for reasons other than "Cause" or by the Awardee for "Good Reason."

(g) PLAN DEFINITIONS. Except where the context clearly implies or indicates the contrary, a word, term, or phrase used in the Plan shall have the same meaning where used in this Agreement.

3. PURCHASE PRICE. The purchase price per share of the Shares under the Option shall be $ 4.50 (the "Option Price"), being equal to the Fair Market Value of Common Stock on the Grant Date.

4. TERM. Unless earlier terminated pursuant to any provision of the Plan or of this Option Agreement, this Option shall expire on the date (the "Expiration Date") which is the tenth anniversary of June 1, 1999 (the "Reference Date"). This Option shall not be exercisable on or after the Expiration Date.

5. EXERCISE OF OPTION. This Option shall vest and may be exercised as to one-third of the Shares (rounded to the nearest whole share) on each of the first three anniversaries of the Grant Date, so that the Option shall be exercisable as to all Shares on the third such anniversary thereof, PROVIDED, HOWEVER, that the Option shall be exercisable (i) as to all vested Shares (that have not been previously forfeited) as of the Awardee's Date of Termination if such termination occurs by reason of the Awardee's death or Disability or (ii) as to all vested and unvested Shares (that have not been previously forfeited) as of the date of a Change in Control if the Awardee's Employment is terminated within one year following such Change in Control if such termination is without Cause or if it is for Good Reason. Options that become exercisable in accordance with the foregoing shall remain exercisable, subject to the provisions contained in the Plan and in this Option Agreement, until the expiration of the term of this Option as set forth in Paragraph 4 or until other termination of the Option.

6. METHOD OF EXERCISING OPTION. Subject to the terms and conditions of this Option Agreement and the Plan, the Option may be exercised upon written notice to the Company at its principal office, which is located at 100 Clearbrook Road, Third Floor, Elmsford, New York 10523; Attention: Corporate Secretary. Such notice (a suggested form of which is attached) shall state the election to exercise the Option and the number of Shares with respect to which it is being exercised; shall be signed by the person or persons so exercising the Option; shall, if the Company so requests, be accompanied by the investment certificate referred to in Paragraph 7 hereof and shall be accompanied by payment of the full Option Price of such Shares. The Option Price shall be paid to the Company:

(a) In cash, or in its equivalent;

(b) In Common Stock previously acquired by the Awardee, provided that if such shares of Common Stock were acquired through exercise of an ISO or NQSO or of an option under a similar plan, such shares have been held by the Awardee for a period of more than 12 months on the date of exercise; or

(c) In such other manner consistent with the Plan and applicable law as from time to time may be authorized in writing by the Company with respect to such "cashless" option exercise arrangements as the Company from time to time may maintain with securities brokers. Any such arrangements and written authorizations may be terminated at any time by the Company without notice to the Awardee.

(d) In any combination of (a), (b) and (c) above.

In the event such Option Price is paid, in whole or in part, with shares of Common Stock, the portion of the Option Price so paid shall be equal to the Fair Market Value on the date of exercise of the Option of the Common Stock surrendered in payment of such Option Price.

Upon receipt of such notice and payment, the Company, as promptly as practicable, shall deliver or cause to be delivered a certificate or certificates representing the Shares with respect to which the Option is so exercised. The certificate or certificates for the Shares as to which the Option shall have been so exercised shall be registered in the name of the person or persons so exercising the Option (or, if the Option shall be exercised by the Awardee and if the Awardee shall so request in the notice exercising the Option, shall be registered in the name of the Awardee and the Awardee's spouse, jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person or persons exercising the Option. In the event the Option shall be exercised by any person or persons after the legal disability or death of the Awardee, such notice shall be accompanied by appropriate proof of the right of such person or persons to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and non-assessable by the Company.

7. SHARES TO BE PURCHASED FOR INVESTMENT. Unless the Company has theretofore notified the Awardee that a registration statement covering the Shares to be acquired upon the exercise of the Option has become effective under the Securities Act of 1933 and the Company has not thereafter notified the Awardee that such registration is no longer effective, or unless counsel to the Company shall be otherwise satisfied that the Awardee would be permitted under applicable law to immediately resell Shares acquired upon the exercise of the Option, it shall be a condition to any exercise of this Option that the Shares acquired upon such exercise be acquired for investment and not with a view to distribution, and the person effecting such exercise shall submit to the Company a certificate of such investment intent, together with such other evidence supporting the same as the Company may request. The Company shall be entitled to restrict the transferability of the Shares issued upon any such exercise to the extent necessary to avoid a risk of violation of the Securities Act of 1933 (or of any rules or regulations promulgated thereunder) or of any state laws or regulations. Such restrictions may, at the option of the Company, be noted or set forth in full on the share certificates.

8. NON-TRANSFERABILITY OF OPTION. This Option is not assignable or transferable, in whole or in part, by the Awardee otherwise than by the laws of descent and distribution, and during the lifetime of the Awardee the Option shall be exercisable only by the Awardee or by his guardian or legal representative.

9. TERMINATION OF OPTION. (a) The unexercised portion of the Option (whether vested or not) shall automatically terminate and shall become null and void and be of no further force or effect upon the first to occur of the following:

(i) The Expiration Date;

(ii) In the case of vested options, the expiration of 30 days from the Date of Termination of Awardee other than as provided by clause (iii) below;

(iii) As to vested shares, the expiration of twelve months from the Date of Termination of Awardee as a result of the Awardee's death, Disability, Termination without Cause or for Good Reason;

(iv) As to vested and unvested shares, the expiration of twelve months from the Date of Termination of Awardee if the Awardee's Employment is terminated within one year following a Change in Control and such termination is without Cause or if it is for Good Reason.

(v) Immediately if the Awardee ceases to be an employee of the Company and its Subsidiaries if Awardee is terminated by the Company for Cause.

10. WITHHOLDING OF TAXES. The obligation of the Company to deliver Shares upon the exercise of the Option shall be subject to applicable federal, state and local tax withholding requirements.

If the exercise of this Option is subject to the withholding requirements of applicable federal tax laws, the Committee may permit the Awardee, subject to the provisions of the Plan and such additional withholding rules (the "Withholding Rules") as shall be adopted by the Committee, to satisfy the minimum federal, state and local withholding tax, in whole or in part, by electing to have the Company withhold (or by returning to the Company) shares of Common Stock, which shares shall be valued, for this purpose, at their Fair Market Value on the date of exercise of the Option (or, if later, the date on which the Awardee recognizes ordinary income with respect to such exercise) (the "Determination Date"). An election to use shares of Common Stock to satisfy tax withholding requirements must be made in compliance with and subject to the Withholding Rules, and the Committee may not withhold shares in excess of the number necessary to satisfy the minimum federal, state and local income tax withholding requirements. In the event shares of Common Stock acquired under the exercise of an ISO are used to satisfy such withholding requirement, such shares of Common Stock must have been held by the Awardee for a period of not less than the holding period described in Section 422(a)(1) of the Code on the Determination Date, or if such shares of Common Stock were acquired through exercise of a non-qualified stock option or of an option under a similar plan, such option was granted to the Awardee at least six months prior to the Determination Date.

11. GOVERNING LAW. This Option Agreement shall be construed in accordance with, and its interpretation shall be governed by applicable federal law, and otherwise by the laws of the State of Delaware.

12. ADMINISTRATION. The authority to manage and control the operation and administration of this Agreement shall be vested in the Committee, and the Committee shall have all powers with respect to this Agreement as it has with respect to the Plan. Any interpretation of this Agreement by the Committee and any decision made by it with respect to this Agreement is final and binding.

13. ENTIRE AGREEMENT. This Agreement contains the entire agreement between the parties with respect to the subject matter hereof and supersedes all prior contracts and other agreements to the extent of any discrepancies contained between this document and such other document.

IN WITNESS WHEREOF, the Company has caused this Agreement to be duly executed by its officers thereunto duly authorized, and the Awardee has hereunto set his hand and seal, all on the day and year first above written.

MIM CORPORATION

By

Name:
Title:

ACCEPTED AND AGREED TO:

Awardee

Notice of Exercise of Non-Qualified Stock Option

I hereby exercise the non-qualified stock option granted to me on _______________________, 199__, by MIM Corporation, with respect to the following number of shares of the $.0001 par value per share common stock of MIM Corporation ("Shares") covered by said option:

Number of Shares to be purchased	_______________
Option price per Share	$______________
Total exercise price	$______________

[Check one of the following to indicate method of payment:]

A. Enclosed is cash or its equivalent, in the amount of $_____________, in full payment for such Shares.
- -----

B. Enclosed is/are ___________________ Share(s) with a total Fair Market Value of $_______________ on the date hereof in full payment for such Shares.
- -----

C. [Describe any other payment alternatives then available.]

D. Enclosed is cash or its equivalent in the amount of $_________, and _____ Share(s) with a total Fair Market Value of $_________ on the date hereof, in [partial] [full] payment for such Shares.
- -----

Please have the certificate or certificates representing the purchased Shares registered in the following name or names/1/ ____ and sent to ____.

DATED: _____________________, _________.

Awardee's Signature

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1 Certificates may be registered in the name of the Awardee alone or in the names of the Awardee and his or her spouse, jointly, with right of survivorship.

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3-MOS
DEC-31-1999
JAN-01-1999
SEP-30-1999
15,307
5,037
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