

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

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

For the quarterly period ended September 30, 2000

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 No

APPLICABLE ONLY TO CORPORATE ISSUERS:

On October 19, 2000 there were outstanding 21,968,653 shares of the
Company's common stock, \$.0001 par value per share ("Common Stock").

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PART I

FINANCIAL INFORMATION

Item 1. Financial Statements

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

	September 30, 2000	December 31, 1999
	----- (Unaudited)	-----
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,977	\$ 15,306
Investment securities	-	5,033
Receivables, less allowance for doubtful accounts of \$8,813 and \$8,576 at September 30, 2000 and December 31, 1999, respectively	56,276	62,919
Inventory	1,776	777
Prepaid expenses and other current assets	1,556	1,347
Total current assets	----- 62,585	----- 85,382
Other investments	2,347	2,347
Property and equipment, net	9,097	5,942
Due from affiliate and officer, less allowance for doubtful accounts of \$403 at September 30, 2000 and December 31, 1999, respectively	2,113	1,849
Other assets, net	1,100	202
Intangible assets, net	39,238	19,961
Total assets	----- \$ 116,480 =====	----- \$ 115,683 =====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of capital lease obligations	\$ 490	\$ 514
Current portion of long-term debt	256	493
Accounts payable	2,858	5,039
Claims payable	30,246	39,702
Payables to plan sponsors and others	28,848	24,171
Accrued expenses	3,644	6,468
Total current liabilities	----- 66,342	----- 76,387
Capital lease obligations, net of current portion	863	718
Long-term debt, net of current portion	4,025	2,279
Other non current liabilities	849	-
Minority interest	1,112	1,112
Stockholders' equity		
Preferred stock, \$.0001 par value; 5,000,000 shares authorized, 250,000 Series A junior participating shares issued and outstanding	-	-
Common stock, \$.0001 par value; 40,000,000 shares authorized, 21,968,653 and 18,829,198 shares issued and outstanding at September 30, 2000 and December 31, 1999, respectively	2	2
Treasury stock at cost	(338)	(338)
Additional paid-in-capital	96,981	91,614
Accumulated deficit	(52,585)	(54,575)
Stockholder notes receivable	(771)	(1,516)
Total stockholders' equity	----- 43,289	----- 35,187
Total liabilities and stockholders' equity	----- \$ 116,480 =====	----- \$ 115,683 =====

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2000	1999	2000	1999
	(Unaudited)		(Unaudited)	
Revenue	\$ 85,101	\$ 101,388	\$ 269,896	\$ 265,197
Cost of revenue	75,378	93,712	245,037	241,522
Gross profit	9,723	7,676	24,859	23,675
Selling, general and administrative expenses	9,164	7,043	22,693	21,641
Amortization of goodwill and other intangible assets	391	361	905	805
Income from operations	168	272	1,261	1,229
Interest income, net	15	254	729	638
Net income	\$ 183	\$ 526	\$ 1,990	\$ 1,867
Basic income per common share	\$ 0.01	\$ 0.03	\$ 0.10	\$ 0.10
Diluted income per common share	\$ 0.01	\$ 0.03	\$ 0.10	\$ 0.10
Weighted average common shares used in computing basic income per share	20,551	18,729	19,266	18,636
Weighted average common shares used in computing diluted income per share	20,646	18,861	19,563	18,902
Earnings before interest, taxes, depreciation and amortization	\$ 1,350	\$ 1,311	\$ 4,478	\$ 3,454

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,	
	2000	1999
	(Unaudited)	
Cash flows from operating activities:		
Net income	\$ 1,990	\$ 1,867
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other	2,233	1,735
Provision for losses on receivables	237	(55)
Changes in assets and liabilities:		
Receivables	9,673	(7,995)
Inventory	(177)	231
Prepaid expenses and other current assets	(173)	141
Accounts payable	(2,190)	(1,838)
Claims payable	(9,456)	13,738
Payables to plan sponsors and others	4,677	4,677
Accrued expenses	(2,879)	450
Non current liabilities	849	-
Net cash provided by operating activities	4,784	12,951
Cash flows from investing activities:		
Purchase of property and equipment	(4,329)	(1,843)
Loans to affiliate and officer, net	(264)	(2,064)
Stockholder loans, net	745	211
Purchase of investment securities	(4,000)	-
Maturities of investment securities	9,033	6,637
Decrease (increase) in other assets	(898)	131
Cost incurred in purchase of subsidiary, net of cash acquired	(19,362)	(379)
Net cash provided (used in) by investing activities	\$ (19,075)	\$ 2,693
Cash flows from financing activities:		
Principal payments on capital lease obligations	121	(447)
(Decrease) increase in debt	1,509	(4,058)
Exercise of stock options	332	11
Purchase of treasury stock	-	(338)
Net cash (used in) provided by financing activities	1,962	(4,832)
Net increase in cash and cash equivalents	(12,329)	10,812
Cash and cash equivalents beginning of period	\$ 15,306	\$ 4,494
Cash and cash equivalents end of period	\$ 2,977	\$ 15,306

(continued)

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:

Cash paid during the period for interest	\$ 285	\$ 135
	=====	=====

SUPPLEMENTAL DISCLOSURE OF NONCASH TRANSACTIONS:

Equipment acquired under capital lease obligations	\$ 292	\$ 933
	=====	=====

Stock issued in connection with acquisition	\$ 5,035	\$ -
	=====	=====

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

MIM CORPORATION AND SUBSIDIARIES
NOTES TO THE UNAUDITED 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 its subsidiaries (collectively the "Company" or "MIM") have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "Commission"). Pursuant to such rules and regulations, certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. In the opinion of 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, 2000, are not necessarily indicative of the results of operations or cash flows which may be reported for the remainder of 2000.

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, 1999, 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,	
	2000	1999	2000	1999
Numerator:				
Net income.....	\$ 183	\$ 526	\$ 1,990	\$ 1,867
Denominator - Basic:				
Weighted average number of common shares outstanding.....	20,551	18,729	19,266	18,636
Basic income per share.....	\$0.01	\$0.03	\$0.10	\$0.10
Denominator - Diluted:				
Weighted average number of common shares outstanding.....	20,551	18,729	19,266	18,636
Common share equivalents of outstanding stock options.....	95	132	297	266
Total shares outstanding.....	20,646	18,861	19,563	18,902
Diluted income per share.....	\$0.01	\$0.03	\$0.10	\$0.10

NOTE 3--COMMITMENTS AND CONTINGENCIES

On March 31, 1999, the State of Tennessee, (the "State"), and Xantus Healthplans of Tennessee, Inc. ("Xantus") entered into a consent decree under which Xantus was placed in receivership under the laws of the State of Tennessee. On September 2, 1999, the Commissioner of the Tennessee Department of Commerce and Insurance (the "Commissioner"), acting as receiver of Xantus, filed a proposed plan of rehabilitation (the "Plan"), as opposed to a liquidation of Xantus. A rehabilitation under receivership, similar to a reorganization under federal bankruptcy laws, was approved by the Chancery Court (the "Court") of the State allowed Xantus to remain operating as a TennCare MCO, providing full healthcare related services to its enrollees. Under the Plan, the State, among other things, agreed to loan to Xantus approximately \$30,000 to be used solely to repay pre-petition claims of providers, which claims aggregate approximately \$80,000. Under the Plan, the Company received in the fourth quarter of 1999, \$4,200, including \$600 of unpaid rebates to Xantus, which the Company was allowed to retain under the terms of the preliminary rehabilitation plan for Xantus. A plan for the payment of the remaining amounts has not been finalized and the recovery of any additional amounts is uncertain. The Company recorded a special charge in the fourth quarter of 1999 of \$2,700 for the estimated loss on the remaining amounts owed, net of the unpaid amounts to network pharmacies.

The Company has been disputing several improper reductions of payments by Tennessee Health Partnership ("THP"). These reductions relate to an alleged coordination of benefits issue raised by THP for services provided in prior years during which the Company was not THP's claims processor. In addition, there exists a dispute over whether or not certain items should have been included under the Company's respective capitated arrangements with THP and Preferred Health Plans ("PHP"). There is also a dispute over certain overpayments made by the Company to its network pharmacies due to errors contained in the pricing files of THP's claims processor. The contracts with these organizations require that the disputes be arbitrated. While the Company believes that it is owed these amounts from THP and intends to pursue vigorously its claims, at this time, the Company is unable to assess the likelihood that it will prevail. In the fourth quarter of 1999, the Company recorded a special charge of \$3,300 for estimated losses related to these disputes.

On May 4, 2000, the Company reached a negotiated settlement with PHP, under which, among other things, the Company retained rebates that would have otherwise been due and owing PHP. PHP paid the Company an additional \$850 and the respective parties released each other from any and all liability with respect to past or future claims. This agreement did not have a material effect on the Company's result of operations or financial position.

In 1998, the Company recorded a \$2,200 non-recurring charge against earnings in connection with an agreement in principle with respect to a civil settlement of the Federal and State of Tennessee investigation in connection with the conduct of two former officers of the Company, prior to the Company's initial public offering. The definitive agreement covering this settlement was executed on June 15, 2000 and, among other things, provides for the execution and delivery by the Company of a \$1,800 promissory note secured by certain tangible assets.

NOTE 4--RECENT ACQUISITION

On August 4, 2000, the Company, through its principal PBM operating subsidiary, MIM Health Plans, Inc., acquired all of the issued and outstanding membership interests of American Disease Management Associates, L.L.C., a Delaware limited liability company ("ADIMA"), from Radix Capital Investment Group, LLC, a Delaware limited liability company, and certain individuals pursuant to a Purchase Agreement dated as of August 3, 2000. ADIMA, located in Livingston, New Jersey, provides high-tech intravenous and injectible specialty pharmaceutical products to chronically ill patients receiving healthcare services from home by IV certified registered nurses, typically after a hospital discharge.

The aggregate purchase price approximated \$24,035, and included \$19,000 in cash and 2,697,947 shares of MIM common stock. The MIM common stock was valued at \$5,035. The acquisition was treated as a purchase for financial reporting purposes. Assets acquired were \$4,457 and liabilities assumed totaled \$64 resulting in \$19,642 of goodwill, which will be amortized over the estimated useful life of 20 years. Goodwill has been recorded based on management estimates and the allocation will be finalized based on an appraisal. The consolidated financial statements of the Company for the three and nine month periods include the results of ADIMA from the date of acquisition.

The following unaudited consolidated pro forma information has been prepared assuming ADIMA was acquired as of January 1, 1999, with pro forma adjustments for amortization of goodwill and interest income. The pro forma 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, 1999. In addition, this pro forma information is not intended to be a projection of future operating results.

	Nine Months ended September 30, (In thousands, except per share amounts)			
	-----		-----	
	2000		1999	
Revenues	\$	280,134	\$	271,724
Net income		3,699		1,520
Basic earnings per share		0.19		0.07
Diluted earnings per share		0.19		0.07
EBITDA		7,147		4,381

The amounts above include \$10,238 of revenue from the operations of ADIMA up to the date of acquisition for the nine months September 30, 2000 and \$6,526 for the nine months ended September 30, 1999.

NOTE 5 - DEBT REFINANCING

On November 1, 2000 the Company entered into a \$45 million secured revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"). The Facility replaced the Company's existing credit facilities with its former lenders. The Facility will be used for working capital purposes and future acquisitions in support of its business plan. The Facility has a three-year term, provides for borrowing of up to \$45 million at the London InterBank Offered Rate (LIBOR) plus 2.1%, and is secured by receivables of the Company's principal operating subsidiaries.

* * * *

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 Company's 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, 1999 (the "Form 10-K"), as well as the Company's unaudited consolidated interim financial statements and the related notes thereto included in Part I, Item 1 of this Quarterly Report on Form 10-Q for the fiscal quarter ended September 30, 2000, filed with the Commission (this "Report").

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

Overview

MIM is a pharmacy benefit management ("PBM"), specialty pharmaceutical and fulfillment/e-commerce organization that partners with healthcare providers and sponsors to control prescription drug costs. MIM's innovative pharmacy benefit products and services use clinically sound guidelines to ensure cost control and quality care. MIM's specialty pharmaceutical division specializes in serving the chronically ill affected by life threatening diseases. MIM's fulfillment and e-commerce pharmacy specializes in serving individuals that require long-term maintenance medications. MIM's online pharmacy, www.MIMRx.com, develops private label websites to offer affinity groups innovative, customized health information services and products on the Internet for their members. A majority of the Company's revenues to date have been derived from providing PBM services in the State of Tennessee (the "State") to MCO's participating in the State's TennCare program. At September 30, 2000, the Company provided PBM services to 120 health plan sponsors with an aggregate of approximately 3.4 million plan members, of which TennCare represented five MCO's with approximately 1.2 million plan members. Revenues derived from the Company's contracts with those TennCare MCO's accounted for 47.1% of the Company's revenues at September 30, 2000, compared to 52.9% of the Company's revenues at September 30, 1999.

Business

The Company operates a single segment business with several components and derives its revenues primarily from agreements to provide PBM services, which includes mail order services, to various health plan sponsors in the United States. The Company also provides specialty pharmacy services to chronically ill patients that require injection and infusion therapies. Net sales for these components for the three months and nine months ended September 30, 2000 and 1999, respectively, are presented below:

NET REVENUE BY COMPONENT
(In thousands)

Component	For the three months ended September 30,				For the nine months ended September 30,			
	2000		1999		2000		1999	
	Revenue	%	Revenue	%	Revenue	%	Revenue	%
PBM/Mail Order	\$81,942	96%	\$101,164	100%	\$266,599	99%	\$ 264,376	100%
Specialty Pharmacy	3,156	4%	-	0%	3,156	1%	-	0%
Corporate and All Others	3	0%	224	0%	141	0%	821	0%
Total Revenue	\$85,101	100%	\$101,388	100%	269,896	100%	\$ 265,197	100%

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

On August 4, 2000, the Company, through its principal PBM operating subsidiary, MIM Health Plans, Inc., acquired all of the issued and outstanding membership interests of American Disease Management Associates, L.L.C., a Delaware limited liability company ("ADIMA"), from Radix Capital Investment Group, LLC, a Delaware limited liability company, and certain individuals pursuant to a Purchase Agreement dated as of August 3, 2000. ADIMA, located in Livingston, New Jersey, provides high-tech intravenous and injectible specialty pharmaceutical products to chronically ill patients receiving healthcare services from home by IV certified registered nurses, typically after a hospital discharge.

The aggregate purchase price approximated \$24.0 million, and included \$19.0 million in cash and 2.7 million shares of MIM common stock. The MIM Common Stock was valued at \$5.0 million. The acquisition was treated as a purchase for financial reporting purposes. Assets acquired approximated \$4.5 million and liabilities assumed approximated \$0.1 million resulting in approximately \$19.6 million of goodwill, which will be amortized over the estimated useful life of 20 years. Goodwill has been recorded based on management estimates and the allocation will be finalized based on an appraisal. The consolidated financial statements of the Company for the three-months and nine-months periods include the results of ADIMA from the date of acquisition.

Results of Operations

Three months ended September 30, 2000 compared to three months ended September 30, 1999

For the three months ended September 30, 2000, the Company recorded revenues of \$85.1 million compared with \$101.4 million for the same period in 1999, a decrease of \$16.3 million. The Company's revenue decreased by \$12.9 million during the third quarter of 2000 as compared to the same period a year ago. This decrease is a result of the State of Tennessee taking over financial responsibility for TennCare(R) members with Medicare eligibility (the "dual eligible members"), resulting in the removal of the dual eligible members from TennCare(R) plans on July 1, 2000. The Company's revenue decreased by \$17.5 million which was offset by increases of \$7.6 million in other TennCare(R) contracts as a result of added lives and increased utilization. The ADIMA acquisition contributed \$3.2 million of additional revenue in 2000. Commercial PBM and mail order revenue increased \$3.3 million as the Company continues to add PBM lives. For the three months ended September 30, 2000, 27% of the Company's revenues were generated from capitated contracts, compared to 46% for the same period in 1999.

Cost of revenue for the three months ended September 30, 2000, decreased to \$75.4 million from \$93.7 million for the same period in 1999, a decrease of \$18.3 million. Decreased utilization for the loss of the dual eligible members and terminated TennCare(R) MCO contracts accounted for a \$31.6 million decrease in cost of revenue, which was partially offset by increased costs of \$7.4 million on other contracts due to an increase in eligibility and utilization. Cost of revenue increased \$5.9 million due to increases in commercial PBM contracts and the acquisition of ADIMA in the third quarter of 2000. Gross margin as a percentage of revenue totaled 11.4% for the three months ended September 30, 2000 compared to 7.6% for the same period in 1999. Gross margins were positively impacted by lower utilization on the Company's capitated contracts as well as by the acquisition of ADIMA. ADIMA's gross margins are higher than those historically realized in the Company's PBM and mail order businesses.

General and administrative expenses were \$9.2 million for the three-month period ended September 30, 2000, as compared to \$7.0 million for the three months ended September 30, 1999. This increase of \$2.2 million is primarily attributable to the inclusion of ADIMA in the consolidated results, severance pay related to the departure of two executives, increased legal expenses and additional marketing expenses related to one of the Company's marketing joint ventures. As a percentage of revenue, general and administrative expenses increased to 10.8% for the three months ended September 30, 2000, from 7.0% for the same period for 1999.

For the three months ended September 30, 2000 and 1999, the Company recorded amortization of goodwill and other intangibles of \$0.4 million.

For the three months ended September 30, 2000, the Company recorded net interest income of \$0.02 million compared to \$0.3 million for the three months ended September 30, 1999, a decrease of \$0.3 million, primarily due to acquisition of ADIMA, which resulted in lower invested balances for the period.

For the three months ended September 30, 2000, the Company recorded net income of \$0.2 million or \$0.01 per diluted share. This compares with net income of \$0.5 million, or \$0.03 per diluted share for the three months ended September 30, 1999.

Earnings before interest, taxes, depreciation and amortization was \$1.4 million for the three-month period ended September 30, 2000, and \$1.3 million for the three-month period ended September 30, 1999.

Nine months ended September 30, 2000 compared to nine months ended September 30, 1999

For the nine months ended September 30, 2000, the Company recorded revenues of \$269.9 million compared with \$265.2 million for the same period in 1999, an increase of \$4.7 million. The Company's TennCare(R) revenues decreased by \$63.8 million for the nine months ended September 30, 2000 as compared to the same period in 1999, of which \$50.9 is related to the Company not renewing two TennCare(R) MCO contracts that it managed in 1999 and \$12.9 million as a result of the loss of the dual eligible members effective July 1, 2000. The decrease in TennCare(R) revenues was offset by increases of \$50.7 million in other TennCare(R) contracts as a result of added lives and increased utilization. The acquisition of ADIMA contributed \$3.2 million of additional revenue in 2000. Commercial PBM and mail order revenue increased \$14.6 million as the Company continues to add PBM lives and increase volume at its mail order facility. For the nine months ended September 30, 2000, 31.0% of the Company's revenues were generated from capitated contracts, compared to 41.0% for the same period a year ago, a decrease of 10.0%. Based upon its present contracted arrangements, the Company anticipates that approximately 25% of its revenues for the remainder of 2000 will be derived from capitated contracts.

Cost of revenue for the nine months ended September 30, 2000, increased to \$245.0 million from \$241.5 million for the same period in 1999. Cost of revenue increased \$20.2 million as a result of increased commercial PBM costs and costs associated with the inclusion of ADIMA in the consolidated results, offset by a \$16.7 million decrease associated with the TennCare contracts, primarily due to a loss of certain TennCare MCO contracts at the end of 1999. As a percentage of revenue, cost of revenue decreased to 90.8% for the nine months ended September 30, 2000, from 91.1% for the nine months ended September 30, 1999, a decrease of 0.3%, due in part to less pharmaceutical utilization by plan members receiving PBM services under the Company's capitated contracts. Gross margin as a percentage of revenue totaled 9.2% for the nine months ended September 30, 2000 compared to 8.9% for the same period in 1999. Gross margins were positively impacted by lower pharmaceutical utilization on the Company's capitated contracts as well as by the acquisition of ADIMA and the \$1.4 million related to a settlement of fees associated with 1998 services that were recorded in the nine months ended September 30, 2000. In addition, ADIMA's gross margins are higher than those historically realized in the Company's PBM and mail order businesses.

General and administrative expenses were \$22.7 million for the nine months ended September 30, 2000, as compared to \$21.6 million for the nine months ended September 30, 1999, an increase of \$1.1 million. This increase of \$1.1 million is principally the result of severance obligations to two executives, higher levels of depreciation due to capital improvements in our mail-order/fulfillment facility, additional expenses due to the acquisition of ADIMA and increased costs associated with a full sales force in 2000. As a percentage of revenue, general and administrative expenses increased to 8.4% for the nine months ended September 30, 2000, from 8.2% for the same period for 1999.

For the nine months ended September 30, 2000, the Company recorded amortization of goodwill and other intangibles of \$0.9 million, an increase of \$0.1 million compared to \$0.8 million for the same period last year. This increase is due to the acquisition of ADIMA.

For the nine months ended September 30, 2000, the Company recorded interest income of \$0.7 million compared to \$0.6 million for the nine months ended September 30, 1999, an increase of \$0.1 million due to additional interest earned on monies derived from the Company's improved collection efforts, offset by the loss of interest on funds used to purchase ADIMA.

For the nine months ended September 30, 2000, the Company recorded net income of \$2.0 million or \$0.10 per diluted share. This compares with net income of \$1.9 million, or \$0.10 per diluted share for the nine months ended September 30, 1999.

Earnings before interest, taxes, depreciation and amortization were \$4.5 million for the nine months ended September 30, 2000. This compares to \$3.5 million for the same period in 1999.

Liquidity and Capital Resources

The Company utilizes both funds generated from operations, if any, and funds raised in the Company's public offering for capital expenditures and other working capital needs. For the nine months ended September 30, 2000, net cash provided to the Company by operating activities totaled \$4.8 million as compared to \$13.0 million for the same period a year ago. This decrease was due primarily to a decrease in accounts receivable of \$9.7 million, offset by decreases in accounts payable, accrued expenses and claims payable of \$14.5 million.

Net cash used in investing activities was \$19.1 million, which was used primarily to acquire ADIMA. Purchases of property and equipment used \$4.3 million and was offset by the net sales of investment securities of \$5.0 million. The property and equipment purchases were mainly associated with the relocation and upgrade of the Ohio fulfillment facility.

For the nine months ended September 30, 2000, financing activities provided net cash of \$2.0 million. \$1.5 million of this cash was provided by increased borrowings on the Company's then existing credit facilities.

At September 30, 2000, the Company had working capital of (\$3.8) million compared to \$9.0 million at December 31, 1999. Cash and cash equivalents decreased to \$3.0 million at September 30, 2000 compared with \$15.3 million at December 31, 1999.

On November 1, 2000 the Company entered into a \$45 million secured revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"). The Facility replaced the Company's existing credit facilities with its former lenders. The Facility will be used for working capital purposes and future acquisitions in support of its business plan. The Facility has a three-year term, provides for borrowing of up to \$45 million at the London InterBank Offered Rate (LIBOR) plus 2.1%, and is secured by receivables of the Company's principal operating subsidiaries.

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

From time to time, the Company may be a party to legal proceedings or involved in related investigations, inquiries or discussions, in each case, arising in the ordinary course of the Company's business. Although no assurance can be given except as otherwise discussed herein, management does not presently believe that any current matters would have a material adverse effect on the liquidity, financial position or results of operations of the Company.

At December 31, 1999, the Company had, for tax purposes, unused net operating loss carry forwards of approximately \$43.0 million which will begin expiring in 2009. As it is uncertain whether the Company will realize the full benefit from these carryforwards, the Company has recorded a valuation allowance equal to the deferred tax asset generated by the carryforwards. The Company assesses the need for a valuation allowance at each balance sheet date. The Company has undergone a "change in control" as defined by the Internal Revenue Code of 1986, as amended ("Code"), and the rules and regulations promulgated thereunder. The amount of net operating loss carryforwards that may be utilized in any given year will be subject to a limitation as a result of this change. The annual limitation is approximately \$2.7 million. Actual utilization in any year will vary based on the Company's tax position in that year.

As the Company continues to grow, it anticipates that its working capital needs will also continue to increase. The Company believes that it has sufficient cash on hand or available credit under the Facility to fund the Company's anticipated working capital and other cash needs for at least the next 12 months.

The Company also may pursue joint venture arrangements, business acquisitions and other transactions designed to expand its PBM, e-commerce/fulfillment or specialty pharmacy businesses, which the Company would expect to fund from cash on hand, the Facility, other future indebtedness or, if appropriate, the sale or exchange of equity securities of the Company.

Other Matters

As a result of providing capitated PBM services to certain TennCare MCO's, 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. Capitated business represented approximately 27% of the Company's revenues while non-capitated business (including mail order services) represented approximately 73% of the Company's revenues for the three months ended September 30, 2000. For the same period in 1999, the Company's capitated business represented approximately 46% of total revenue and non-capitated business arrangements represented approximately 54% of total revenue. Non-capitated arrangements mitigate the adverse effect on profitability of higher pharmaceutical costs incurred under capitated contracts, as higher utilization positively impacts profitability under fee-for-service (or non-capitated) arrangements. The Company presently anticipates that approximately 25% of its revenues in fiscal 2000 will be derived from capitated arrangements.

Changes in prices charged by manufacturers and wholesalers or distributors for pharmaceuticals, which is a component of pharmaceutical claims costs, directly affects the Company's cost of revenue. The Company believes that it is likely that prices will continue to increase, which could have an adverse effect on the Company's gross profit on capitated arrangements. Because plan sponsors are responsible for the payment of prescription costs in non capitated arrangements, the Company's gross profit is not adversely affected by changes in pharmaceutical prices. To the extent such cost increases adversely effect the Company's gross profit, the Company may be required to increase capitated contract rates on new contracts and upon renewal of existing capitated contracts. However, there can be no assurance that the Company will be successful in obtaining these rate increases.

Generally, loss contracts arise only on capitated contracts and primarily result from higher than expected pharmacy utilization rates, higher than expected inflation in drug costs and the inability of the Company to restrict its MCO clients' formularies to the extent anticipated by the Company at the time contracted PBM services are implemented, thereby resulting in higher than expected drug costs. At such time as management estimates that a contract will sustain losses over its remaining contractual life, a reserve is established for these estimated losses. There are currently no loss contracts and management does not believe that there is an overall trend towards losses on its existing capitated contracts.

* * * *

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest rate risk represents the only market risk exposure applicable to the Company. The Company's exposure to market risk for changes in interest rates relate primarily to the Company's investments in marketable securities. 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 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:

	2000	2001	2002	2003	2004	Thereafter
Short-term investments:						
Fixed rate investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Weighted average rate	-	-	-	-	-	-
Long-term investments:						
Fixed rate investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Weighted average rate	-	-	-	-	-	-
Long-term debt:						
Variable rate instruments	\$ 75	\$ 4,206	\$ -	\$ -	\$ -	\$ -
Weighted average rate	9.43%	9.43%	0.00%	0.00%	0.00%	0.00%

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 for that instrument at September 30, 2000, and multiplying by the percentage obtained by dividing the principal payments expected in that year with respect to that instrument by the aggregate expected principal payments with respect to all financial instruments within the same class of instrument.

At September 30, 2000, 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

The Company has been disputing several improper reductions of payments by Tennessee Health Partnership ("THP"). These reductions relate to an alleged coordination of benefits issue raised by THP for services provided in prior years during which the Company was not THP's claims processor. In addition, there exists a dispute over whether or not certain items should have been included under the Company's respective capitated arrangements with THP and Preferred Health Plans ("PHP"). There is also a dispute over certain overpayments made by the Company to its network pharmacies due to errors contained in the pricing files of THP's claims processor. The contracts with these organizations require that the disputes be arbitrated. While the Company believes that it is owed these amounts from THP and intends to pursue vigorously its claims, at this time, the Company is unable to assess the likelihood that it will prevail. In the fourth quarter of 1999, the Company recorded a special charge of \$3.3 million for estimated losses related to these disputes.

On May 4, 2000, the Company reached a negotiated settlement with PHP, under which, among other things, the Company retained rebates that would have otherwise been due and owing PHP. PHP paid the Company an additional \$0.9 million and the respective parties released each other from any and all liability with respect to past or future claims. This agreement did not have a material effect on the Company's results of operations or financial position.

In 1998, the Company recorded a \$2.2 million non-recurring charge against earnings in connection with an agreement in principle with respect to a civil settlement of the Federal and State of Tennessee investigation in connection with the conduct of two former officers of the Company, prior to the Company's initial public offering. The definitive agreement covering this settlement was executed on June 15, 2000 and, among other things, provides for the execution and delivery by the Company of a \$1.8 million promissory note secured by certain tangible assets.

Item 2. Changes in Securities and Use of Proceeds

From August 14, 1996 through September 30, 2000, the \$46.8 million net proceeds from the Company's underwritten initial public offering of its Common Stock (the "Offering"), affected pursuant to a Registration Statement assigned file number 333-05327 by the United States Securities and Exchange Commission (the "Commission") and declared effective by the Commission on August 14, 1996, have been applied in the following approximate amounts (in thousands):

Construction of plant, building and facilities	\$ --
Purchase and installation of machinery and equipment	\$11,821
Purchases of real estate	\$ --
Acquisition of other businesses	\$21,825
Repayment of indebtedness	\$ --
Working capital	\$10,165
Temporary investments:	
Marketable securities	\$ --
Overnight cash deposits	\$ 2,977

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

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

The Company's annual meeting of stockholders was held on July 13, 2000. The only matter submitted to a vote of security holders the election of six directors to the Board of Directors was described on the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2000.

Item 5. Other Information

On August 4, 2000, the Company, through its principal PBM operating subsidiary, MIM Health Plans, Inc., acquired all of the issued and outstanding membership interests of American Disease Management Associates, L.L.C., a Delaware limited liability company ("ADIMA"), from Radix Capital Investment Group, LLC, a Delaware limited liability company, and certain individuals pursuant to a Purchase Agreement dated as of August 3, 2000. ADIMA, located in Livingston, New Jersey, provides high-tech intravenous and injectible specialty pharmaceutical products to chronically ill patients receiving healthcare services from home by IV certified registered nurses, typically after a hospital discharge.

The aggregate purchase price approximated \$24.0 million, and included \$19.0 million in cash and approximately 2.7 million shares of MIM common stock. The MIM common stock was valued at \$5,035. The acquisition was treated as a purchase for financial reporting purposes. Assets acquired approximated \$5.0 million and liabilities assumed approximated \$0.6 million resulting in approximately \$19.6 million of goodwill, which will be amortized over the estimated useful life of 20 years. Goodwill has been recorded based on management estimates and the allocation will be finalized based on an appraisal. The consolidated financial statements of the Company for the three and nine month's periods include the results of ADIMA from the date of acquisition.

On November 1, 2000 the Company entered into a \$45 million secured revolving credit facility (the "Facility") with HFG Healthco-4 LLC, an affiliate of Healthcare Finance Group, Inc. ("HFG"). The Facility replaced the Company's existing credit facilities with its former lenders. The Facility will be used for working capital purposes and future acquisitions in support of its business plan. The Facility has a three-year term, provides for borrowing of up to \$45 million at the London InterBank Offered Rate (LIBOR) plus 2.1%, and is secured by receivables of the Company's primary operating subsidiaries.

As previously disclosed, on August 31, 2000, the Company's President and Chief Operating Officer ceased to be employed by the Company. In addition, the employment of the President of the Company's mail order, e-commerce and fulfillment subsidiary was terminated effective July 14, 2000. The departure of these two individuals resulted in the Company recording severance charges of \$0.4 million. Members of existing management have assumed the duties and responsibilities of these individuals. The Company does not believe that the departure of either or both of these individuals will have a material adverse effect on the Company's business, operations or financial prospects.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

Exhibit Number	Description
10.1	Loan and Security Agreement, dated as of November 1, 2000, between MIM Funding LLC and HFG Healthco-4 LLC.
10.2	Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, among MIM Health Plans, Inc., Continental Pharmacy, Inc., American Disease Management Association LLC, and MIM Funding LLC.
27	Financial Data Schedule.

(b) Reports on Form 8-K

One Current Report on Form 8-K, as amended by Form 8-K/A on October 18, 2000, was filed with the Commission during the third quarter of 2000 and one Current Report on Form 8-K was filed in the fourth quarter of 2000. The first was filed on August 10, 2000 and amended on October 18, 2000, regarding the Company's acquisition of ADIMA. The second was filed on November 6, 2000, regarding the Company's press release announcing the new credit facility with Healthcare Finance Group, Inc.

* * * *

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 14, 2000.

MIM CORPORATION

Date: November 14, 2000

/s/ Edward J. Sitar

Edward J. Sitar

Chief Financial Officer and Treasurer
(Principal Financial Officer)

Exhibit Index

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

Exhibit Number	Description
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10.1	Loan and Security Agreement, dated as of November 1, 2000, between MIM Funding LLC and HFG Healthco-4 LLC.
10.2	Receivables Purchase and Transfer Agreement, dated as of November 1, 2000, among MIM Health Plans, Inc., Continental Pharmacy, Inc., American Disease Management Association LLC, and MIM Funding LLC.
27	Financial Data Schedule

3-MOS

	DEC-31-2000	
	JAN-1-2000	
	SEP-30-2000	2,977
		0
		65,089
		8,813
		1,776
	62,585	15,508
	(6,411)	
	116,480	
66,342		4,281
	0	0
		0
		2
		43,289
116,480		269,896
	269,896	245,037
		245,037
	245,037	
	22,693	
	0	
	0	
	1,990	0
1,990		0
	0	
	0	0
		0
	1,990	
	0.10	
	0.10	

LOAN AND SECURITY AGREEMENT

Dated as of November 1, 2000

Between

MIM FUNDING LLC
as Borrower

and

HFG HEALTHCO-4 LLC
as Lender

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EXHIBITS

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Exhibit III	Representations and Warranties
Exhibit IV	Covenants
Exhibit V	Events of Default
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Exhibit VII-A	Form of Borrowing Base Certificate
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SCHEDULES

Schedule I	Addresses for Notices
Schedule II	Credit and Collection Policy
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Schedule IV	Lockbox Information
Schedule V	Net Value Factors

LOAN AND SECURITY AGREEMENT, dated as of November 1, 2000, between MIM FUNDING LLC, a limited liability company organized under the laws of the State of Delaware (together with its successors and assigns, the "BORROWER"), and HFG HEALTHCO-4 LLC, a Delaware limited liability company (together with its successors and assigns, the "LENDER"), agree as follows:

Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I to this Agreement. References herein, and in the Exhibits and Schedules hereto, to the "Agreement" refer to this Agreement, as amended, restated, modified or supplemented from time to time in accordance with its terms (this "AGREEMENT").

The Borrower (i) is a limited liability company organized under the laws of the State of Delaware owned by the Providers, (ii) has acquired and will acquire all the receivables from the Providers by purchase or contribution to the capital of the Borrower pursuant to the RPTA, as determined from time to time by the Borrower and the Providers, and (iii) wishes to borrow funds from the Lender on a continuing and revolving basis secured by all its assets, including the receivables acquired from the Providers.

The Lender is prepared to make a revolving loan secured by the Borrower's assets, including such receivables, on the terms and subject to the conditions set forth herein.

Accordingly, the parties agree as follows:

ARTICLE I
COMMITMENT; AMOUNTS AND TERMS OF THE REVOLVING LOAN

ss. 1.01. Revolving Advances. (a) The Lender agrees to lend from time to time to the Borrower, subject to and upon the terms and conditions herein set forth, on any Funding Date, such amounts as, in accordance with the terms hereof, may be requested by the Borrower (each such borrowing, a "REVOLVING ADVANCE" and the aggregate outstanding principal balance of all Revolving Advances from time to time, the "REVOLVING LOAN").

(b) Each Revolving Advance shall be made on the date specified in the Borrower's Certificate, or telephonic notice confirmed in writing, as described in Section 1.03 hereof.

ss. 1.02. (a) Revolving Commitment and Borrowing Limit. The Revolving Loan at any time shall not exceed an amount equal to the lesser of (i) \$45,000,000 (such amount, or such lesser amount after giving effect to any decrease pursuant to the provisions of Section 1.02(d) hereof, the "REVOLVING COMMITMENT"), and (ii) the Borrowing Base as of such time (the lesser of (i) and (ii) being the "BORROWING LIMIT").

(b) Subject to the limitations herein and of Exhibit II hereof, the Borrower may borrow, repay (without premium or penalty) and reborrow under the Revolving Commitment. The Revolving Loan shall not exceed, and the Lender shall not have any obligation to make any

Revolving Advance which shall result in the Revolving Loan being in excess of, the Revolving Commitment.

(c) If at any time the Revolving Loan exceeds the Borrowing Limit at such time, the Borrower shall promptly, in accordance with Article II hereof, eliminate such excess by paying an amount equal to such excess until such excess is eliminated in full.

ss. 1.03. Notice of Borrowing; Borrower's Certificate. Whenever the Borrower desires a Revolving Advance be made, the Borrower shall give the Lender, not later than 11:00 a.m. (New York time) one Business Day's prior, written notice, or telephonic notice from an Authorized Representative confirmed promptly by a Written Notice, (which notice, in each case, shall be irrevocable) of its desire to make a borrowing of a Revolving Advance. Each notice of borrowing under this Section 1.03 shall (i) be signed by the Borrower, and (ii) be substantially in the form of Exhibit VII-B hereto (each a "BORROWER'S CERTIFICATE") and specify the date on which the Borrower desires to make a borrowing of a Revolving Advance (which in each instance shall be a Funding Date), the amount of such borrowing and shall have attached to it the most recent Borrowing Base Certificate.

ss. 1.04. Termination of Revolving Commitment. On the Maturity Date, the Revolving Commitment shall be canceled automatically. In addition, prior to the Maturity Date, the Borrower may terminate the Revolving Commitment pursuant to Section 5.07(b). Upon such cancellation, the Revolving Loan (together with all other Lender Debt) shall become, without further action by any Person, immediately due and payable together with all accrued interest thereon to such date plus any fees, premiums, charges or costs provided for hereunder.

ss. 1.05. Interest and Fees. (a) Interest. The Borrower shall, upon demand, pay interest on the Revolving Loan on (i) each Interest Payment Date and (ii) the Maturity Date (whether by acceleration or otherwise), in each case, at an interest rate per annum equal to the LIBO Rate in effect for the applicable Interest Period plus 2.10%.

(b) Default Interest. Notwithstanding anything to the contrary contained herein, while any Event of Default is continuing, interest on the Revolving Loan shall be payable on demand at a rate per annum equal to 4.00% in excess of the rate then otherwise applicable to the Revolving Loan.

(c) Non-Utilization Fee. The Borrower shall pay to the Lender on the first Funding Date of each month a fee (the "NON-UTILIZATION FEE") equal to 0.50% per annum on the average amount, calculated on a daily basis, by which the Revolving Commitment exceeded the Revolving Loan during the prior Month.

(d) A/R Fee. The Borrower shall pay to the Lender the A/R Fee on the first Business Day of each month.

(e) Facility Management Fee. The Borrower shall pay to the Lender a fee (the "FACILITY MANAGEMENT FEE"), payable in 36 equal installments of \$20,000 on the Initial Funding Date and on the first Business Day of each month thereafter from the Facility Reserve. Upon the termination of this Agreement (for any reason other than the default hereof by the Lender or a Rating

Agency Amendment that the Providers, in their reasonable judgment and in good faith determine is unacceptable) prior to the Maturity Date, the remaining monthly payments of the Facility Management Fee shall become immediately due and payable.

ss. 1.06. Voluntary Reductions. Upon not less than two Business Days' Written Notice and at its sole election, the Borrower may on any Funding Date reduce the outstanding principal amount of the Revolving Loan; provided, however, that the Borrower shall provide the Lender with at least 30 days' prior Written Notice to the extent such reduction shall be more than 10% of the then outstanding principal amount of the Revolving Loan.

ss. 1.07. Computation of Interest. (a) Interest on the Revolving Loan and fees and other amounts calculated by the Lender on the basis of a rate per annum shall be computed on the basis of actual days elapsed over a 360-day year.

(b) Whenever any payment to be made hereunder or under any other Document shall be stated to be due and payable on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall in such case be included in computing interest on such payment.

ss. 1.08. Procedures for Payment. (a) Each payment hereunder shall be made not later than 12:00 noon (New York City time) on the day when due in lawful money of the United States of America to the Lender without counterclaim, offset, claim or recoupment of any kind and free and clear of, and without deduction for, any present or future withholding or other taxes, duties or charges of any nature imposed on such payments or prepayments by or on behalf of any Governmental Entity thereof or therein, except for Excluded Taxes. If any such taxes, duties or charges are so levied or imposed on any payment to the Lender, the Borrower will make additional payments in such amounts as may be necessary so that the net amount received by the Lender, after withholding or deduction for or on account of all taxes, duties or charges, including deductions applicable to additional sums payable under this Section 1.08, will be equal to the amount provided for herein. Whenever any taxes, duties or charges are payable by the Borrower with respect to any payments hereunder, the Borrower shall furnish promptly to the Lender information, including certified copies of official receipts (to the extent that the relevant governmental authority delivers such receipts), evidencing payment of any such taxes, duties or charges so withheld or deducted. If the Borrower fails to pay any such taxes, duties or charges when due to the appropriate taxing authority or fails to remit to the Lender the required information evidencing payment of any such taxes, duties or charges so withheld or deducted, the Borrower shall indemnify the Lender for any incremental taxes, duties, charges, interest or penalties that may become payable by the Lender as a result of any such failure.

(b) Notwithstanding anything to the contrary contained in this Agreement, the Borrower agrees to pay any present or future stamp or documentary taxes, any intangibles tax or any other sales, excise or property taxes, charges or similar levies now or hereafter assessed that arise from and are attributable to any payment made hereunder or from the execution, delivery of, or otherwise with respect to, this Agreement or any other Documents and any and all recording fees relating to any Documents securing any Lender Debt ("OTHER TAXES").

(c) The Borrower shall indemnify the Lender for the full amount of any taxes, duties or charges other than Excluded Taxes (including, without limitation, any taxes other than Excluded Taxes imposed by any jurisdiction on amounts payable under this Section 1.08) duly paid or payable by the Lender and any liability (including penalties, interest and expenses) arising therefrom or with respect thereto. Indemnification payments shall be made within 30 days from the date the Lender makes written demand therefor. The Lender shall provide to the Borrower a statement, supported when applicable by documentary evidence, explaining the amount of any such liability it incurs, which statement shall be conclusive absent manifest error.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section 1.08 shall survive the payment in full of principal and interest hereunder.

ss. 1.09. Indemnities. (a) The Borrower hereby agrees to indemnify the Lender on demand against any loss or expense which the Lender or a branch or an Affiliate of the Lender actually incurred as a consequence of: (i) any default in payment or prepayment of the principal amount of any Revolving Advance made to it or any portion thereof or interest accrued thereon, as and when due and payable (at the due date thereof, by irrevocable notice of payment or prepayment, or otherwise); (ii) the effect of the occurrence of any Event of Default upon any Revolving Advance made to it; (iii) the payment or prepayment of the principal amount of any Revolving Advance made to it or any portion thereof, on any day other than a Funding Date; or (iv) the failure by the Borrower to accept a Revolving Advance after it has requested such borrowing, conversion or renewal; in each case including, but not limited to, any loss or expense sustained or incurred in liquidating or employing deposits from third parties acquired to effect or maintain such Revolving Advance or any portion thereof; provided, however, that so long as no Event of Default is continuing, no payment shall be made with respect to any loss or expense that is being contested in good faith by the Borrower. The Lender shall provide to the Borrower a statement, supported when applicable by documentary evidence, explaining the amount of any such loss or expense it incurs, which statement shall be conclusive absent manifest error.

(b) The Borrower hereby agrees to indemnify and hold harmless the Lender, the Program Manager, the Master Servicer and their respective Affiliates, (together with their respective directors, officers, agents, representatives, shareholders, lenders, counsel and employees, each an "INDEMNIFIED PARTY"), from and against any and all losses, claims, damages, costs, expenses (including reasonable counsel fees and disbursements) and liabilities which are actually incurred by such Indemnified Party arising out of the commitments hereunder to make the Revolving Advances, or the financings contemplated hereby, the other Documents, the Collateral (including, without limitation, the use thereof by any of such Persons or any other Person, the exercise by the Lender of rights and remedies or any power of attorney with respect thereto, and any action or inaction of the Lender under and in accordance with any Documents), the use of proceeds of any financial accommodations provided hereunder, any investigation, litigation or other proceeding (brought or threatened) relating thereto, or the role of any such Person or Persons in connection with the foregoing, whether or not any Indemnified Party is named as a party to any legal action or proceeding ("CLAIMS"). The Borrower will not, however, be responsible to any Indemnified Party hereunder for any Claims to the extent that a court having jurisdiction shall have determined by a final nonappealable judgment that any such Claim shall have arisen out of or resulted directly and

principally from (i)(1) actions taken or omitted to be taken by such Indemnified Party by reason of the bad faith, willful misconduct or gross negligence of any Indemnified Party, or (2) in violation of any law or regulation applicable to such Indemnified Party (except to the extent that such violation is attributable to any breach of any representation, warranty or agreement by or on behalf of the Borrower, any Provider or any of their respective designees, in each case, as determined by a final nonappealable decision of a court of competent jurisdiction), or (ii) a successful claim by a Provider against such Indemnified Party ("EXCLUDED CLAIMS"). The Indemnified Party shall give the Borrower prompt Written Notice of any Claim setting forth a description of those elements of the Claim of which such Indemnified Party has knowledge. The Lender, as an Indemnified Party, shall be permitted hereunder to select counsel to defend such Claim with the consent of the Providers, such consent not to be unreasonably withheld, at the expense of the Borrower and, if such Indemnified Party shall decide to do so, then all such Indemnified Parties shall select the same counsel to defend such Indemnified Parties with respect to such Claim; provided, however, that if any such Indemnified Party shall in its reasonable opinion consider that the retention of one joint counsel as aforesaid shall result in a conflict of interest, such Indemnified Party may, at the expense of the Borrower, select its own counsel to defend such Indemnified Party with respect to such Claim. The Indemnified Parties and the Borrower and their respective counsel shall cooperate with each other in all reasonable respects in any investigation, trial and defense of any such Claim and any appeal arising therefrom.

ss. 1.10. Telephonic Notice. Without in any way limiting the Borrower's obligation to confirm in writing any telephonic notice of a borrowing, conversion or renewal, the Lender may act without liability upon the basis of telephonic notice believed by the Lender in good faith to be from an Authorized Representative of the Borrower prior to receipt of written confirmation.

ss. 1.11. Maximum Interest. (a) No provision of this Agreement shall require the payment to the Lender or permit the collection by the Lender of interest in excess of the maximum rate of interest from time to time permitted (after taking into account all consideration which constitutes interest) by laws applicable to the Lender Debt and binding on the Lender (such maximum rate being the Lender's "MAXIMUM PERMISSIBLE RATE").

(b) If the amount of interest (computed without giving effect to this Section 1.11) payable on any Interest Payment Date in respect of the preceding interest computation period would exceed the amount of interest computed in respect of such period at the Maximum Permissible Rate, the amount of interest payable to the Lender on such date in respect of such period shall be computed at the Maximum Permissible Rate.

(c) If at any time and from time to time: (i) the amount of interest payable to any Lender on any Interest Payment Date shall be computed at the Maximum Permissible Rate pursuant to the preceding subsection (b); and (ii) in respect of any subsequent interest computation period the amount of interest otherwise payable to the Lender would be less than the amount of interest payable to the Lender computed at the Maximum Permissible Rate, then the amount of interest payable to the Lender in respect of such subsequent interest computation period shall continue to be computed at the Maximum Permissible Rate until the amount of interest payable to the Lender shall equal the total amount of interest which would have been payable to the Lender if the total amount of interest had been computed without giving effect to the preceding subsection (b).

ARTICLE II
COLLECTION AND DISTRIBUTION

ss. 2.01. Collections on the Receivables. The Lender shall be entitled with respect to all Receivables, (i) to receive and to hold as collateral all Receivables and all Collections on Receivables in accordance with the terms of the Depositary Agreement, and (ii) to have and to exercise any and all rights to collect, record, track and, during the continuance of an Event of Default, take all actions to obtain Collections with respect to all Receivables.

ss. 2.02. Distribution of Funds. On each Funding Date, and provided, that (i) no Event of Default is continuing, and (ii) the Borrower shall have successfully sent by Transmission to the Master Servicer all Receivable Information for the period since the immediately prior Funding Date, the Lender shall distribute any and all Collections received in the Collection Account prior to 12:00 p.m. on the immediately prior Funding Date as follows: FIRST, to the Lender, an amount in cash equal to the Fee and Interest Shortfall, if any, until such amount has been paid in full; SECOND, to the Lender, an amount in cash equal to the Borrowing Base Deficiency, if any, until such amount is paid in full; THIRD, to the Lender, an amount in cash equal to the payment, if any, of principal on the Revolving Loan due and payable on such Funding Date, until such amount has been paid in full; FOURTH, to the Lender, an amount in cash equal to the payment of any other Lender Debt due and payable on such Funding Date, if any, until such amount has been paid in full; and FIFTH, to the Borrower, all remaining amounts of Collections, as requested.

ss. 2.03. Distribution of Funds at the Maturity Date or Upon an Event of Default. At the Maturity Date or upon the occurrence and during the continuance of an Event of Default, subject to the rights and remedies of the Lender pursuant to Section 3.02 hereof, the Lender shall distribute any and all Collections as follows: FIRST, to the Lender, an amount in cash equal to any and all accrued fees and collection costs as set forth in Sections 1.05 and 5.05, until such amount has been paid in full; SECOND, to the Lender, an amount in cash equal to all accrued and unpaid interest on the Revolving Loan (at the rates established under Section 1.05) until such amount has been paid in full; THIRD, to the Lender, an amount in cash equal to the principal amount of the Revolving Loan, until such amount is paid in full; FOURTH, to the Lender, an amount in cash equal to the payment of any other Lender Debt due and payable on such date, until such amount has been paid in full; and FIFTH, to the Borrower, all remaining amounts of Collections.

ss. 2.04. Distributions to the Borrower Generally. Distributions to the Borrower on each Funding Date shall be deposited in the Borrower Account.

ss. 2.05. Avoidance of Breakage Costs. So long as no Default or Event of Default is continuing or the Borrower has provided at least 30 days' prior Written Notice thereof, the Lender shall not apply out of the Collections any payment of principal to any portion of the Revolving Loan in excess of 10% of the Revolving Loan outstanding at such time.

ARTICLE III
REPRESENTATIONS AND WARRANTIES; COVENANTS;
EVENTS OF DEFAULT

ss. 3.01 Representations and Warranties; Covenants. The Borrower makes on the Initial Funding Date and on each subsequent Funding Date, the representations and warranties set forth in Exhibit III hereto, and hereby agrees to perform and observe the covenants set forth in Exhibit IV hereto.

ss. 3.02. Events of Default; Remedies. (a) If any Event of Default shall occur and be continuing, the Lender may, by Written Notice to the Borrower, take either or both of the following actions: (x) declare the Maturity Date to have occurred, and (y) without limiting any rights hereunder and subject to applicable law, replace the Borrower and the Borrower's agent in its performance of any or all of the "Primary Servicer Responsibilities" under the RPTA (which replacement may be effectuated through the outplacement to a qualified and experienced third-party of all back office duties, including billing, collection and processing responsibilities, and access to all personnel, hardware and software utilized in connection with such responsibilities); provided, that with respect to the Event of Default in clause (i) of Exhibit V, the Maturity Date shall be deemed to have occurred automatically and without notice. Upon any such declaration or designation, the Lender shall have, in addition to the rights and remedies which it may have under this Agreement, all other rights and remedies provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

(b) Right of Set-Off. The Borrower hereby irrevocably authorizes and instructs the Lender to set-off the full amount of any Lender Debt due and payable against (i) any Collections, or (ii) the principal amount of any Revolving Advance requested on or after such due date, provided, however, that so long as no Event of Default is continuing, the Lender will not set-off any amounts that are being contested in good faith by the Purchaser. No further notification, act or consent of any nature whatsoever is required prior to the right of the Lender to exercise such right of set-off; provided, however, a member of the Lender Group shall promptly notify the Borrower: (1) a set-off pursuant to this Section 3.02 occurred, (2) the amount of such set-off and (3) a description of the Lender Debt that was due and payable.

ss. 3.03 Attorney-in-Fact. The Borrower hereby irrevocably designates and appoints the Lender, the Master Servicer and each other Person in the Lender Group, to the extent permitted by applicable law and regulation, as the Borrower's attorneys-in-fact, which irrevocable power of attorney is coupled with an interest, with authority, upon the continuance of an Event of Default (and to the extent not prohibited under applicable law and regulations) to (i) endorse or sign the Borrower's name to financing statements, remittances, invoices, assignments, checks, drafts, or other instruments or documents in respect of the Receivables, (ii) notify Obligors to make payments on the Receivables directly to the Lender, and (iii) bring suit in the Borrower's name and settle or compromise such Receivables as the Lender or the Master Servicer may, in its discretion, deem appropriate.

ARTICLE IV
SECURITY

ss. 4.01 Grant of Security Interest. As collateral security for the Borrower's obligations to pay the Lender Debt when due and payable and its indemnification obligations hereunder, the Borrower hereby grants to the Lender a first priority Lien on and security interest in and right of set-off against all of the rights, title and interest of the Borrower in and to: (i) the RPTA; (ii) to the maximum extent permitted by law, the Lockbox and the Lockbox Account; (iii) all Accounts of the Borrower whether now owned or hereafter acquired; (iv) any and all amounts held in any accounts maintained at Fleet National Bank or any other bank in respect of any of the foregoing or in compliance with any terms of this Agreement; (v) all of the Additional Collateral; (vi) (x) any amounts held in the Facility Reserve, any investments thereof, including, without limitation, any certificates or instruments evidencing any such investments, and all claims and choses in action in respect of the foregoing, (y) any interest or other payment made in respect of such investments and (z) any and all proceeds of any of the above and all claims and choses in action in respect of the foregoing (to the extent the Lender makes any such investments, the Borrower hereby authorizes the Lender to hold in pledge any certificate or instrument evidencing such investments), and (vii) all proceeds of the foregoing; (all of the foregoing clauses (i) through (vi) inclusive, the "COLLATERAL"). This Agreement shall be deemed to be a security agreement as understood under the UCC.

(b) The Borrower agrees to execute, and hereby authorizes the Lender to file, one or more financing statements or continuation statements or amendments thereto or assignments thereof in respect of the Lien created pursuant to this Section 4.01 which may at any time be required or, in the opinion of the Lender, be desirable, and to do so without the signature of the Borrower where permitted by law.

ARTICLE V
MISCELLANEOUS

ss. 5.01. Amendments, etc. (a) No amendment or waiver of any provision of this Agreement or consent to any departure therefrom by a party hereto shall be effective unless in a writing signed by the Lender and the Borrower and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Lender or the Borrower to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

(b) The parties hereto agree to make any change, modification or amendment to this Agreement as may be requested by Duff & Phelps Credit Rating Co. or any other rating agency then rating the receivables finance program of the Lender, so long as any such change, modification or amendment does not materially adversely affect the parties hereto (each a "Rating Agency Amendment").

ss. 5.02 Notices, etc. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which may include facsimile communication) and shall be faxed or delivered, (i) to each party hereto (and the Lender hereby agrees that notices to or for its benefit may be delivered to the Program Manager and such delivery to the Program Manager shall be deemed received by the Lender), at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a Written Notice to the other parties hereto, and (ii) to the Program Manager and the Master Servicer at the addresses set forth on Schedule I attached hereto and as such schedule may be amended from time to time by the Lender. Notices and communications by facsimile shall be effective when sent and confirmation received (and shall be promptly followed by hard copy), and notices and communications sent by other means shall be effective when received.

ss. 5.03. Assignability. (a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective permitted successors and assigns.

(b) The Borrower may not assign its rights or obligations hereunder or any interest herein without the prior written consent of the Lender.

ss. 5.04. Further Assurances. The Borrower shall, at its cost and expense, upon the reasonable request of the Lender, duly execute and deliver, or cause to be duly executed and delivered, to the Lender such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Lender to carry out more effectively the provisions and purposes of this Agreement.

ss. 5.05. Costs and Expenses; Collection Costs. The Borrower agrees to pay (i) on the Initial Funding Date and (ii) with respect to costs and expenses incurred thereafter, within seven days of invoicing therefor, all reasonable costs and expenses in connection with the preparation, execution and delivery of this Agreement and any waiver, modification, supplement or amendment hereto, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Lender and its Affiliates and all costs and expenses, if any (including reasonable counsel fees and expenses), of the Lender and its Affiliates in connection with the waiver, amendment and enforcement of this Agreement.

(b) The Borrower further agrees to pay on the Initial Funding Date (and with respect to costs and expenses incurred following the Initial Funding Date, within seven days of invoicing therefor) (i) all reasonable costs and expenses incurred by the Lender or its agent in connection with (x) semi-annual audits of the Receivables, (y) all audits conducted in connection with any material change in the Receivables or a change in the Credit and Collection Policy (z) and all audits conducted during the continuance of an Event of Default, (ii) all reasonable costs and expenses incurred by the Master Servicer or the Program Manager to accommodate any significant coding or data system changes necessitated by the Borrower that would affect the transmission or interpretation of data received through the interface, and (iii) all reasonable costs and expenses incurred by the Lender for additional time and material expenses of the Master Servicer resulting from a lack of either cooperation or responsiveness of the Borrower to agreed-upon protocol and schedules with the Master Servicer; provided, that the Borrower has been informed of the alleged

lack of cooperation or responsiveness and has been provided the opportunity to correct such problems.

(c) In the event that the Lender shall retain an attorney or attorneys to collect, enforce, protect, maintain, preserve or foreclose its interests with respect to this Agreement, any other Documents, any Lender Debt, any Receivable or the Lien on any Collateral or any other security for the Lender Debt or under any instrument or document delivered pursuant to this Agreement, or in connection with any Lender Debt, the Borrower shall pay all of the reasonable costs and expenses of such collection, enforcement, protection, maintenance, preservation or foreclosure, including reasonable attorneys' fees, which amounts shall be part of the Lender Debt, and the Lender may take judgment for all such amounts. The attorney's fees arising from such services, including those of any appellate proceedings, and all reasonable out-of-pocket expenses, charges, costs and other fees incurred by such counsel in any way or with respect to or arising out of or in connection with or relating to any of the events or actions described in this Section 5.05 shall be payable by the Borrower to the Lender on demand (with interest accruing from the eighth day following the date of such demand, and shall be additional obligations under this Agreement. Without limiting the generality of the foregoing, such expenses, costs, charges and fees may include: recording costs, appraisal costs, paralegal fees, costs and expenses; accountants' fees, costs and expenses; court costs and expenses; photocopying and duplicating expenses; court reporter fees, costs and expenses; long distance telephone charges; air express charges; telegram charges; telecopier charges; secretarial overtime charges; and expenses for travel, lodging and food paid or incurred in connection with the performance of such legal services.

ss. 5.06. Confidentiality. (a) The Borrower and the Lender hereby acknowledge that this Agreement, the RPTA and documents delivered hereunder, thereunder or in connection with, including, without limitation, any information relating to the Borrower, any member of the Lender Group or any Provider, contain confidential and proprietary information. Unless otherwise required by applicable law, the Borrower and the Lender each hereby agrees to maintain the confidentiality of this Agreement (and all drafts, memos and other documents delivered in connection therewith including, without limitation, any information relating to the Borrower, any member of the Lender Group or a Provider delivered hereunder or under the RPTA) in communications with third parties and otherwise and to take all reasonable actions to prevent the unauthorized use or disclosure of and to protect the confidentiality of such confidential information; provided, that, such confidential information may be disclosed to (i) subject to an agreement to keep same confidential (1) the Borrower's legal counsel, accountants and auditors, a Provider under the RPTA, and the Providers' investors, creditors, legal counsel, accountants and auditors, (2) the Program Manager, the Parent, the Person then fulfilling the "Primary Servicer Responsibilities" under the RPTA, each member of the Lender Group, investors in and creditors of the Lender, appropriate rating agencies with respect to the Lender, and each of their respective legal counsel, accountants, advisers and auditors, (3) to any other Person with the written consent of the applicable other party hereto, which consent shall not be unreasonably withheld; (ii) subject to reasonable prior notice to the extent practicable and not prohibited by law, (1) pursuant to subpoena or other court of legal process and (2) to the extent reasonably required in connection with any litigation or proceeding to which any party hereto is a party; (iii) to any Person if such information otherwise becomes available to such Person or publicly available through no fault of any party governed by this Section 5.06; (iv) to any Governmental

Entity requesting such information; and (v) in compliance with any law, rule, regulation or order applicable to one of the parties hereto.

(b) The Borrower understands and agrees that the Lender or the Lender Group may suffer irreparable harm if the Borrower breaches its obligations under this Section 5.06 and that monetary damages shall be inadequate to compensate the injured party for such breach. Accordingly, the Borrower agrees that, in the event of a breach by the Borrower of Section 5.06(a), the Lender, in addition and not in limitation of its rights and remedies under law, shall be entitled to a temporary restraining order, preliminary injunction and permanent injunction to prevent or restrain any such breach.

(c) The Lender and the Borrower each hereby agrees to, and the Lender shall take reasonable steps to cause each member of the Lender Group to, comply with all applicable state or federal statutes or regulations relating to patient medical record confidentiality.

ss. 5.07. Term and Termination; Early Termination Fee. (a) The obligations of the Lender under this Agreement shall continue in full force and effect from the date hereof until the Maturity Date. Upon the payment in full of all Lender Debt, the Lender shall take all actions and deliver all assignments, certificates, releases, notices and other documents, at the Borrower's expense, as the Borrower may reasonably request to effect such termination.

(b) The Borrower may terminate this Agreement at any time prior to the Maturity Date upon (i) lapse of not less than ten days' prior Written Notice (which shall be irrevocable) to the Lender and (ii) payment in full of all Lender Debt, including, without limitation, all applicable accrued and unpaid fees, charges and costs, all as provided hereunder, and in such occurrence of clauses (i) and (ii) the commitment hereunder shall be deemed to be terminated.

(c) Upon the termination of this Agreement (for any reason other than the default hereof by the Lender or a Rating Agency Amendment that the Borrower, in its reasonable judgment and in good faith determines is unacceptable) prior to the Maturity Date, the Borrower shall pay to the Lender an early termination fee in an amount equal to the sum of (i) 2% of the Revolving Commitment then in effect and (ii) the remaining monthly payments of the Facility Management Fee.

(d) The termination of this Agreement shall not affect any rights of the Lender or any obligations of the Borrower arising on or prior to the effective date of such termination, and the provisions hereof shall continue to be fully operative until all Lender Debt incurred on or prior to such termination has been paid and performed in full.

(e) Upon the giving of notice that an Event of Default has occurred and is continuing under this Agreement, all Lender Debt shall be due and payable on the date of such Event of Default specified in such notice. Upon the (i) the termination of all commitments and obligations of the Lender, and (ii) the payment in full of all Lender Debt, the Lender shall, at the Borrower's request and sole cost and expense, execute and deliver to the Borrower such documents as the Borrower shall reasonably request to evidence such termination.

(f) The Liens and rights granted to the Lender hereunder with respect to the Collateral shall continue in full force and effect, notwithstanding the termination of this Agreement, until all of the Lender Debt has been indefeasibly paid in full in cash.

(g) Notwithstanding the foregoing, if after receipt of any payment of all or any part of the Lender Debt, the Lender is for any reason compelled to surrender such payment to any Person or entity because such payment is determined to be void or voidable as a preference, an impermissible setoff, a diversion of trust funds or for any other reason, this Agreement shall continue in full force (except that the Revolving Commitment of the Lender shall have been terminated), and the Borrower shall be liable to, and shall indemnify and hold the Lender harmless for the amount of such payment surrendered until the Lender shall have been finally and irrevocably paid in full. The provisions of the foregoing sentence shall be and remain effective notwithstanding any contrary action which may have been taken by the Lender in reliance upon such payment, and any such contrary action so taken shall be without prejudice to the Lender's rights under this Agreement and shall be deemed to have been conditioned upon such payment having become final and irrevocable.

ss. 5.08. No Liability of Lender. (a) Neither this Agreement nor any document executed in connection herewith shall constitute an assumption by the Lender of any obligation to any Obligor or any plan participant of the Obligor, or any obligation of the Borrower or any Provider.

(b) Notwithstanding any other provision herein, no recourse under any obligation, covenant, agreement or instrument of the Lender contained herein or with respect hereto shall be had against any Related Person whether arising by breach of contract, or otherwise at law or in equity (including any claim in tort), whether express or implied, it being understood that the agreements and other obligations of the Lender herein and with respect hereto are solely its corporate obligations; provided, however, nothing herein above shall operate as a release of any liability which may arise as a result of such Related Person's gross negligence or willful misconduct. The provisions of this Section 5.08 shall survive the termination of this Agreement.

ss. 5.09. Entire Agreement; Severability. (a) This Agreement, including all exhibits and schedules hereto and the documents referred to herein, embody the entire agreement and understanding of the parties concerning the subject matter contained herein. This Agreement supersedes any and all prior agreements and understandings between the parties, whether written or oral.

(b) If any provision of this Agreement shall be declared invalid or unenforceable, the parties hereto agree that the remaining provisions of this Agreement shall continue in full force and effect.

ss. 5.10. GOVERNING LAW. THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION, EXCEPT TO THE EXTENT THAT THE VALIDITY OR PERFECTION

OF THE SECURITY INTEREST GRANTED HEREUNDER, OR REMEDIES RELATED THERETO, IN RESPECT OF ANY PARTICULAR COLLATERAL ARE GOVERNED BY THE LAWS OF A JURISDICTION OTHER THAN THE STATE OF NEW YORK.

ss. 5.11. WAIVER OF JURY TRIAL, JURISDICTION AND VENUE. EACH OF THE PARTIES HERETO HEREBY WAIVES ALL RIGHTS TO A TRIAL BY JURY IN THE EVENT OF ANY LITIGATION WITH RESPECT TO ANY MATTER RELATED TO THIS AGREEMENT, AND HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN NEW YORK COUNTY, NEW YORK CITY, NEW YORK IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. IN ANY SUCH LITIGATION, EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS AND AGREES THAT SERVICE THEREOF MAY BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO THE PARTIES HERETO AT THEIR ADDRESSES SET FORTH ON THE SIGNATURE PAGE HEREOF.

ss. 5.12. Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

ss. 5.13. No Proceedings. The Borrower hereby agrees that it will not institute against the Lender any proceeding of the type referred to in clause (i) of Exhibit V so long as any senior indebtedness issued by the Lender shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such senior indebtedness shall have been outstanding.

ss. 5.14. Survival of Termination. All indemnities contained herein shall survive the termination hereof unless otherwise provided. In addition, the provisions of Sections 3.02(b), 5.05, 5.06, 5.08, 5.13 and this Section 5.14 shall survive any termination of this Agreement.

ss. 5.15. Facility Reserve. The Lender has established with The Bank of New York a deposit account in the name and sole dominion and control of the Lender (the "FACILITY RESERVE") for the purpose of reserving funds for the payment of the Facility Management Fee. The Facility Reserve shall be funded on the Initial Funding Date in an amount equal to \$720,000.

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

BORROWER: MIM FUNDING LLC

By: /s/ Edward J. Sitar

Name: Edward J. Sitar
Title: Treasurer

Address: 100 Clearbrook Road
Elmsford, NY 10523

Attention: Edward J. Sitar
Facsimile Number: (914) 460-1670

LENDER: HFG HEALTHCO-4 LLC

By: HFG Healthco-4, Inc., a member

By: /s/ Dwight Jenkins

Name: Dwight Jenkins
Title: Vice President

c/o Lord Securities Corporation
Two Wall Street
New York, NY 10005

Attention: Dwight Jenkins
Facsimile Number: (212) 346-9012

EXHIBIT I

DEFINITIONS

As used in the Agreement (including its Exhibits and Schedules), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ACCOUNTS" means all accounts (including, without limitation, all Receivables), all general intangibles, related goodwill and all other obligations for the payment of money arising out of a Provider's sale of merchandise or rendition of services in the ordinary course of business, whether now existing or hereafter arising, including all rights to reimbursement under any agreements with and payments from Obligor and all proceeds of any of the foregoing.

"ACCOUNTS RECEIVABLE TURNOVER" means, at any date, for the 12-month period then most recently ended, the product obtained by multiplying (a) the quotient obtained by dividing (i) aggregate Receivables of the Providers as of such date, by (ii) aggregate revenue of the Providers generated from Receivables for the 12-month period then ended, by (b) 365 days.

"ACCRUED AMOUNTS" means, as at any date, the aggregate amount of accrued but unpaid (whether or not due and payable) (a) interest, (b) Non-Utilization Fees, and (c) A/R Fees.

"ADDITIONAL COLLATERAL" means (including, without limitation, the items listed on any separate schedule(s) at any time or from time to time furnished by the Borrower to the Lender and made part of this Agreement and all accessions to the Additional Collateral, substitutions and replacements thereof (unless the description of Additional Collateral expressly excludes after-acquired Additional Collateral), now owned or existing and hereafter acquired, created or arising, and all products and proceeds thereof (including, without limitation, claims of the Borrower against third parties for loss or damage to or destruction of any Additional Collateral)): (a) all of Borrower's right, title and interest in and to all equipment in all of its forms, wherever located, now or hereafter existing, including, but not limited to, all fixtures and all parts thereof and all accessions thereto (any and all such equipment, fixtures, parts and accessions being the "EQUIPMENT"); (b) all inventory in all of its forms, wherever located, now or hereafter existing, including, but not limited to, (i) all raw materials, work in process, semi-finished products and finished products, intended for sale or lease or to be furnished under contracts of service in the ordinary course of business, of every kind and description; (ii) goods in which Borrower has an interest en masse or a joint or other interest or right of any kind (including, without limitation, goods in which Borrower has an interest or right as consignee), and (iii) goods which are returned to or repossessed by Borrower, and all accessions thereto and products thereof and documents (including, without limitation, all warehouse receipts, negotiable documents, bills of lading and other title documents) therefor (any and all such inventory, accessions, products and documents being the "INVENTORY"); (c) all present and future securities, security entitlements and securities accounts (collectively, "INVESTMENT PROPERTY"); (d) all other goods and personal property, whether tangible or intangible, or whether now owned or hereafter acquired and wherever located; (e) all proceeds of every kind and nature, including proceeds of proceeds, of any and all of the foregoing Additional Collateral (including, without limitation, proceeds which constitute property of the types described in clauses (a) through (e) of this

paragraph) and, to the extent not otherwise included, all (i) payments under insurance (whether or not the Lender is the loss payee thereof), or any indemnity, warranty or guaranty, payable by reason of loss or damage to or otherwise with respect to any of the foregoing Additional Collateral and (ii) money and cash; and all books, records and other property relating to or referring to any of the foregoing Additional Collateral, including all books, records, ledger cards, data processing records, computer software and other property and general intangibles at any time used or useful in connection with, evidencing, embodying, referring to, or relating to, any of the foregoing Additional Collateral.

"AFFILIATE" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"AGREEMENT" has the meaning set forth in the preamble hereto.

"A/R FEE" means the account receivable tracking fee, due on the first Business Day of each Month, in an amount equal to:

$$\frac{\text{AORA} \times \text{TD}}{360} \times \text{ARP}$$

where:

- AORA = The average outstanding amount of the Revolving Loan for the prior Month, calculated as the arithmetic average of all daily balances
- TD = The actual amount of days in such prior Month
- ARP = The applicable A/R Fee Percentage, determined by reference to the AORA for the prior Month, as follows:

AORA for the Prior Month	A/R Fee Percentage
less than or equal to \$3,000,000	0.60%
greater than \$3,000,000 but less than or equal to \$5,000,000	0.55%
greater than \$5,000,000 but less than or equal to \$7,000,000	0.50%
greater than \$7,000,000 but less than or equal to \$10,000,000	0.40%
greater than \$10,000,000 but less than or equal to \$15,000,000	0.35%
greater than \$15,000,000	0.30%

"AUTHORIZED REPRESENTATIVE" means each Person designated from time to time, as appropriate, in a Written Notice by the Borrower to the Lender for the purposes of giving notices of

borrowing, conversion or renewal of Revolving Advances, which designation shall continue in force and effect until terminated in a Written Notice to the Lender.

"BORROWER" has the meaning set forth in the preamble hereto.

"BORROWER ACCOUNT" means initially account # 9428451209 of the Borrower at Fleet National Bank, ABA # 011000390, or, thereafter, such other bank account designated by the Borrower by Written Notice to the Master Servicer, the Lender and the Program Manager from time to time.

"BORROWER'S CERTIFICATE" has the meaning set forth in Section 1.03.

"BORROWING BASE" means, as of any time, an amount equal to (i) 85% of the Expected Net Value of Eligible Receivables as of such time in each case and at all times as determined by reference to and as set forth in the most recent Borrowing Base Certificate delivered to the Lender by the Borrower as of such time pursuant to Exhibit IV, clause (j)(i) minus (ii) Accrued Amounts and unpaid expenses under Sections 1.05 and 5.05 as of such time.

"BORROWING BASE CERTIFICATE" means a certificate (which may be sent by Transmission) signed by the Borrower and the Primary Servicer, substantially in the form of Exhibit VII-A hereto, which shall provide the most recently available information (including updated information) with respect to the Eligible Receivables of the Borrower (segregated by the classes set forth in Schedule V attached hereto) that is set forth in the general trial balance of each of the Providers.

"BORROWING BASE DEFICIENCY" means, as of any date, the positive difference, if any, between (x) the Revolving Loan, minus (y) the Borrowing Base indicated on the most recent Borrowing Base Certificate.

"BORROWING LIMIT" has the meaning set forth in Section 1.02.

"BUSINESS DAY" means any day on which banks are not authorized or required to close in New York City, New York or Providence, Rhode Island.

"CAPITAL LEASE" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee, the obligations of which are required, in accordance with GAAP, to be capitalized on the balance sheet of that Person.

"CHAMPUS" means the Civilian Health and Medical Program of the Uniformed Service, a program of medical benefits covering former and active members of the uniformed services and certain of their dependents, financed and administered by the United States Departments of Defense, Health and Human Services and Transportation and established pursuant to 10 USC ss.ss. 1071-1106, and all regulations promulgated thereunder including without limitation (a) all federal statutes (whether set forth in 10 USC ss.ss. 1071-1106 or elsewhere) affecting CHAMPUS; and (b) all rules, regulations (including 32 CFR 199), manuals, orders and administrative, reimbursement and other guidelines of all Governmental Entities (including, without limitation, the Department of

Health and Human Services, the Department of Defense, the Department of Transportation, the Assistant Secretary of Defense (Health Affairs), and the Office of CHAMPUS, or any Person or entity succeeding to the functions of any of the foregoing promulgated pursuant to or in connection with any of the foregoing (whether or not having the force of law) in each case as may be amended, supplemented or otherwise modified from time to time.

"CLAIMS" has the meaning set forth in Section 1.09(b).

"COLLATERAL" has the meaning set forth in Section 4.01(a).

"COLLECTION ACCOUNT" has the meaning set forth in the Depository Agreement.

"COLLECTIONS" means all cash collections, wire transfers, electronic funds transfers and other cash proceeds of Accounts deposited in or transferred to the Lender Lockbox Account, including, without limitation, all cash proceeds thereof.

"CREDIT AND COLLECTION POLICY" means those receivables credit and collection policies and practices of the Borrower in effect on the date of the Agreement and attached as Schedule II hereto, as modified from time to time with the consent of the Lender.

"DEBT" means as to any Person (without duplication): (i) all obligations of such party for borrowed money, (ii) all obligations of such party evidenced by bonds, notes, debentures, or other similar instruments, (iii) all obligations of such party to pay the deferred purchase price of property or services (other than trade payables in the ordinary course of business), (iv) all Capital Leases of such party, (v) all Debt of others directly or indirectly Guaranteed (which term shall not include endorsements in the ordinary course of business) by such party, (vi) all obligations secured by a Lien existing on property owned by such party, whether or not the obligations secured thereby have been assumed by such party or are non-recourse to the credit of such party (but only to the extent of the value of such property), and (vii) all reimbursement obligations of such party (whether contingent or otherwise) in respect of letters of credit, bankers' acceptance and similar instruments.

"DEFAULT" means an event, act or condition which with the giving of notice or the lapse of time, or both, would constitute an Event of Default.

"DEFAULTED RECEIVABLE" means a Receivable (i) as to which the Obligor thereof or any other Person obligated thereon has taken any action, or suffered any event to occur, of the type described in paragraph (i) of Exhibit V, or (ii) which, consistent with the Credit and Collection Policy, would be written off the applicable Provider's books as uncollectible.

"DELINQUENCY RATIO" means, as of the last Business Day of each month, a percentage equal to:

DR
--
Pool

where:

DR = The Expected Net Value of all Purchased Receivables which became Delinquent Receivables in the Month immediately prior to the date of calculation.

Pool = The Expected Net Value of all Purchased Receivables in the Month immediately prior to the date of calculation.

"DELINQUENT RECEIVABLE" means a Receivable (a) that has not been paid in full on or following the 180th day following the date of original invoicing thereof, or (b) that is a Denied Receivable.

"DENIED RECEIVABLE" means any Receivable as to which any related representations or warranties have been discovered at any time to have been breached.

"DEPOSITARY AGREEMENT" means that certain Depositary Account Agreement, dated the date hereof, among the Providers, the Borrower, the Lender, and the Lockbox Bank, in substantially the form attached hereto as Exhibit VIII, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms.

"DISTRIBUTION" means any dividend payment or other distribution of assets, properties, cash, rights, obligations or securities on account of any capital interest in the Borrower, or return any capital to its members as such, or purchase, retire, defease, redeem or otherwise acquire for value or make any payment in respect of any shares of any class of capital interests in the Borrower or any warrants, rights or options to acquire any such interests, now or hereafter outstanding.

"DOCUMENTS" means this Agreement, the RPTA, the Depositary Agreement, each Borrower's Certificate, each Borrowing Base Certificate, and each other document or instrument now or hereafter executed and delivered to the Lender by or on behalf of the Borrower pursuant to or in connection herewith or therewith.

"ELIGIBILITY CRITERIA" means the criteria and basis for determining whether a Receivable qualifies as an Eligible Receivable, all as set forth in Exhibit VI hereto, as such Eligibility Criteria may be modified from time to time by the Lender in its good faith discretion and based on historical performance and other Provider-related or Obligor-related factually-based credit criteria upon Written Notice to the Borrower.

"ELIGIBLE INVESTMENTS" means one or more of the following:

(a) direct obligations of, and obligations fully guaranteed by, the United States of America, or any agency or instrumentality of the United States of America the obligations of which are backed by the full faith and credit of the United States of America, that are non-callable, that have a fixed dollar amount of principal due at maturity that cannot vary or change, and, if rated by Standard & Poor's, do not have an 'r' highlighter affixed to its rating; or

(b) securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States of America or any State thereof which have a long-term unsecured debt rating in the highest rating category of at least two rating agencies; and, in the case of Standard & Poor's rating, that such securities do not have an 'r' highlighter affixed to its rating; or

(c) commercial paper with (i) an original maturity of less than 270 days, (ii) a rating in the highest rating category of at least two rating agencies, and (iii) if rated by Standard & Poor's, no 'r' highlighter affixed to its rating; or

(d) certificates of deposit of, banker's acceptances issued by, or federal funds sold by, any depository institution or trust company (including any bank incorporated under the laws of the United States of America or any State thereof and subject to supervision and examination by federal and/or state authorities) so long as at the time of such investment or contractual commitment providing for such investment such depository institution or trust company has a short-term unsecured debt rating in the highest rating category (without regard to modifiers such as "+" or "-") of at least two rating agencies and provided, that each such investment has an original maturity of less than 365 days, and provided, further that in the case of a Standard & Poor's rating, that such investment does not have an 'r' highlighter affixed to its rating; or

(e) repurchase agreements governing direct general obligations of the United States of America having a maturity of not more than 60 days from the date of acquisition with an obligor having the highest rating category of at least two rating agencies at the time of such investment provided, that in the case of a Standard & Poor's rating, that such investment does not have an 'r' highlighter affixed to its rating; or

(f) shares of no-load money market funds (i) rated in the highest rating category by at least two rating agencies or (ii) the assets of which are invested solely in investments of the type specified in clauses (a), (b), (c) or (d) of the definition of Eligible Investments.

"ELIGIBLE RECEIVABLES" means Receivables that satisfy the Eligibility Criteria.

"EMPLOYEE BENEFIT PLAN" means any employee benefit plan within the meaning of ss. 3(3) of ERISA maintained by any Provider, the Borrower, any of their respective ERISA Affiliates, or with respect to which any of them have any liability.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" means any entity which is under common control with the Borrower within the meaning of ERISA or which is treated as a single employer with the Borrower under the Internal Revenue Code of 1986, as amended.

"EVENT OF DEFAULT" means any of the events specified in Exhibit V hereto.

"EVENT OF TERMINATION" has the meaning set forth in the RPTA.

"EXCLUDED CLAIMS" has the meaning set forth in Section 1.09(b).

"EXCLUDED TAXES" means taxes upon or determined by reference to the Lender's net income imposed by the jurisdiction in which such Lender is organized or has its principal or registered office.

"EXPECTED NET VALUE" means, with respect to any Eligible Receivable, the gross unpaid amount of such Receivable on date of creation thereof, times the Net Value Factor.

"FACILITY MANAGEMENT FEE" has the meaning set forth in Section 1.05(e).

"FACILITY RESERVE" has the meaning set forth in Section 5.15.

"FEE AND INTEREST SHORTFALL" as of any Funding Date, shall mean the amount, if any, of fees or interest that is due and payable and has not otherwise been paid in full by the Borrower.

"FUNDING DATE" means, at the sole discretion of the Lender, each Business Day after the Initial Funding Date until the Maturity Date or such other dates as the Lender may establish from time to time, provided that there shall be a minimum of one Funding Date per week for the Borrower to be able to borrow.

"GAAP" means generally accepted accounting principles in the United States of America, applied on a consistent basis as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants or in statements of the Financial Accounting Standards Board or the rules and regulations of the Securities and Exchange Commission or their respective successors and which are applicable in the circumstances as of the date in question.

"GOVERNMENTAL ENTITY" means the United States of America, any state, any political subdivision of a state and any agency or instrumentality of the United States of America or any state or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government. Payments from Governmental Entities shall be deemed to include payments governed under the Social Security Act (42 U.S.C. ss.ss. 1395 et seq.), including payments under Medicare, Medicaid and CHAMPUS, and payments administered or regulated by HCFA.

"GUARANTY" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect the obligee of such Debt or other obligation of the

payment thereof or to protect the obligee against loss in respect thereof (in whole or in part), provided that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"HCFA" means the Health Care Financing Administration of the United States Department of Health and Human Services.

"INDEMNIFIED PARTY" has the meaning set forth in Section 1.09.

"INITIAL FUNDING DATE" means the date of the initial Revolving Advance in respect of Receivables hereunder.

"INTEREST PAYMENT DATE" means the last day of each Interest Period, or if such day is not a Business Day, the next succeeding Business Day.

"INTEREST PERIOD" means, with respect to a Revolving Advance, the period commencing on, as the case may be, the borrowing or conversion date with respect to such Revolving Advance and ending one month thereafter; provided, that no Interest Period may be selected that expires later than the Scheduled Maturity Date; and provided, further, that any Interest Period that begins on the last Business Day of a Month (or on a day for which there is no numerically corresponding day in the Month at the end of the Interest Period) shall, subject to the foregoing proviso, end on the last Business Day of a Month.

"INVOICE DATE" means, with respect to any Receivable, the date set forth on the related invoice or statement

"LAST SERVICE DATE" means, with respect to any Receivable that is not a Rebate Receivable, the earlier of (i) the date on which the applicable Provider has received the data required to bill such Receivable and (ii) the last day for submission of the related claim under any related contracts. "LENDER" has the meaning set forth in the preamble hereto.

"LENDER DEBT" means, without duplication, and includes any and all amounts due, whether now existing or hereafter arising, under the Agreement, including, without limitation, any and all principal, interest, penalties, fees, charges, premiums, indemnities and costs owed or owing to the Lender, the Program Manager or the Master Servicer by the Borrower, any Provider, or any Affiliate of the Borrower or a Provider, arising under or in connection with this Agreement, the RPTA or the Depositary Agreement, in each instance, whether absolute or contingent, direct or indirect, secured or unsecured, due or not, arising by operation of law or otherwise, and all interest and other charges thereon, including, without limitation, post-petition interest whether or not such interest is an allowable claim in a bankruptcy.

"LENDER GROUP" means (i) the Lender, the Program Manager and the Master Servicer, and (ii) the Lender's agents and delegates identified from time to time to effectuate this Agreement.

"LENDER LOCKBOX" means the lockboxes located at the address set forth on Schedule IV to receive checks with respect to Receivables payable by Insurers.

"LENDER LOCKBOX ACCOUNT" means the accounts at the Lockbox Bank as set forth on Schedule IV as associated with the Lender Lockbox and established by the Borrower to deposit Collections, including Collections received in the Lender Lockbox and Collections received by wire transfer directly from Insurers, all as more fully set forth in the Depositary Agreement.

"LIBO RATE" means the rate established by the Program Manager from time to time based on an annualized 30-day interest rate (calculated on the basis of actual days elapsed over a 360-day year) equal to the offered rate that appears on page 3751 (or any successor or substitute pages) of the Telerate Service (or any successor to or substitute for such Telerate Service providing comparable rate quotations) for the Bank of Tokyo for U.S. dollar deposits of amounts and in funds comparable to the principal amount of the Revolving Loan.

"LIEN" means any lien, mortgage, security interest, tax lien, pledge, hypothecation, assignment, preference, priority, other charge or encumbrance, or any other type of preferential arrangement of any kind or nature whatsoever by or with any Person (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law, or otherwise.

"LOCKBOX" means either the Provider Lockbox or the Lender Lockbox, as the context requires.

"LOCKBOX ACCOUNT" means either the Provider Lockbox Account or the Lender Lockbox Account, each associated with the respective Lockbox to deposit Collections, including Collections received by wire transfer directly, all as more fully set forth in the Depositary Agreement.

"LOCKBOX BANK" means Fleet National Bank as lockbox bank under the Depositary Agreement.

"LOSS-TO-LIQUIDATION RATIO" means, as of the last Business Day of each Month, a percentage equal to:

DR
--
C

where:

DR = The Expected Net Value of all Eligible Receivables which became Defaulted Receivables in the Month immediately prior to the date of calculation.

C = Collections on such Eligible Receivables in the Month immediately prior to the date of calculation.

"MASTER SERVICER" means the Program Manager and any other Person then identified by the Lender to the Borrower, or the Primary Servicer on behalf of the Providers, as being authorized to administer and service Receivables.

"MATERIAL ADVERSE EFFECT" means any event, condition, change or effect that (a) has a materially adverse effect on the business, Properties, operations or financial condition of (i) the Providers on a consolidated basis, (ii) the Borrower, (iii) the Primary Servicer, or (iv) the Parent on a consolidated basis, (b) materially impairs the ability of the Borrower to perform its obligations under this Agreement, (c) materially impairs the ability of the Primary Servicer or the Providers or the Borrower to perform their respective obligations under the RPTA, (d) materially impairs the validity or enforceability of, or materially impairs the rights, remedies or benefits available to the Lender under this Agreement or (as assignee of the Borrower) under the RPTA, or (e) due to acts or actions within the control or influence of any of the Providers, the Primary Servicer or the Parent, changes, or could reasonably be expected to change, the characterization and treatment of the sales of Receivables under the RPTA as something other than a true sale.

"MATURITY DATE" means the earlier of (a) the Scheduled Maturity Date, and (b) the occurrence of an Event of Default unless such event is waived by the Lender in writing.

"MAXIMUM PERMISSIBLE RATE" has the meaning set forth in Section 1.11(a).

"MONTH" means a calendar month.

"MULTIEMPLOYER PLAN" means a plan, within the meaning of ss. 3(37) of ERISA, as to which the Borrower or any ERISA Affiliate contributed or was required to contribute within the preceding five years.

"NET VALUE FACTOR" means, initially, the percentages set forth on Schedule V attached hereto, as such percentages may be adjusted, upwards or downwards on a prospective basis with Written Notice to the Borrower, in the good faith discretion of the Lender but in consultation with the Borrower and the Primary Servicer, based on (i) the historical actual final collections received on the Receivables within 180 days of the Invoice Date of such Receivables (without regard to the factors set forth in the definition of "Defaulted Receivable"), divided by (ii) the gross value of such Receivables.

"NON-UTILIZATION FEE" has the meaning set forth in Section 1.05(c).

"NOTICE" has the meaning set forth in the RPTA.

"OBLIGOR" means each Person who is responsible for the payment of all or any portion of a Receivable.

"OTHER ENTITIES" means any Provider and each of its direct and indirect parents or subsidiaries other than the Borrower, in whatever form of business such entity exists.

"OTHER TAXES" has the meaning set forth in Section 1.08.

"OVERNIGHT RATE" means the interest rate for overnight funds as set by the Lockbox Bank from time to time.

"PARENT" means MIM Corporation.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA.

"PERMITTED LIEN" means a Lien that is expressly subordinated in writing to the Lien created hereunder in a manner acceptable to the Lender, in its sole discretion, and, with respect to any such Lien existing on the Closing Date, is described on Schedule III hereto.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PRIMARY SERVICER" has the meaning set forth in the RPTA.

"PROGRAM MANAGER" means (i) Healthcare Finance Group, Inc. or (ii) any other Person then identified by the Lender to the Borrower as being authorized to provide administrative services with respect to the Lender and the Lender's finance, funding and collection of healthcare-related receivables.

"PROPERTY" means property of all kinds, movable, immovable, corporeal, incorporeal, real, personal or mixed, tangible or intangible (including, without limitation, all rights relating thereto), whether owned or acquired on or after the date of this Agreement.

"PROVIDER" means each party listed as a Provider under the RPTA, together with its Affiliates, corporate successors and permitted assigns.

"PROVIDER LOCKBOX" means the lockboxes set forth on Schedule IV hereto to receive checks with respect to Receivables payable by Governmental Entities.

"PROVIDER LOCKBOX ACCOUNT" means the accounts set forth on Schedule IV hereto in the name of the Providers and associated with the Provider Lockbox established and controlled by the Providers to deposit Collections from Governmental Entities, including Collections received in the Provider Lockbox and Collections received by wire transfer directly from Governmental Entities, all as more fully set forth in the Depositary Agreement.

"PURCHASED RECEIVABLE" means a Receivable that has been purchased by the Borrower under the RPTA.

"RATING AGENCY AMENDMENT" has the meaning set forth in Section 5.01(b).

"REBATE RECEIVABLE" means a Receivable, the Obligor of which is a manufacturer or distributor of pharmaceutical products.

"RECEIVABLE INFORMATION" has the meaning set forth in the RPTA.

"RECEIVABLES" means all accounts receivable or general intangibles, owing (or in the case of Unbilled Receivables, to be owing) to the Borrower, including those arising out of the rendition of pharmacy benefit and formulary management or rebate administration services provided to any Person (including the provision of market information) or the sale of medical and/or pharmaceutical products by a Provider and any medical services rendered in connection therewith, including, without limitation, all amounts due from manufacturers or distributors of pharmaceutical products based on contractual payments and all rights to reimbursement under any agreements with and payments from Obligors, together with, to the maximum extent permitted by law, all accounts receivable and general intangibles related thereto, all rights, remedies, guaranties, security interests and Liens in respect of the foregoing, all books, records and other Property evidencing or related to the foregoing, and all proceeds of any of the foregoing.

"RELATED PERSON" means any incorporator, stockholder, Affiliate (other than the Program Manager), agent, attorney, officer, director, member, manager, employee or partner of the Lender or its members or its stockholders.

"REVOLVING ADVANCE" has the meaning set forth in Section 1.01(a).

"REVOLVING COMMITMENT" has the meaning set forth in Section 1.02.

"REVOLVING LOAN" has the meaning set forth in Section 1.01(a).

"RPTA" means that certain Receivables Purchase and Transfer Agreement, dated as of the date of this Agreement, between the Primary Servicer, the Providers and the Borrower, as such agreement may be amended, modified or supplemented from time to time in accordance with the terms hereof and thereof.

"SCHEDULED MATURITY DATE" means the date thirty-six months after the Initial Funding Date, as such date may, in the sole discretion of the Lender, be extended.

"SERVICER TERMINATION EVENT" has the meaning set forth in the RPTA.

"SUBSIDIARY" means, with respect to any Provider, any corporation or entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such corporation or entity (irrespective of whether or not at the time, in the case of a corporation, stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Provider.

"TANGIBLE NET WORTH" with respect to the Borrower, means, at any time, the excess of (i) the Expected Net Value of all Receivables owned by the Borrower and not financed by the Lender, plus cash, plus investments, plus amounts which are owing from the Lender to the Borrower

minus (ii) the sum of all accrued unpaid monetary obligations and accrued unpaid fees and expenses payable hereunder or otherwise owed by the Borrower.

"TRANSMISSION" means, upon establishment of computer interface between the Borrower and the Master Servicer in accordance with the specifications established by the Master Servicer, the transmission of Receivable Information through computer interface to the Master Servicer in a manner satisfactory to the Master Servicer.

"UCC" means the Uniform Commercial Code as from time to time in effect in the specified jurisdiction.

"UNBILLED RECEIVABLE" means a Receivable in respect of which the goods have been shipped, or the services rendered, and rights to payment thereon have accrued, but the invoice has not been rendered to the applicable Obligor.

"WRITTEN NOTICE" and "IN WRITING" means any form of written communication or a communication by means of telex, telecopier device, telegraph or cable as provided in Section 5.02.

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

CONDITIONS OF REVOLVING ADVANCES

1. Conditions Precedent on Initial Funding Date. The making of the Revolving Advance on the Initial Funding Date is subject to the conditions precedent that the Lender shall have received on or before the Initial Funding Date the following, each (unless otherwise indicated) dated such date, in form and substance reasonably satisfactory to the Lender:

- (a) A certificate issued by the Secretary of State of the State of Delaware, dated as of a recent date, as to the legal existence and good standing of the Borrower (which certificate may be dated not more than 20 days prior to the Initial Funding Date) or an opinion of counsel for the Borrower to that effect.
- (b) Certified copies of the Articles of Organization and Operating Agreement of the Borrower and all amendments thereto, certified copies of resolutions of the Members and Managers of the Borrower approving this Agreement, certified copies of all documents filed to register any and all assumed/trade names of the Borrower, and certified copies of all documents evidencing other necessary company action and governmental approvals, if any, with respect to this Agreement.
- (c) A certificate of the Secretary or Assistant Secretary of the Borrower certifying the names and true signatures of the incumbent officers of the Borrower authorized to sign this Agreement and the other documents to be delivered by it hereunder.
- (d) A copy of the opening balance sheet of the Borrower as at the Initial Funding Date, certified by the chief financial officer of the Borrower.
- (e) Acknowledgment or time-stamped receipt copies of proper financing statements (showing the Borrower as debtor and the Lender as secured party) duly filed on or before the Initial Funding Date under the UCC of all jurisdictions that the Lender may deem necessary or reasonably desirable in order to perfect the security interests contemplated by the Agreement.
- (f) Completed requests for information (UCC search results) dated within 20 days of the Initial Funding Date, and a schedule thereof listing all effective financing statements filed in the applicable jurisdictions that name the Borrower as debtor, together with copies of such financing statements.
- (g) Releases of, and acknowledgment copies of proper termination statements (Form UCC-3), if any, necessary to evidence the release of all security interests, ownership and other rights of any Person previously granted by Borrower in its Accounts.
- (h) A favorable opinion of King & Spalding, counsel to the Borrower, substantially in the form attached hereto as Exhibit IX-A.

- (i) A favorable opinion of King & Spalding, counsel for the Borrower and the Providers, substantially in the form attached hereto as Exhibit IX-B.
- (j) The Assignment of Receivables Purchase and Transfer Agreement as Collateral Security with respect to the RPTA and assignments of all other documents, lockboxes and lockbox accounts with respect to the RPTA, duly executed by the Borrower and acknowledged by the Providers.
- (k) Originally executed copies of the RPTA, all other documentation required to be delivered with respect to this Agreement and the RPTA, all in form and substance satisfactory to the Lender, which agreements shall be in full force and effect and enforceable in accordance with their respective terms.
- (l) Evidence that all of the conditions precedent with respect to each Provider to the initial purchase from such Provider under the RPTA have been satisfied or waived.
- (m) A duly executed Depositary Agreement, together with evidence satisfactory to the Lender that the Lockboxes and the Lockbox Accounts have been established.
- (n) Payment of a facility fee of \$450,000 to Healthcare Finance Group, Inc.
- (o) Payment of all reasonable attorneys' fees incurred by the Lender Group plus reasonable disbursements.
- (p) Affirmation by Duff & Phelps Credit Rating Co. or an equivalent rating agency acceptable to the Lender of the transactions contemplated hereunder with a minimum rating of AA/BBB-.
- (q) A certificate from the Master Servicer stating that all computer linkups and interfaces necessary or desirable, in the judgment of the Master Servicer, to effectuate the transactions and information transfers contemplated hereunder, are fully operational to the reasonable satisfaction of the Master Servicer.
- (r) Evidence that the capitalization of the Borrower is satisfactory to the Lender.
- (s) Completion of a due diligence review by the Lender (or its agent) of the Providers, the results of which are satisfactory to the Lender.

It shall be a further condition precedent on the Initial Funding Date that the Lender shall have paid the following: (i) \$600,000 to General Electric Capital Corporation ("GECC"), on behalf of the Primary Servicer, representing the termination fee payable by the Primary Servicer in connection with the termination, on the date hereof, of the Primary Servicer's credit facility with GECC and (ii) to the Primary Servicer, an amount equal to the current unamortized portion of the closing fee paid by the Primary Servicer under its credit facility with GECC.

2. Conditions Precedent on All Funding Dates. Each Revolving Advance on a Funding Date (including the Initial Funding Date) shall be subject to the further conditions precedent that the Borrower and the Lender shall have agreed upon the terms of such Revolving Advance and also that:

- (a) the Borrower shall have delivered to the Lender, by 10:00 a.m. New York City time, at least one Business Day prior to such Funding Date, in form and substance satisfactory to the Lender a completed Borrower's Certificate and a Borrowing Base Certificate, together with such additional information as may reasonably be requested by the Lender or the Master Servicer;
- (b) on such Funding Date the following statements shall be true (and acceptance of the proceeds of such Revolving Advance shall be deemed a representation and warranty by the Borrower that such statements are then true):
 - (i) the representations and warranties contained in Exhibits III and VII are true and correct in all material respects on and as of the date of such Revolving Advance as though made on and as of such date (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be correct on and as of such date), and
 - (ii) no event has occurred and is continuing, or would result from such Revolving Advance or any actions connected therewith, that constitutes a Default or an Event of Default;
- (c) the Lender shall have received such other approvals, opinions or documents as it may reasonably request.

EXHIBIT III

REPRESENTATIONS AND WARRANTIES

The Borrower represents and warrants as follows:

(a) The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Delaware, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified, except in any jurisdiction other than that of its chief executive offices where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by the Borrower of the Agreement and the other documents to be delivered by it thereunder, (i) are within the Borrower's powers, (ii) have been duly authorized by all necessary organizational action, (iii) do not contravene (1) the Borrower's Articles of Organization or its Operating Agreement, (2) any material law, rule or regulation applicable to the Borrower, (3) any material contractual restriction binding on or affecting the Borrower or its Property, or (4) any order, writ, judgment, award, injunction or decree binding on or affecting the Borrower or its Property, and (iv) do not result in or require the creation of any Lien upon or with respect to any of its Properties, other than the security interest created by the Agreement. The Agreement has been duly executed and delivered by the Borrower. The Borrower has previously furnished to the Lender a correct and complete copy of the Borrower's Articles of Organization or its Operating Agreement including all amendments thereto.

(c) Except for financing statements or termination statements that have been delivered to the Lender for filing in accordance with subsections 1(e) and (g) of Exhibit II, no authorization or approval or other action by, and no notice to or filing with, any Governmental Entity is required for the due execution, delivery and performance by it of the Agreement or any other document to be delivered thereunder.

(d) The Agreement constitutes the legal, valid and binding obligation of the Borrower, enforceable against the Borrower in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other laws relating to the enforcement of creditors' rights generally and general principles of equity (regardless of whether enforcement is sought at equity or law).

(e) Except as disclosed on Schedule III hereto, the Borrower has all power and authority, and has all permits, licenses, accreditations, certifications, authorizations, approvals, consents and agreements of all Obligor, Governmental Entities, accreditation agencies and any other Person necessary or required for the Borrower (i) to own the assets (including Receivables) that it now owns, (ii) to carry on its business as now conducted, (iii) to execute, deliver and perform the Agreement and the RPTA, and (iv) to receive payments from the Obligor in the manner contemplated in the Agreement and the RPTA.

(f) Except as disclosed on Schedule III, no Provider has been notified by any Obligor, Governmental Entity or instrumentality, accreditation agency or any other person, during

the immediately preceding 24 month period, that such party has rescinded or not renewed, or is reasonably likely to rescind or not renew, any such material permit, license, accreditation, certification, authorization, approval, consent or agreement granted by it to a Provider or to which it and a Provider are parties.

(g) As of the Initial Funding Date, all conditions precedent set forth in Exhibit II have been fulfilled or waived in writing by the Lender, and as of each Funding Date, the conditions precedent set forth in paragraph 2 of such Exhibit II shall have been fulfilled or waived in writing by the Lender.

(h) The opening balance sheet of the Borrower, copies of which have been furnished to the Lender, fairly present the financial condition of the Borrower as of the date thereof all in accordance with GAAP.

(i) The RPTA is in full force and effect and no Event of Termination or Servicer Termination Event (without regard to waivers granted or sought) is continuing thereunder.

(j) Except as disclosed in Schedule III hereto, there is no pending or, to the Borrower's knowledge, threatened action or proceeding or injunction, writ or restraining order affecting the Borrower or any Provider before any court, Governmental Entity or arbitrator which could reasonably be expected to result in a Material Adverse Effect, or which purports to affect the legality, validity or enforceability of the Agreement, the RPTA or any other Document, and neither the Borrower nor any Provider is currently the subject of, or has any present intention of commencing, an insolvency proceeding or petition in bankruptcy. Furthermore, to the Borrower's knowledge, there are no pending civil or criminal investigations by any Governmental Entity involving it or its officers or directors and neither it nor any of its officers or directors has been involved in, or is the subject of, any civil or criminal investigation by any Governmental Entity.

(k) The Borrower is the legal and beneficial owner of the Receivables free and clear of any Lien; the Lender shall acquire a valid security interest in the Receivables and in the Collections with respect thereto subject to no third-party claims of interest thereon. No effective financing statement or other instrument similar in effect covering any Receivables or the Collections with respect thereto is on file in any recording office, except those being terminated on or before the Initial Funding Date and those filed in favor of the Borrower relating to the purchase of the Receivables under the RPTA and those in favor of the Lender relating to the Agreement, and no competing notice or notice inconsistent with the transactions contemplated in the Agreement has been sent to any Obligor.

(l) All Receivable Information, information provided in the application for the program effectuated by the RPTA, and each other document, report and Transmission provided by the Borrower to the Lender Group is or shall be accurate in all material respects as of its date and as of the date so furnished, and no such document contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made and when taken as a whole, not misleading.

(m) The principal place of business and chief executive office of the Borrower and the office where the Borrower keeps its records concerning the Receivables are located at the address referred to on the signature page of the Agreement and except as disclosed on Schedule III hereto, there have been no other such locations for the four immediately prior months.

(n) The provisions of the Agreement create, on the Initial Funding Date, legal and valid Liens in all of the Borrower's Receivables in the Lender's favor, and when all proper filings and other actions necessary to perfect such Liens have been completed, will constitute a perfected and continuing Lien on all of the Borrower's Receivables, having priority over all other Liens on such Receivables of the Borrower, enforceable against the Borrower and all third parties.

(o) The Borrower has not changed its principal place of business or chief executive office in the last five years.

(p) The exact name of the Borrower is as set forth on the signature page of the Agreement, and except as notified in writing to the Lender, the Borrower has not changed its name in the last 12 months, and, except as notified in writing to the Lender, the Borrower did not use, nor does the Borrower now use, any fictitious or trade name.

(q) With respect to the Borrower or the Providers, since the Funding Date prior to the making of this representation, there has occurred no event which has or is reasonably likely to have a Material Adverse Effect.

(r) Neither the Borrower nor any Provider is in violation under any applicable statute, rule, order, decree or regulation of any court, arbitrator or governmental body or agency having jurisdiction over the Borrower or a Provider which has or is reasonably likely to have a Material Adverse Effect.

(s) The Borrower has filed on a timely basis all tax returns (federal, state and local) required to be filed and has paid, or made adequate provision for payment of, all taxes, assessments and other governmental charges due from the Borrower. No tax Lien has been filed and is now effective against the Borrower or any of its Properties except any Lien in respect of taxes and other charges not yet due or contested in good faith by appropriate proceedings. To the Borrower's knowledge, there is no pending investigations of the Borrower by any taxing authority nor any pending but unassessed tax liability of the Borrower. It does not have any obligation under any tax sharing agreement.

(t) The Borrower is solvent and will not become insolvent after giving effect to the transactions contemplated by this Agreement; the Borrower has not incurred debts or liabilities beyond its ability to pay; the Borrower will, after giving effect to the transaction contemplated by this Agreement, have an adequate amount of capital to conduct its business in the foreseeable future; the sales of Receivables hereunder are made in good faith and without intent to hinder, delay or defraud present or future creditors of the Borrower.

(u) The Lockboxes are the only post office boxes and the Lockbox Accounts are the only lockbox accounts maintained for Receivables (other than those lockboxes and lockbox

accounts terminated or being terminated prior to or on the Initial Funding Date); and, except as disclosed on Schedule III hereto, no direction of any Provider is in effect directing Obligors to remit payments on Receivables other than to the Lockboxes or the Lockbox Accounts.

(v) The Borrower has no pension plans or profit sharing plans.

(w) There are no pending civil or criminal investigations by any Governmental Entity involving the Borrower, a Provider or any of their respective officers or directors and none of the Borrower, the Providers or any of their respective officers or directors has been involved in, or the subject of, any civil or criminal investigation by any Governmental Entity.

(x) The sole business of the Borrower is as provided in its organizational documents.

(y) The assets of the Borrower are free and clear of any Liens in favor of the Internal Revenue Service, any Employee Benefit Plan, any Multiemployer Plan or the PBGC other than inchoate tax Liens resulting from an assessment of a Provider or the Borrower.

(z) None of the Eligible Receivables constitutes or has constituted an obligation of any Person which is an Affiliate of the Borrower.

(aa) The Obligor of each Eligible Receivable has not been the Obligor of any Defaulted Receivables in the past 12 months (other than, for the purpose of this clause, as a result of good faith disputes).

(bb) No transaction contemplated under this Agreement requires compliance with any bulk sales act or similar law.

(cc) The Borrower has no Debt except hereunder and under the RPTA.

(dd) Each Receivable that is an Unbilled Receivable will be, or has been, billed to the Obligor of such Receivable within 30 days of the Last Service Date, or in the case of a Rebate Receivable, will be, or has been, billed to the Obligor of the Rebate Receivable within 60 days after the end of the fiscal quarter in which such Rebate Receivable became due and payable.

(ee) All computer software used by any Provider or the Primary Servicer in connection with the Receivables is date compliant, and no problems have occurred as a result of the date conversion.

EXHIBIT IV

COVENANTS

Until the payment in full of all Lender Debt and the termination of the Revolving Commitment hereunder:

(a) Compliance with Laws, etc. The Borrower will comply in all material respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises, qualifications, and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications, and privileges would not result in Material Adverse Effect.

(b) Offices, Records and Books of Account. The Borrower will keep its principal place of business and chief executive office and the office where it keeps its records concerning the Receivables at the address of the Borrower set forth under its name on the signature page to the Agreement or, upon 30 days' prior Written Notice to the Lender, at any other locations in jurisdictions where all actions reasonably requested by the Lender or otherwise necessary to protect and perfect the Lender's interest in the Receivables and all proceeds thereof have been taken and completed. The Borrower shall keep its books and accounts in accordance with GAAP and shall make a notation on its books and records, including any computer files, to indicate which Receivables have been assigned as security to the Lender and, to the extent not sold or transferred, the security interest of the Lender in the Borrower's Accounts not assigned to the Lender. The Borrower shall maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables and related contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for collecting all Receivables (including, without limitation, records adequate to permit the daily identification of each Receivable and all Collections of and adjustments to each existing Receivable) and for providing the Receivable Information.

(c) Performance and Compliance with Contracts and Credit and Collection Policy. The Borrower will, at its expense, timely and fully perform and comply (and will use its best efforts to cause the Primary Servicer, the Providers or their designees to fully perform and comply) with all material provisions, covenants and other promises required to be observed by it under the contracts related to the Receivables, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Receivable and the related contract, and the Borrower shall maintain, at its expense, in full operation each of the bank accounts and lockboxes required to be maintained under the Agreement. The Borrower shall do nothing, nor suffer or permit any other Person, to impede or interfere with the collection by the Lender, or the Master Servicer on behalf of the Lender, of the Receivables.

(d) Notice of Breach of Representations and Warranties. The Borrower shall promptly (and in no event later than five Business Days following actual knowledge thereof) inform the Lender and the Master Servicer of any breach of covenants or representations and warranties

hereunder and under the RPTA, including, without limitation, upon discovery of a breach of the Eligibility Criteria set forth in Exhibit VI hereof and thereof.

(e) Debt, Sales, Liens, etc. The Borrower will not incur or assume any Debt or issue any securities except under or as contemplated by this Agreement. The Borrower will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create or suffer to exist any Liens upon or with respect to, the Borrower's Accounts, or upon or with respect to any account to which any Collections are sent, or assign any right to receive income in respect thereof except (i) Permitted Liens, (ii) those Liens in favor of the Lender or any assignee of the Lender relating to the Agreement, and (iii) those assignments of Denied Receivables upon receipt by the Borrower of the respective Repurchase Prices (as defined in the RPTA) until the contribution of such Denied Receivables as Receivables under the RPTA.

(f) Taxes, levies, etc. The Borrower will not pay or discharge at or before maturity or before becoming delinquent all taxes, levies, assessments, and governmental charges imposed on it or its income or profits or any of its Property, except any taxes, levies, assessments or charges contested in good faith by appropriate proceedings.

(g) Extension or Amendment of Receivables. The Borrower shall not amend, waive or agree, or otherwise suffer or permit a Provider to amend, waive or agree, to any deviation from the terms or conditions of any Receivable owned by the Borrower in a manner inconsistent with the Credit and Collection Policy.

(h) Change in Business or Credit and Collection Policy. The Borrower will not any change in the Credit and Collection Policy or make any change in the character of its business that, in either event, is reasonably likely to result in a Material Adverse Effect. The Borrower will not make any other material changes in the Credit and Collection Policy without the prior written consent of the Lender.

(i) Audits and Visits. The Borrower will, from time to time during regular business hours as requested by the Lender, permit the Lender upon reasonable notice, without interfering with the Borrower's or the Providers' businesses or operations and subject to compliance with applicable law in the case of review of plan participant/patient/customer information, or its agents or representatives (including the Master Servicer), (i) to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in the possession or under the control of the Borrower relating to Receivables including, without limitation, the related contracts, and (ii) to visit the offices and properties of the Borrower for the purpose of examining and auditing such materials described in clause (i) above, and to discuss matters relating to Receivables or the Borrower's performance hereunder or under the contracts with any of the officers or employees of the Borrower having knowledge of such matters. The Borrower shall permit the Master Servicer to have at least one of its agents or representatives physically present in the Borrower's administrative office during normal business hours to assist the Borrower in the collection of Receivables.

(j) Change in Payment Instructions. The Borrower will not terminate the Lockboxes or the Lockbox Accounts, or make any change or replacement in the instructions

contained in any invoice, Notice or otherwise, or regarding payments with respect to Accounts to be made to the Borrower, the Lender or the Master Servicer, except upon the prior and express written consent of the Program Manager or the Lender.

(k) Reporting Requirements. The Borrower will provide to the Lender (in multiple copies, if requested by the Lender) the following:

- (i) on Monday of each week, or such other day as is mutually agreed upon by the Lender and the Borrower, (or, if such day is not a Business Day, the immediately following Business Day), a Borrowing Base Certificate;
- (ii) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Borrower, balance sheets of the Borrower as of the end of such quarter and statements of income, cash flows and retained earnings of the Borrower for the period commencing at the beginning of the current fiscal year and ending with the end of such quarter, certified by the chief financial officer of the Borrower, and accompanied by a certificate of an authorized officer of the Borrower stating that, as of such date, (i) no Event of Default exists and is continuing, (ii) all representations and warranties are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct on and as of such date) and (iii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Lender, and detailing its compliance for such fiscal period with the financial covenants contained in this Agreement;
- (iii) as soon as available and in any event within 90 days after the end of each fiscal year of the Borrower, balance sheets as of, and statements of income for, such fiscal year, and accompanied by a certificate of an authorized officer of the Borrower stating that, as of such date, (i) no Event of Default exists and is continuing, (ii) all representations and warranties are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct on and as of such date) and (iii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Lender, and detailing its compliance for such fiscal period with the financial covenants contained in this Agreement;
- (iv) promptly and in any event within five Business Days after the occurrence of each Default or Event of Default, a statement of the chief financial officer of the Borrower setting forth details of such Default or Event of Default, and the action that the Borrower has taken and proposes to take with respect thereto;

- (v) at least ten Business Days prior to any change in the Borrower's name, a notice setting forth the new name and the proposed effective date thereof;
- (vi) promptly (and in no event later than five Business Days following actual knowledge or receipt thereof), Written Notice in reasonable detail, of (x) any Lien asserted or claim made against a Receivable or (y) the results of any cost report, investigations or similar audits of a Provider being conducted by any federal, state or county Governmental Entity or its agents or designees;
- (vii) no later than five Business Days after the commencement thereof, Written Notice of all actions, suits, and proceedings before any Governmental Entity or arbitrator affecting the Borrower which, if determined adversely to the Borrower, could have a Material Adverse Effect;
- (viii) as soon as possible and in any event within five (5) Business Days after becoming aware of the occurrence thereof, Written Notice of any matter that could reasonably be expected to result in a Material Adverse Effect;
- (ix) within 90 days after the end of each fiscal year of the Borrower, a certificate of independent certified public accountants stating that to their knowledge no Servicer Termination Event has occurred and exists as of the end of such fiscal year, or if in their opinion such a Servicer Termination Event has occurred and is continuing, a statement as to the nature thereof; and
- (x) such other information respecting the Receivables or the condition or operations, financial or otherwise, of the Borrower as the Lender may from time to time reasonably request.

(l) Notice of Proceedings; Overpayments. The Borrower shall promptly notify the Master Servicer (and modify the next Borrowing Base Certificate to be delivered hereunder) in the event of any action, suit, proceeding, dispute, set-off, deduction, defense or counterclaim involving in excess of \$100,000 that is or has been threatened to be asserted by an Obligor with respect to any Receivable. The Borrower shall make, or cause to be made, all payments to the Obligors necessary to prevent the Obligors from offsetting any earlier overpayment to the Borrower or any Provider against any amounts the Obligors owe on any Receivables.

(m) Officer's Certificate. On the dates the financial statements referred to in clause (j) above are to be delivered after the Initial Funding Date, the chief financial officer of the Borrower shall deliver a certificate to the Lender, stating that, as of such date, (i) all representations and warranties are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct as of such specific date), (ii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Lender, and (iii) no Event of Default exists and is continuing.

(n) Further Instruments, Continuation Statements. The Borrower shall, at its expense, promptly execute and deliver all further instruments and documents, and take all further action that the Program Manager or the Lender may reasonably request, from time to time, in order to perfect, protect or more fully evidence the assignment as security of the Receivables, or to enable the Lender or the Program Manager to exercise or enforce the rights of the Lender hereunder or under the Receivables. Without limiting the generality of the foregoing, the Borrower will upon the request of the Program Manager execute and file such UCC financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be, in the opinion of the Program Manager, necessary or appropriate. The Borrower hereby authorizes the Program Manager, upon two Business Days' notice, to file one or more financing or continuation statements and amendments thereto and assignments thereof, relative to all or any of the Receivables now existing or hereafter arising without the signature of the Borrower where permitted by law. If the Borrower fails to perform any of its agreements or obligations under the Agreement, the Program Manager may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Program Manager incurred in connection therewith shall be payable by the Borrower.

(o) Merger, Consolidation. The Borrower shall not merge with or into, consolidate with or into, or enter into any agreement to merge or consolidate with or into, another Person, or convey, transfer, lease or otherwise dispose of all or substantially all of its assets (whether now owned or hereafter acquired).

(p) No "Instruments". The Borrower shall not take any action which would allow, result in or cause any Eligible Receivable to be evidenced by an "instrument" within the meaning of the UCC of the applicable jurisdiction.

(q) Preservation of Corporate Existence. The Borrower shall preserve and maintain its corporate existence, rights, franchises and privileges in the jurisdiction of its organization, and qualify and remain qualified in good standing as a foreign corporation in each jurisdiction where the failure to preserve and maintain such existence, rights, franchises, privileges and qualification would materially adversely affect the interests of the Lender or the Program Manager or their ability to perform their respective obligations hereunder or under the RPTA.

(r) RPTA. The Borrower will, at its sole expense, timely and fully perform and comply with all provisions, covenants and other promises required to be observed by it under the RPTA, maintain the RPTA in full force and effect, enforce the RPTA in accordance with its terms, take all such action as may be from time to time reasonably requested by the Lender, and make to any party to the RPTA such demands and requests for information and reports or for action as the Borrower is entitled to make thereunder and as may be from time to time reasonably requested by the Lender. The Borrower shall not permit any waiver, modification or amendment of the RPTA. The Borrower shall not permit any other Person to become a "Provider" under the RPTA without the prior written consent of the Lender.

SPECIAL COVENANTS
ENTITY SEPARATENESS

Until the payment in full of all Lender Debt and the termination of the Revolving Commitment hereunder:

- (i) The Borrower will at all times maintain at least one independent manager/director who is (x) not a current or former officer, manager, director or employee of an Affiliate of the Borrower or any Other Entity and who is not a current or former officer or employee of the Borrower and (y) not a stockholder of any Other Entity or any of their respective Affiliates.
- (ii) The Borrower will not direct or participate in the management of any of the Other Entities' operations.
- (iii) The Borrower will at all times be adequately capitalized in light of its contemplated business.
- (iv) The Borrower will at all times provide for its own operating expenses and liabilities from its own funds.
- (v) Subject to consolidation with the Providers for accounting and tax purposes, the Borrower will maintain its assets and transactions separately from those of the Other Entities and reflect such assets and transactions in financial statements separate and distinct from those of the Other Entities and evidence such assets and transactions by appropriate entries in books and records separate and distinct from those of the Other Entities. The Borrower will not hold itself out as being liable, primarily or secondarily, for any obligations of the Other Entities.
- (vi) The Borrower will not maintain any joint account with any Provider or any Other Entity, or be a party, whether as a co-obligor or otherwise, to any agreement to which any Other Entity is a party (other than the RPTA) or become liable as a guarantor or otherwise with respect to any indebtedness or contractual obligation of any Other Entity.
- (vii) Other than as contemplated under this Agreement or under the RPTA and the payment of dividends or distributions to its members, the Borrower will not make any payment or distribution of assets with respect to any obligation of any Other Entity or grant a Lien on any of its assets to secure any obligation of any Other Entity.
- (viii) The Borrower will not make any loans, advances or otherwise extend credit to any of the Other Entities, provided, that the Borrower may issue dividends or distributions to each of its members to the extent otherwise permitted under this Agreement and under applicable law.

- (ix) The Borrower will hold regular duly noticed meetings of its members and make and retain minutes of such meetings.
- (x) The Borrower will comply in full with the procedures set forth in the RPTA with respect to the assignment of all assets from any of the Other Entities.
- (xi) The Borrower will not engage in any transaction with any of the Other Entities or any of their respective subsidiaries, except as permitted or contemplated by the Agreement and as contemplated by the RPTA.
- (xii) The Borrower will not enter into any transaction with any Affiliate or third party except (a)(x) as permitted or contemplated by this Agreement or the RPTA, or (y) investments of cash and cash equivalents with third parties and (b) on terms and conditions which reasonably approximate an arm's length transaction between unaffiliated parties.
- (xiii) The Borrower will not amend, modify or supplement its organizational documents.
- (xiv) The Borrower will not have any Subsidiaries nor ownership interest in any other entities.

EXHIBIT V

EVENTS OF DEFAULT

Each of the following shall be an "EVENT OF DEFAULT":

(a) The Borrower shall default in the due and punctual payment of the principal of the Revolving Loan, when and as the same shall become due and payable (except that the Borrower shall have up five Business Days to cure such a default with respect to a Borrowing Base Deficiency) whether pursuant to Article II of this Agreement, at maturity, by acceleration or otherwise.

(b) The Borrower shall default in the due and punctual payment of any installment of interest on the Revolving Loan or any other Lender Debt, including, without limitation, any fee or expense owing to the Lender pursuant to any of the Documents, when and as such amount of interest, fee or expense shall become due and payable and such default shall continue unremedied for three Business Days.

(c) The Borrower shall default in the performance or observance of any covenant, agreement or provision (other than as described in clause (a) or (b) above) contained in this Agreement or any other Document or in any instrument or document evidencing or creating any obligation, guaranty or Lien in favor of the Lender in connection with or pursuant to this Agreement or any Lender Debt, and, except in the case of the agreements and covenants contained in any Document as to each of which no notice or grace period shall apply, such default continues for a period of 30 days (or, in the case where agreements and covenants contained in any Document provide for a grace period that is less than 30 days, continuance of a default for such shorter period) after the earlier of (i) there has been given Written Notice of such default to either of the Borrower or the Primary Servicer on behalf of the Providers by the Lender or (ii) discovery thereof by the Borrower; or if this Agreement or any other Document or any such other instrument or document shall terminate, be terminated or become void or unenforceable for any reason whatsoever without the written consent of the Lender.

(d) An Event of Termination shall have occurred under the RPTA (without regard to waivers granted or sought).

(e) Reserved.

(f) Any representation or warranty made or deemed made by the Borrower (other than with respect to the eligibility of Receivables as Eligible Receivables hereunder) under or in connection with the Agreement or any information or report delivered by the Borrower (other than with respect to the Providers) pursuant to the Agreement shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered.

(g) The Borrower shall incur any Debt other than under the Agreement.

(h) This Agreement shall for any reason (other than pursuant to the terms hereof) fail or cease to create, or the security interest created by this Agreement fails or ceases to be, a valid and perfected security interest in the Receivables and the Collections with respect thereto free and clear of all Liens (other than Permitted Liens).

(i) The Borrower or any Provider shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Borrower or any Provider seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 45 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Borrower or any Provider shall take any action to authorize any of the actions set forth above in this paragraph (i).

(j) There shall have occurred any Material Adverse Effect since December 31, 1999.

(k) The Borrower (x) shall have entered into any transaction or agreement and not provided prompt Written Notice thereof to the Lender, or (y) shall have consummated, any transaction or agreement intended to result in (i) the merger or consolidation of the Borrower, (ii) the acquisition of all or a substantial portion of the assets of any Person, (iii) the transfer, sale, assignment, lease or other disposition of all or a substantial portion of the Borrower's assets or Properties, (iv) a change in the general nature of the Borrower's business, or (v) the sale of a controlling interest, directly or indirectly, in the Borrower.

(l) The Loss-to-Liquidation Ratio in any Month exceeds 5 %.

(m) The arithmetic average of the Loss-to-Liquidation Ratios in any three consecutive Months exceeds 3%.

(n) The Delinquency Ratio in any Month exceeds 10%.

(o) The arithmetic average of the Delinquency Ratios in any three consecutive Months exceeds 8%.

(p) Judgments or orders for payment of money (other than judgments or orders in respect of which adequate insurance is maintained for the payment thereof) in excess of \$500,000 in the aggregate against the Borrower remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 30 days or more.

(q) Any governmental authority (including, without limitation, the Internal Revenue Service or the PBGC) files a notice of a Lien against (i) any of the Receivables or (ii) assets other than the Receivables involving an aggregate amount in excess of \$500,000 which remains unpaid or discharged for a period of 30 days or more.

(r) The Borrower shall fail to discharge within a period of 30 days after the commencement thereof any attachment, sequestration, forfeiture, or similar proceeding or proceedings involving an aggregate amount in excess of \$500,000 against any of its Properties.

(s) The Borrower sells, leases, assigns, transfers, or otherwise disposes of any of its Receivables, except as permitted or contemplated under the Agreement.

(t) The Borrower declares or makes any Distribution, unless both prior and subsequent to the effectiveness of such proposed Distribution, (i) no Event of Default is continuing, including an Event of Default under clause (w) of this Exhibit V hereof, (ii) such Distribution is in full compliance with applicable law, including the law of the State of Delaware as in effect at such time, and (iii) the Borrower and the recipient of such Distribution have taken all necessary and appropriate corporate action to effectuate such Distribution.

(u) The Borrower engages in any business other than solely the businesses of directly or indirectly purchasing Receivables from the Providers and in financing such Receivables with the Lender hereunder and the other transactions permitted or contemplated hereby.

(v) The Borrower shall at any time fail to maintain a Tangible Net Worth of at least 5% of the then outstanding amount of the Revolving Loan.

(w) If, at any date, the aggregate Expected Net Value of all Delinquent Receivables that became Delinquent Receivables during the prior 3 months is in excess of 8% of the aggregate Expected Net Value of all Receivables pledged by the Borrower to the Lender during the prior 3 months (regardless of whether the Denied Receivables are repurchased by the Providers or the Primary Servicer pursuant to Article IV of the RPTA).

(x) As of any date after the Initial Funding Date, (i) the dollar-weighted average days outstanding with respect to all outstanding Eligible Receivables on such date and on the same day of each of the two preceding Months (or if there is no corresponding day in any such preceding month, the last day of such month) is greater than 75 days, or (ii) the average over the preceding 90 day period of the dollar-weighted average days outstanding with respect to all outstanding Eligible Receivables on each day during such period is greater than 75 days.

(y) As of any date after the Initial Funding Date, more than 10% of all outstanding Eligible Receivables are aged more than 120 days but less than 180 days from the respective Invoice Dates of such Eligible Receivables.

(z) As of any date, Collections on all Eligible Receivables that have been liquidated or written off during the then most recent 13 week period, are less than 10% of the aggregate gross value (billed amount) of such Eligible Receivables.

EXHIBIT VI

ELIGIBILITY CRITERIA

The following shall constitute the eligibility criteria for acceptance of Receivables for financing and inclusion in the Borrowing Base under the Agreement (the "ELIGIBILITY CRITERIA"):

(a) The information provided by the Borrower with respect to each such Receivable is complete and correct and all documents, attestations and agreements relating thereto that have been delivered to the Lender are true and correct, and, other than with respect to Unbilled Receivables, the applicable Provider has billed the applicable Obligor and has delivered to such Obligor all requested supporting claim documents with respect to such Receivable and no amounts with respect to such Receivable have been paid as of the date and time of the inclusion of such Receivable in the Borrowing Base. All information set forth in the bill and supporting claim documents with respect to such Receivable is true, complete and correct; if additional information is requested by the Obligor, the Borrower (or the applicable Provider) has or will promptly provide the same, and if any error has been made with respect to such information, the Borrower will promptly correct the same and, if necessary, rebill such Receivable.

(b) Each such Receivable (i) is payable, in an amount not less than its Expected Net Value, by the Obligor identified by the applicable Provider as being obligated to do so, (ii) is based on an actual and bona fide rendition of services to the Obligor or sale of goods to an Obligor or a plan participant of the Obligor in the ordinary course of business, (iii) is denominated and payable only in U.S. dollars in the United States, and (iv) is an account receivable or general intangible within the meaning of the UCC of the state in which the applicable Provider has its principal place of business, or is a right to payment under a policy of insurance or proceeds thereof, and is not evidenced by any instrument or chattel paper. There is no payor other than the Obligor identified by the Borrower as the payor primarily liable on such Receivable.

(c) Each such Receivable (i) is not the subject of any action, suit, proceeding or dispute (pending or threatened), setoff, counterclaim, defense, abatement, suspension, deferment, deductible, reduction or termination by the Obligor (except for statutory rights of Governmental Entities that are not pending or threatened), (ii) is not past, or within 60 days of, the statutory limit for collection applicable to the Obligor or is not aged more than 180 days from its Invoice Date, (iii) in the case of a Receivable that is not a Rebate Receivable, was not billed to the Obligor on a date more than 30 days after the Last Service Date, and (iv) in the case of a Rebate Receivable, was not billed to the Obligor on a date more than 60 days after the end of the fiscal quarter in which such Rebate Receivable became due and payable.

(d) Each such Receivable is not due from any Governmental Entity other than Medicare, Medicaid, State of Rhode Island, State of Tennessee and State of Arizona; provided that no Receivable due from the State of Rhode Island shall be considered to satisfy the Eligibility Criteria until the Lender shall have received a favorable opinion of Rhode Island counsel to the Providers, in form and substance satisfactory to the Lender.

(e) Neither the Borrower nor any Provider has any guaranty of, letter of credit providing credit support for, or collateral security for, such Receivable, other than any such guaranty, letter of credit or collateral security as has been assigned to the Lender, and any such guaranty, letter of credit or collateral security is not subject to any Lien in favor of any other Person.

(f) Each such Receivable is an obligation representing all or part of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended, and the nature of which is such that its purchase with the proceeds of notes would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended.

(g) The Obligor with respect to each such Receivable is (i) not currently the subject of any bankruptcy, insolvency or receivership proceeding, nor is it unable to make payments on its obligations when due; provided, however, that Receivables with respect to which Xantus Health Plan of Tennessee, Inc. is the Obligor shall not be ineligible solely as a result of such Obligor being in such a proceeding, (ii) located in the United States of America, (iii) one of the following: (x) a Person which in the ordinary course of its business or activities agrees to pay for healthcare services received by individuals, including, without limitation, commercial insurance companies and non-profit insurance companies (such as Blue Cross and Blue Shield) issuing health, personal injury, worker's compensation or other types of insurance, employers or unions which self-insure for employee or member health insurance, prepaid healthcare organizations, preferred provider organizations, health maintenance organizations, commercial hospitals, physician's groups or any other similar person or (y) an individual, (iv) not a Subsidiary, parent or other Person that is an Affiliate of any Provider and (v) not the Obligor of any Receivable that was a Defaulted Receivable in the past 12 months.

(h) The financing of such Receivables hereunder is made in good faith and without actual intent to hinder, delay or defraud present or future creditors of the Borrower.

(i) The insurance policy, contract or other instrument obligating an Obligor to make payment with respect to such Receivable (i) does not contain any provision prohibiting the grant of a security interest in such payment obligation from the applicable Provider to the Borrower, or from the Borrower to the Lender, (ii) has been duly authorized and, together with such Receivable, constitutes the legal, valid and binding obligation of the Obligor in accordance with its terms, (iii) together with such Receivable, does not contravene in any material respect any requirement of law applicable thereto, and (iv) was in full force and effect and applicable to the Obligor at the time the goods or services constituting the basis for such Receivable were sold or performed.

(j) No consents by any third party to the sale of such Receivable are required other than consents previously obtained in writing by the Borrower, a copy of each such consent having been provided to the Lender.

(k) The inclusion of each such Receivable in the Borrowing Base would not increase the fraction expressed as a percentage where (i) the numerator is the sum of the then outstanding principal amount of Eligible Receivables for any obligor (or group of obligors) listed

below included in the Borrowing Base, and (ii) the denominator is the Borrowing Base for all Eligible Receivables, above the corresponding maximum percentage listed below:

Obligor -----	Maximum Percentage -----
Health Maintenance Organizations	100%
Managed Care Organizations	100%
Long-Term Care Facilities	20%
Employer Plans	50%
any single AAA rated Obligor	10%
any single AA rated Obligor	6%
any single A rated Obligor	4%
any single BBB rated Obligor	3%
any single unrated Obligor	3%

(l) Unless specifically verified and accepted by the Master Servicer or Program Manager, no single Eligible Receivable that is not a Rebate Receivable has an Expected Net Value greater than \$800,000.

(m) No prior sale or assignment of security interest which is still in effect on the applicable Funding Date has been made with respect to or granted in any such Receivable.

EXHIBIT VII-A

FORM OF BORROWING BASE CERTIFICATE

HFG HEALTHCO-4 LLC
Borrowing Base Report

Report Submission Date: _____
Schedule #: _____
As of Date: _____

I	Beginning A/R Balance (from Previous Report)	----- -----
II	Additions:	----- -----
	ss. 2.01. New billings	-----
	ss. 2.02. Late Charges/Adjustments	-----
	Total Additions	----- -----
III	Deductions:	----- -----
	ss. 3.01. Collections	-----
	ss. 3.02. Contractual/Discounts	-----
	ss. 3.03. Transfers Bad Debt	-----
	ss. 3.04. Other Discounts/Adjustments	-----
	Total Deductions	----- -----
IV	Accounts Receivable Balance	----- -----
V	Less: Ineligible Collateral	----- -----
VI	Total Eligible Collateral (Gross)	-----
VII	Estimated Net Value %	-----
VIII	Total Eligible Collateral (Net)	-----
IX	Less: Unposted Cash	-----
X	Adjusted Net Eligible Collateral	-----
XI	Advance Rate Percentage	85%
XII	Maximum Loan Availability on Collateral	-----

XIII	Maximum Loan Availability per Agreement	----- \$45,000,000 -----
XIV	TOTAL LOAN AVAILABILITY (LESSOR OF 12 OR 13)	----- ----- -----
XV	Outstanding Loan Balance Prior Report	----- -----
XVI	Less Collections (Net Cash)	----- -----
XVII	Plus Draws Since Prior Report	----- -----
XVIII	Interest Due/Fees	----- -----
XIX	Additional Advance Requested	----- ----- -----
XX	LOAN BALANCE THIS REPORT	----- ----- -----
XXI	NET AVAILABILITY (14. minus 20.)	----- -----

The undersigned represents and warrants that the foregoing information is true, complete and correct and that the collateral reflected herein complies with and conforms to the Eligibility Criteria set forth in Exhibit VI to the Loan and Security Agreement between the undersigned and HFG Healthco-4 LLC and any supplements and amendments, if any, thereto (the "Agreement"). MIM Funding LLC promises to pay to HFG Healthco-4 LLC the new loan balances reflected above, plus interest, as set forth in the Agreement.

MIM FUNDING LLC

By: _____ Date: _____
Name:
Title:

MIM HEALTH PLANS, INC.

By: _____ Date: _____
Name:
Title:

AMERICAN DISEASE MANAGEMENT ASSOCIATES, LLC

By: _____ Date: _____

Name:

Title:

CONTINENTAL PHARMACY, INC.

By: _____ Date: _____

Name:

Title:

EXHIBIT VII-B

FORM OF BORROWER'S CERTIFICATE

HFG Healthco-4 LLC
Two Wall Street
New York, New York 10005

Ladies and Gentlemen:

The undersigned refers to the Loan and Security Agreement, dated as of November __, 2000 (as the same may be amended, supplemented, restated, or modified from time to time, the "Loan Agreement") between MIM Funding LLC (the "Borrower") and HFG Healthco-4 LLC (the "Lender"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to them in the Loan Agreement.

In accordance with Section 1.03 of the Loan Agreement and in fulfillment of the condition precedent set forth in Section 2(a) of Exhibit II thereto, the Borrower hereby gives you irrevocable notice that the undersigned requests a Revolving Advance under the Loan Agreement, and in connection therewith sets forth below the information relating to such Advance as required by Section 1.03 of the Loan Agreement:

Proposed Revolving Advance:

- (i) The Funding Date of such Revolving Advance is requested to be _____, 200_;
- (ii) The amount of the Revolving Advance is requested to be \$_____; and
- (iii) Attached is the Borrowing Base Certificate delivered to you on the immediately prior [Day].

The Borrower hereby certifies that the following statements are true and correct on the date hereof, and will be true and correct on the date of the proposed Revolving Advance:

- (A) the representations, warranties and covenants contained in Exhibits III and IV of the Loan Agreement are and will be true, correct, and in compliance both before and after giving effect to the Revolving Advance requested herein and to the application of the proceeds thereof, as though made on and as of such date (it being understood and agreed that any representation or warranty which by its terms is made on a specified date shall be required to be true and correct only as of such specified date); and

(B) no event has occurred and is continuing, or would result from the Revolving Advance requested herein or from the application of the proceeds thereof that constitutes or an Event of Default; and

(C) the aggregate outstanding principal amount of the Revolving Advances after giving effect to the Revolving Advance requested herein is not in excess of the lesser of the Revolving Commitment and the Borrowing Limit.

Very truly yours,

MIM FUNDING LLC

By: _____

Name:

Title:

VII-B-2

EXHIBIT VIII
FORM OF DEPOSITARY AGREEMENT

[SEE ATTACHED]

VIII-1

EXHIBIT IX-A
FORM OF OPINION OF COUNSEL
[SEE ATTACHED]

IX-A-1

EXHIBIT IX-B
FORM OF OPINION OF COUNSEL
[SEE ATTACHED]

IX-B-1

RECEIVABLES
PURCHASE AND TRANSFER
AGREEMENT

Dated as of November 1, 2000

Among

MIM HEALTH PLANS, INC.,
as a Provider and as Primary Servicer,

EACH OTHER PERSON
PARTY HERETO,
as Providers

and

MIM FUNDING LLC,
as Purchaser

ALL THE RIGHT, TITLE AND INTEREST OF THE PURCHASER IN AND TO, ALL BENEFITS OF THE PURCHASER UNDER AND ALL MONIES DUE OR TO BECOME DUE TO THE PURCHASER UNDER OR IN CONNECTION WITH, THIS AGREEMENT HAVE BEEN ASSIGNED TO HFG HEALTHCO-4 LLC, AS COLLATERAL SECURITY FOR ANY AND ALL THE OBLIGATIONS OF THE PURCHASER PURSUANT TO A LOAN AND SECURITY AGREEMENT DATED AS OF NOVEMBER 1, 2000 BETWEEN THE PURCHASER AND HFG HEALTHCO-4 LLC.

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RECEIVABLES PURCHASE AND TRANSFER AGREEMENT

Dated as of November 1, 2000

MIM HEALTH PLANS, INC., a corporation organized under the laws of the State of Delaware (together with its corporate successors and assigns, "MIM," and in its capacity as primary servicer hereunder, the "PRIMARY SERVICER"), each of the parties named on Schedule I hereto and as such Schedule may be amended from time to time pursuant to Section 5.18 herein (each, including MIM, together with each one's corporate successors and assigns, a "PROVIDER" and, collectively, the "PROVIDERS") and MIM FUNDING LLC, a limited liability company organized under the laws of the State of Delaware (together with its successors and assigns, the "PURCHASER"), agree as follows:

PRELIMINARY STATEMENTS. Certain terms that are capitalized and used throughout this Agreement are defined in Exhibit I to this Agreement. References herein and in the Exhibits and Schedules hereto to the "Agreement" refer to this Agreement, as amended, restated, modified or supplemented from time to time in accordance with its terms (the "AGREEMENT").

Each Provider wishes to sell or contribute to the Purchaser on a continuing basis all of its receivables. The Purchaser is prepared to purchase or to accept the contribution of such receivables on the terms and subject to the conditions set forth herein. Accordingly, the parties agree as follows:

ARTICLE I

TERMS OF THE PURCHASES AND CONTRIBUTIONS

SECTION 1.01 Sale, Contribution and Purchase of Accounts. On each Transfer Date until the Facility Termination Date and on the terms and conditions set forth herein, each Provider agrees to sell or contribute, without recourse except to the extent of a required repurchase due to a breach of a representation or warranty, all of the Provider's Accounts to the Purchaser, and the Purchaser agrees to purchase or accept such contribution of, all of such Provider's Accounts.

SECTION 1.02 Receivable Information and Transferred Batch Determination. (a) On each Batching Day after the Initial Transfer Date, the Primary Servicer, on behalf of each Provider, shall provide the Master Servicer by Transmission the information listed on Exhibit VI hereto (as such Exhibit may be modified by the Purchaser from time to time, the "RECEIVABLE INFORMATION") with respect to new Accounts that it has determined constitute Eligible Receivables (the "PROPOSED ELIGIBLE RECEIVABLES") and with respect to new Accounts that it has determined do not constitute Eligible Receivables.

(b) All Proposed Eligible Receivables for which Receivable Information has been received by the Master Servicer between the prior Batching Time and the current Batching Time shall be reviewed by the HFG Group. On or prior to each Transfer Date, the Purchaser or the Program Manager shall prepare a list of all Proposed Eligible Receivables delineating those Proposed Eligible Receivables that the Purchaser will purchase on the Transfer Date (a "PURCHASED

BATCH", and together with the remaining Proposed Eligible Receivables and all other Receivables that are not Eligible Receivables that will not be purchased and instead will be contributed to the Purchaser, the "TRANSFERRED BATCH"), together with an explanation stating that the identified Proposed Eligible Receivables not included in the Purchased Batch are not Eligible Receivables and the basis therefor.

SECTION 1.03 The Transfers. (a) On each Transfer Date, (i) subject to satisfaction of the applicable conditions set forth in Exhibit II hereto, the Purchaser shall pay to the Primary Servicer for the benefit of the Providers an amount equal to the Purchase Price of the Purchased Batch, and (ii) each Provider will contribute to the capital of the Purchaser all other Receivables in the Transferred Batch. Payment of the Purchase Price shall be made therefor by means of any one or a combination of the following: (a) a deposit in same day funds to the Primary Servicer Account and (b) an increase in the Deferred Purchase Price (subject at all times to the limitations contained in the definition thereof). The Primary Servicer shall remit the proceeds of the Purchase Price of the Purchased Batch to the applicable Provider in accordance with their respective interests.

(b) Effective on each Transfer Date, in consideration of the Purchase Price, increased capital accounts with the Purchaser, and other good and valuable consideration, each Provider hereby sells, contributes, assigns and conveys to the Purchaser and the Purchaser hereby purchases and accepts, as absolute owner, all right, title and interest in and to the Transferred Batch purchased or contributed on such Transfer Date.

SECTION 1.04 Collection and Payment Procedures. (a) Collections on the Transferred Batch. With respect to each Transferred Batch, the Purchaser shall be entitled to: (i) receive all Collections on such Transferred Batch and (ii) have and exercise any and all rights (x) to collect, record, track and, during the continuance of an Event of Termination or a Servicer Termination Event, take all actions to obtain Collections with respect to each Batch Receivable payable by Persons other than Governmental Entities, and (y) to the extent permitted by law and in a manner consistent with all applicable laws and regulations, to record, track and, during the continuance of an Event of Termination or a Servicer Termination Event, take all actions to obtain Collections with respect to each Batch Receivable payable by Governmental Entities.

(b) Distributions on Each Settlement Date. On each Settlement Date and with respect to each Transferred Batch, Total Collections shall be distributed to the Purchaser.

(c) Payment of Deferred Purchase Price. On each Settlement Date, the Purchaser shall pay to the Primary Servicer accrued interest on the Deferred Purchase Price and the Purchaser may, at its option, prepay in whole or in part the principal amount of the Deferred Purchase Price; provided that no such payment shall be made at any time when an Event of Termination is continuing or would result from such payment. At such time following the Facility Termination Date when all principal, interest, fees, expenses, costs and all other obligations and amounts owed by the Purchaser under the Loan Agreement shall have been paid in full, the Purchaser shall apply, on each Settlement Date, Total Collections received by the Purchaser pursuant to Section 1.04(b) (and not previously distributed) first to the repayment of accrued interest on the Deferred Purchase Price, and then to the reduction of the principal amount of the Deferred Purchase Price. All payments by the Purchaser under this Section 1.04(c) shall be made by a deposit in same day funds

to the Primary Servicer Account, and the Primary Servicer shall remit the amounts so received, on a pro rata basis, to the applicable Providers.

SECTION 1.05 Allocation of Servicer Responsibilities. (a) Tracking of purchases, Collections and other transactions pertaining to each Transferred Batch shall be administered by the Master Servicer in a manner consistent with the terms of this Agreement. The responsibilities of the Providers and the Primary Servicer to the Master Servicer have been set forth in Exhibit X attached hereto. Each Provider shall cooperate fully with the Primary Servicer and the Master Servicer in establishing and maintaining the Transmission of the Receivable Information, including, without limitation, the matters described in Exhibit X, and shall provide promptly to the Master Servicer such other information necessary or desirable for the administration of Collections on the Batch Receivables as may be reasonably requested from time to time.

(b) The Purchaser hereby appoints each Provider as its agent for the administration and servicing obligations set forth in Exhibit VIII hereto with respect to the Accounts transferred by such Provider to the Purchaser hereunder (the "PRIMARY SERVICER RESPONSIBILITIES"), and each Provider hereby accepts such appointment and agrees to perform the Primary Servicer Responsibilities. Each of the Providers hereby contracts its Primary Servicer Responsibilities to the Primary Servicer and appoints the Primary Servicer to act as its agent (in such capacity, the "SERVICER") hereunder, provided, however, that such contracting and appointment shall not relieve any Provider from any of its duties, responsibilities, liabilities and obligations resulting or arising hereunder. The Primary Servicer hereby accepts such appointment as Servicer and agrees to perform the Primary Servicer Responsibilities on behalf of the Providers. Each of the Providers, the Servicer and the Purchaser hereby acknowledge that the Servicer's appointment is subject to and limited by Healthco-4's appointment of the Purchaser as its agent for performance of the Primary Servicer Responsibilities under the Loan Agreement and Healthco-4's rights thereunder to replace the Purchaser (which replacement may be effectuated through the outplacement to a qualified and experienced third-party of all back office duties, including billing, collection and processing responsibilities, and access to all personnel, hardware and software utilized in connection with such responsibilities). The Purchaser may, at any time following the occurrence of a Servicer Termination Event (and shall, without requirement of notice to any party, upon a Servicer Termination Event resulting from the events described in clauses (g) or (i) of Exhibit V hereto) appoint another Person to succeed the Servicer as its agent for performance of the Primary Servicer Responsibilities (which appointment may be effectuated through the outplacement to a qualified and experienced third-party of all back office duties, including billing, collection and processing responsibilities, and access to all personnel, hardware and software utilized in connection with such responsibilities). The Purchaser may, at any time following the occurrence of one or more Servicer Termination Events (and may, without requirement of notice to any party, upon one or more Servicer Termination Events resulting from the events described in clauses (g) or (i) of Exhibit V hereto) affecting the Providers that have sold or contributed to the Purchaser more than 20% of the Batch Receivables (whether or not purchased) in the prior ninety days (or the number of days from the date of this Agreement to such date, if less than ninety days) (in each case, a "GROUP-WIDE SERVICER TERMINATION EVENT"), designate the Master Servicer or any other Person to succeed the Servicer as its agent for performance of the Primary Servicer Responsibilities.

(c) As compensation for the performance of the Primary Servicer Responsibilities, the Servicer (or the successor Servicer who performs such Primary Servicer Responsibilities) shall be entitled to a Primary Servicing Fee with respect to each Purchased Batch serviced by it; provided that the Primary Servicing Fee shall be payable solely, to the extent received, from a similar fee payable by Healthco-4 to the Purchaser, and, to the extent not received, the Servicer hereby waives its right to receive it.

ARTICLE II

GENERAL PAYMENT MECHANICS; GOVERNMENTAL ENTITIES PAYMENT MECHANICS; MISDIRECTED PAYMENTS

SECTION 2.01 General Payment Mechanics. (a) On or prior to the Initial Transfer Date, each of the Primary Servicer, the Providers, the Purchaser, Healthco-4, and the Lockbox Bank shall have entered into the Depository Agreement and shall have caused the Lockbox Bank to establish the Purchaser Lockbox and the Purchaser Lockbox Account.

(b) Each Provider shall prepare, execute and deliver to each non-Governmental Entity who is proposed to be a payor of Receivables, with copies to the Purchaser, on or prior to the Initial Transfer Date, a Notice to Obligors addressed to each such non-Governmental Entity, which Notice to Obligors shall state that all present and future Receivables owing to such Provider have been and will be transferred to the Purchaser and that all checks from such non-Governmental Entity on account of Receivables shall be sent to the Purchaser Lockbox and all wire transfers from such non-Governmental Entity on account of Receivables shall be wired directly into the Purchaser Lockbox Account.

(c) Each Provider covenants and agrees that, on and after the Initial Transfer Date, all invoices (and, if provided by such Provider, return envelopes) to be sent to non-Governmental Entities shall set forth only the address of the Purchaser Lockbox as a return address for payment of Receivables, and only the Purchaser Lockbox Account with respect to wire transfers for payment of Receivables. Each Provider hereby further covenants and agrees to instruct and notify each of the members of its accounting and collections staff to provide identical information in communications with non-Governmental Entities with respect to Collections.

SECTION 2.02 Governmental Entities Payment Mechanics. (a) On or prior to the Initial Transfer Date, each of the Primary Servicer, the Providers, the Purchaser, Healthco-4, and the Lockbox Bank shall have entered into the Depository Agreement, and the Providers shall have caused the Lockbox Bank to establish the Provider Lockbox and the Provider Lockbox Account. Each Provider shall prepare, execute and deliver to each Governmental Entity or its fiscal intermediary who is proposed to be an Obligor of Receivables, with copies to the Purchaser, on or prior to the Initial Transfer Date, Notices to Governmental Entities, which Notices to Governmental Entities shall provide that all checks from Governmental Entities on account of Receivables shall be sent to the Provider Lockbox and all wire transfers on account of Receivables shall be wired directly into the Provider Lockbox Account.

(b) Each Provider covenants and agrees that, on and after the Initial Transfer Date, all invoices to be sent to Governmental Entities (and, if provided by such Provider, return envelopes) shall set forth only the address of the Provider Lockbox as a return address for payment of Receivables, and only the Provider Lockbox Account with respect to wire transfers for payment of Receivables. Each Provider further covenants and agrees to instruct and notify each of the members of its accounting and collections staff to provide identical information in communications with Governmental Entities with respect to Collections.

(c) The Providers shall maintain the Provider Lockbox Account exclusively for the receipt of payments on account of Receivables from Governmental Entities. The Providers and the Primary Servicer shall take all actions necessary to ensure that no payments from any Person other than a Governmental Entity shall be deposited in the Provider Lockbox Account.

SECTION 2.03 Misdirected Payments. (a) In the event that a Provider receives a Misdirected Payment in the form of a check, such Provider shall immediately send such Misdirected Payment, in the form received by the Provider, by overnight delivery service to the appropriate Purchaser Lockbox or Provider Lockbox, as the case may be, together with the envelope in which such payment was received. In the event a Provider receives a Misdirected Payment in the form of cash or wire transfer, such Provider shall immediately wire transfer the amount of such Misdirected Payment directly to the Purchaser Lockbox Account. All Misdirected Payments shall be sent promptly upon receipt thereof, and in no event later than the close of business, on the first Business Day after receipt thereof.

(b) If a Misdirected Payment in the form of a check is received by the Purchaser more than seven Business Days after the postmark date on the envelope enclosing a check from the Obligor (or, if no such envelope is sent to the Purchaser Lockbox by a Provider, more than seven Business Days after the date of such check or wire transfer with respect thereto), then the Providers shall pay interest on such Misdirected Payment to the Purchaser from such seventh subsequent day to and including the date such check is received in the Purchaser Lockbox, at a rate equal to the LIBO Rate then in effect under the Loan Agreement (or the maximum rate legally permitted if less than such rate).

(c) Each Provider hereby agrees and consents to the Purchaser taking such actions, solely during the continuation of an Event of Termination, as are reasonably necessary to ensure that future payments from the Obligor of a Misdirected Payment shall be made in accordance with the Notice previously delivered to such Obligor, including, without limitation, to the maximum extent permitted by law, (i) the Purchaser, its assigns or designees, or any member of the HFG Group executing on a Provider's behalf and delivering to such Obligor a new Notice, and (ii) the Purchaser, its assigns or designees, or any member of the HFG Group contacting such Obligor by telephone to confirm the instructions previously set forth in the Notice to such Obligor. At any time, upon the Purchaser's request, a Provider shall promptly (and in any event, within two Business Days from such request) take such similar actions as the Purchaser may request.

SECTION 2.04 Unidentified Payments; Right of Presumption. If a payment is received and, after consultation with the Primary Servicer, the Purchaser is unable to determine the invoice or the Obligor to which it should apply, such payment shall be applied against the oldest

Purchased Batch as the Purchaser reasonably determines. Each of the Providers and the Purchaser agrees and consents that, after the occurrence of an Event of Termination, the HFG Group or its designees or assigns may apply any payment it receives from an Obligor or any other payor against a Purchased Batch if the HFG Group is unable in good faith to determine whether such payment relates to a Purchased Batch.

SECTION 2.05 No Rights of Withdrawal. None of the Providers, the Primary Servicer nor the Purchaser shall have any rights of direction or withdrawal with respect to amounts held in the Purchaser Lockbox Account.

ARTICLE III

REPRESENTATIONS AND WARRANTIES; COVENANTS; EVENTS OF TERMINATION

SECTION 3.01 Representations and Warranties; Covenants. Each Provider makes, on the Initial Transfer Date and on each subsequent Transfer Date, the representations and warranties on and as of such dates, and hereby agrees to perform and observe the covenants, set forth in Exhibits III and IV, respectively, hereto.

SECTION 3.02 Group-Wide Events of Termination; (a) Events of Termination. If any Group-Wide Event of Termination shall occur and be continuing, the Purchaser may, by notice to the Primary Servicer on behalf of each of the Providers (which notice shall be deemed to have been given to each Provider), take either or both of the following actions: (x) declare the Facility Termination Date to have occurred (except with respect to the Group-Wide Event of Termination in clause (g) of Exhibit V, in which case the Facility Termination Date shall be deemed to have occurred automatically and without notice), and (y) without limiting any rights hereunder, terminate the appointment of the Providers and the Primary Servicer to perform any or all of the Primary Servicer Responsibilities and replace the Servicer in the manner set forth in Section 1.05(b). Upon any such declaration or designation, the Purchaser shall have, in addition to the rights and remedies which it may have under this Agreement, all other rights and remedies provided after default under the UCC and under other applicable law, which rights and remedies shall be cumulative.

(b) If an Event of Termination shall occur and be continuing, the Purchaser may terminate the appointment of the Providers and the Primary Servicer, or any of their agents, to perform any or all of the Primary Servicer Responsibilities in the manner set forth in Section 1.05(b), and, with respect to an individual Provider that does not constitute a Group-Wide Event of Termination, the Purchaser, in its sole discretion, may require the immediate removal of such Provider from the program. In such event, such Provider shall also withdraw as a member of the Purchaser; provided, however, that such Provider's capital account as a member of the Purchaser shall not be paid out until the date of termination of this Agreement as set forth in Section 5.07 herein.

ARTICLE IV

INDEMNIFICATION;
GRANT OF SECURITY INTEREST

SECTION 4.01 Indemnification and Set-Off Rights for Denied Receivables.

(a) If a breach of any of the representations or warranties contained herein relating to a Purchased Receivable shall be discovered at any time (each, a "DENIED RECEIVABLE"), the Primary Servicer or the Providers shall, on the next Settlement Date, repurchase such Denied Receivable from the Purchaser at the Repurchase Price.

(b) For ease of administration, the Purchaser shall be entitled to presume that the failure of any Purchased Receivable (or portion thereof) to be paid in full on or after the 180th day following the Invoice Date thereof is the result of a breach of a representation or warranty contained herein with respect to such Purchased Receivable, unless the Purchaser shall have actual knowledge to the contrary (such as, by way of example, actual knowledge of the financial inability of an Obligor to pay its obligations represented by a Receivable). In the event the Purchaser receives the Repurchase Price for any such Purchased Receivable and it is thereafter determined that the failure of such Purchased Receivable to be paid in full was not the result of a breach of representation or warranty contained herein, the parties hereto shall make an appropriate adjustment by increasing the Purchase Price of any Purchased Batch to be purchased on or after such date.

(c) Upon receipt by (or on behalf of) the Purchaser of the Repurchase Price with respect to any Denied Receivable, the Purchaser shall be deemed to have reassigned and resold to the applicable Provider such Denied Receivable without any representation, warranty or recourse whatsoever, and, thereafter, neither the Purchaser nor any member of the HFG Group shall have any further servicing or other obligation to such Provider with respect to such Denied Receivable.

(d) From time to time at the request of a Provider, the Purchaser shall deliver to such Provider (at such Provider's sole cost and expense) such documents, assignments, releases, notices and instruments of termination as such Provider may reasonably request to evidence the reconveyance by the Purchaser of a Denied Receivable pursuant to the terms of Section 4.01(c).

SECTION 4.02 Indemnities by the Provider. Without limiting any other rights that the Purchaser, the Program Manager, the Master Servicer or any of their respective Affiliates (together with their respective directors, officers, agents, representatives, shareholders, lenders, counsel and employees, each, an "INDEMNIFIED PARTY") may have hereunder or under applicable law, each Provider hereby agrees jointly and severally to indemnify each Indemnified Party from and against any and all claims, losses and liabilities actually incurred (including, without limitation, reasonable attorneys' fees) (all of the foregoing being collectively referred to as "INDEMNIFIED AMOUNTS") arising out of or resulting from any of the following:

(a) the sale of any Receivable which purports to be part of a Purchased Batch but which is not, at the date of such sale, an Eligible Receivable;

(b) any representation or warranty made or deemed made by any Provider (or any of its officers) under or in connection with this Agreement which shall have been incorrect in any material respect when made;

(c) the failure by any Provider or any Batch Receivable to comply with any applicable law, rule or regulation;

(d) the failure to vest in the Purchaser a perfected ownership interest in each Receivable included in a Transferred Batch and the Collections in respect thereof, free and clear of any Liens except for Permitted Liens;

(e) any dispute, claim, set-off or defense to the payment, in whole or in part, of any Receivable (including, without limitation, a defense based on such Receivable not being a legal, valid and binding obligation) or any other claim resulting from the services or merchandise related to such Receivable or the furnishing or failure to furnish such services or merchandise or relating to collection activities with respect to such Receivable (if such collection activities were performed by any Provider or any of its Affiliates acting as Servicer), provided, however, this clause (e) shall not be deemed to include any dispute, claim, set-off or defense to the payment of any Receivable (i) arising out of the financial inability of an Obligor to pay its obligations represented by such Receivable including, without limitation, a discharge in bankruptcy, or (ii) arising principally and directly as a result of actions taken by any member of the HFG Group;

(f) a failure of any Provider, including, without limitation, the Servicer's actions on behalf of the Providers under Section 1.05(b) of this Agreement with respect to Primary Servicer Responsibilities, to perform its duties or obligations in accordance with the provisions hereof or to perform its duties or obligations hereunder; or

(g) the commingling by any Provider of Collections at any time with other funds of such or any other Provider,

provided, however, that in all events there shall be excluded from the foregoing indemnification of any claims, losses or liabilities resulting solely from the gross negligence or willful misconduct of an Indemnified Party or which constitute recourse for an uncollectible Purchased Receivable.

Such Indemnified Party shall promptly notify the Primary Servicer, on behalf of the Providers, of such claim, provided that the failure to so notify shall not affect or invalidate the indemnity granted pursuant to this Section 4.02.

SECTION 4.03 Right of Set-Off. Unless a Provider notifies the Purchaser in writing that it desires to pay on the date when due the Repurchase Price under Section 4.01 or any Indemnified Amounts under Section 4.02 and such Provider makes such payment to the Purchaser in immediately available funds on such date, each such Provider hereby irrevocably instructs the Purchaser to set-off the full amount of the Repurchase Price or the Indemnified Amounts, as the case may be, against the Purchase Price of any Purchased Batch to be purchased on or after such date. No further notification, act or consent of any nature whatsoever is required prior to the right of the

Purchaser to exercise such right of set-off, provided, however, that so long as no Event of Termination is continuing, the Purchaser will not set-off any Repurchase Price or any Indemnified Amounts that are being contested in good faith by a Provider; provided, further, that the Purchaser or a member of the HFG Group shall notify the Primary Servicer on behalf of such Provider that a set-off pursuant to this Section 4.03 occurred, the amount of such set-off and a description of the Denied Receivable or Indemnified Amounts, as the case may be, so long as the failure to so notify shall not affect or invalidate the indemnity granted pursuant to Section 4.02. The Purchaser shall exercise its right to set-off hereunder to the extent funds are available prior to making a demand for indemnification under Section 4.02.

SECTION 4.04 Grant of Security Interest. (a) As collateral security for the Providers' existing and future (i) obligations to repurchase Denied Receivables under Section 4.01 hereof, (ii) indemnification obligations to the Purchaser under Section 4.02 hereof, and (iii) obligations to pay costs, expenses and fees under Section 5.05 hereof, each Provider hereby grants to the Purchaser a first priority lien on and security interest in, and right of set-off against, (x) all of the Accounts now or hereafter owned or held by such Provider, (y) all proceeds thereof and (z) any and all cash collateral reserve accounts established pursuant to this Agreement from time to time.

(b) In connection with the grant under (a) above, this Agreement shall be deemed to be a security agreement as understood under the UCC. Each Provider agrees to execute, and hereby authorizes the Purchaser to file, one or more financing statements or continuation statements or amendments thereto or assignments thereof in respect of the lien created pursuant to this Section 4.04 which may at any time be required or, in the opinion of the Purchaser, be desirable, and to do so without the signature of such Provider where permitted by law.

ARTICLE V

MISCELLANEOUS

SECTION 5.01 Amendments, etc. (a) No amendment or waiver of any provision of this Agreement or consent to any departure therefrom by a party hereto shall be effective unless in writing signed by the Primary Servicer, the Providers, the Purchaser, and Healthco-4 as assignee of all of the Purchaser's rights and remedies hereunder, and then such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No failure on the part of the Purchaser, the Primary Servicer or a Provider to exercise, and no delay in exercising, any right hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any right hereunder preclude any other or further exercise thereof or the exercise of any other right.

(b) The parties hereto agree to make any change, modification or amendment to this Agreement as may be requested by Duff & Phelps Credit Rating Co. or any other rating agency then rating the receivables finance program of Healthco-4, so long as any such change, modification or amendment does not materially adversely affect the parties hereto.

SECTION 5.02 Notices, etc. All notices and other communications hereunder shall, unless otherwise stated herein, be in writing (which may include facsimile communication) and shall be faxed or delivered, (i) to each party hereto, at its address set forth under its name on the signature pages hereof or at such other address as shall be designated by such party in a Written Notice to the other parties hereto (and each Provider hereby acknowledges and agrees that notices to or for its benefit may be delivered to the Primary Servicer and such delivery to the Primary Servicer shall be deemed received by each such Provider), and (ii) to the Program Manager and the Master Servicer at the addresses set forth on Schedule II attached hereto and as such schedule may be amended from time to time by the Purchaser. Notices and communications by facsimile shall be effective when sent and confirmation received (and shall be promptly followed by hard copy) and notices and communications sent by other means shall be effective when received.

SECTION 5.03 Assignability. (a) This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective permitted successors and assigns.

(b) Subject to Section 5.03(b) of the Loan Agreement, this Agreement and the Purchaser's rights and obligations herein (including, without limitation, ownership of the Purchased Receivables in each Purchased Batch, the Lockboxes and the Lockbox Accounts) shall be assignable by the Purchaser and its successors and assigns. Each Provider hereby acknowledges that the Purchaser is granting to Healthco-4 (which is further granting to its lenders) a security interest in and collateral assignment of this Agreement and all of the Purchaser's rights, title and interests hereunder (including, without limitation, the Purchased Receivables, each Provider's obligations hereunder, the Lockboxes and the Lockbox Accounts).

(c) No Provider may assign its rights or obligations hereunder or any interest herein without the prior written consent of the Purchaser and Healthco-4.

SECTION 5.04 Further Assurances. The Providers shall, at their cost and expense, upon the reasonable request of the Purchaser, duly execute and deliver, or cause to be duly executed and delivered, to the Purchaser such further instruments and do and cause to be done such further acts as may be necessary or proper in the reasonable opinion of the Purchaser to carry out more effectively the provisions and purposes of this Agreement.

SECTION 5.05 Costs, Expenses and Termination Fee. (a) In addition to the rights of indemnification granted under Section 4.02 hereof, the Providers agree to pay (i) on the Closing Date and (ii) with respect to costs and expenses incurred thereafter, within seven days of invoicing therefor, (x) all reasonable costs and expenses in connection with the preparation, execution and delivery of this Agreement and any waiver, modification, supplement or amendment hereto, including, without limitation, the reasonable fees and out-of-pocket expenses of counsel for the Purchaser and the members of the HFG Group, and (y) all costs and expenses, if any (including reasonable counsel fees and expenses), of the Purchaser, its Affiliates and the members of the HFG Group in connection with the collection, enforcement, protection, maintenance, preservation or foreclosure of its interests with respect to this Agreement, any related documents, any Account, any Lien, or under any instrument or document delivered pursuant to this Agreement, and the Purchaser may take judgment for all such amounts. The attorneys' fees arising from such services, including those of any appellate proceedings, and all reasonable out-of-pocket expenses, charges, costs and

other fees incurred by such counsel in any way or with respect to or arising out of or in connection with or relating to any of the events or actions described in this Section 5.05 shall be payable by the Provider to the Purchaser on demand (with interest accruing from the tenth Business Day following the date of such demand).

(b) The Providers further agree to pay on the Initial Transfer Date (and with respect to costs and expenses incurred following the Initial Transfer Date, within seven days of invoicing therefor) (i) all reasonable costs and expenses incurred by the Purchaser or its agent in connection with periodic audits of the Receivables; provided, however, that so long as no Event of Termination or Servicer Termination Event or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Termination or Servicer Termination Event, shall have occurred and be continuing, the Providers shall not be obligated to pay for more than two such audits during any fiscal year, (ii) all reasonable costs and expenses incurred by the Master Servicer or the Program Manager to accommodate any significant coding or data system changes made by a Provider that would affect the transmission or interpretation of data received through the interface, and (iii) all reasonable costs and expenses incurred by the Purchaser for additional time and material expenses of the Master Servicer resulting from a lack of cooperation or responsiveness of any Provider or the Primary Servicer to agreed-upon protocol and schedules with the Master Servicer; provided, that such Provider or the Primary Servicer has been informed of the alleged lack of cooperation or responsiveness and has been provided an opportunity to correct such problems.

(c) In the event that any Facility Termination Date is declared (or is deemed to have occurred) pursuant to an Event of Termination, the Providers shall pay to the Purchaser an early termination fee in an amount equal to the termination fee payable by the Purchaser pursuant to Section 5.07(b) of the Loan Agreement.

SECTION 5.06 Confidentiality. (a) Each Provider, the Primary Servicer and the Purchaser hereby acknowledge that this Agreement, the Loan Agreement and the documents delivered hereunder, thereunder or in connection with, including, without limitation, any information relating to any member of the HFG Group, contains confidential and proprietary information. Unless otherwise required by applicable law, each of the Providers, the Primary Servicer and the Purchaser hereby agrees to maintain the confidentiality of this Agreement (and all drafts, memos and other documents delivered in connection therewith including, without limitation, any information relating to any member of the HFG Group delivered hereunder or under the Loan Agreement) in communications with third parties and otherwise and to take all reasonable action to prevent the unauthorized use or disclosure of and to protect the confidentiality of such confidential information; provided, that such confidential information may be disclosed (i) subject to an agreement to keep the same confidential, to (1) the Providers' and Purchaser's legal counsel, accountants and auditors, (2) the Program Manager, Healthco-4, the Parent, the Primary Servicer, each member of the HFG Group, investors in and creditors of Healthco-4, appropriate rating agencies with respect to Healthco-4, and each of their respective legal counsel, accountants, advisers and auditors, and (3) to any other Person with the written consent of the applicable other party hereto, which consent shall not be unreasonably withheld; (ii) subject to reasonable prior notice to the extent practicable and not prohibited by applicable law, (1) pursuant to subpoena or other court or legal process and (2) to the extent reasonably required in connection with any litigation or proceeding to which any party hereto is a party; (iii) to any Person if such information otherwise becomes available to such Person or

publicly available through no fault of any party governed by this Section 5.06; (iv) to any Governmental Entity requesting such information; and (v) in compliance with any law, rule, regulation or order applicable to one of the parties hereto.

(b) Each of the Providers, the Primary Servicer and the Purchaser understands and agrees that the other or the HFG Group may suffer irreparable harm if the obligations under this Section 5.06 are breached and that monetary damages shall be inadequate to compensate the injured party for such breach. Accordingly, each of the Providers, the Primary Servicer and the Purchaser agrees that, in the event of their respective breach of Section 5.06(a), the injured party, in addition and not in limitation of its rights and remedies under law, shall be entitled to a temporary restraining order, preliminary injunction and permanent injunction to prevent or restrain any such breach.

(c) All parties hereto agree to comply with all applicable state or federal statutes or regulations relating to patient medical record confidentiality.

SECTION 5.07 Term and Termination. This Agreement shall continue in full force and effect from the date hereof until the Final Payment Date; provided, however, that, with respect to any Transferred Batches transferred prior to the Final Payment Date and not repurchased pursuant to Section 4.01, the occurrence of the Final Payment Date shall not terminate any security interest of the Purchaser hereunder, nor shall it relieve or discharge any of the Providers, the Primary Servicer or the Purchaser of or from their respective duties, obligations or covenants hereunder and all the terms, provisions and conditions of this Agreement shall remain in effect for such purpose until such obligations have been satisfied and performed in full. Upon the satisfaction in full of all the obligations, the Purchaser shall deliver all assignments, certificates, releases, notices and other documents at the Providers' expense, as the Providers may reasonably request to effect such termination.

SECTION 5.08 Sale Treatment. The Providers and the Purchaser have structured the transactions contemplated by this Agreement with respect to each Purchased Batch as a sale and intend that such transactions constitute a sale, and each of the Providers and the Purchaser agree to treat each such transaction as a sale for all purposes, including, without limitation, in their respective books, records, computer files, tax returns (federal, state and local), regulatory and governmental filings (and shall reflect such sale in their respective financial statements). Each Provider will advise all persons inquiring about the ownership of the Batch Receivables that all Batch Receivables have been sold or contributed to the Purchaser. The Providers will pay all taxes (excluding income or franchise taxes of the Purchaser), if any, relating to the transactions contemplated under this Agreement, including, without limitation, the sale, transfer and contribution of each Transferred Batch to the Purchaser.

SECTION 5.09 Grant of Security Interest. In the event that, contrary to the mutual intent of the Providers and the Purchaser, any purchase of a Purchased Batch is not characterized as a sale, each Provider shall, effective as of the date hereof, be deemed to have granted (and each Provider hereby does grant) (in addition to and not in substitution of the grant under Section 4.04 herein) to the Purchaser a first priority security interest in and to any and all present and future Batch Receivables and the proceeds thereof to secure the repayment of all amounts paid to the Providers hereunder with accrued interest thereon, and this Agreement shall be deemed to be a security

agreement. With respect to such grant of a security interest, the Purchaser may at its option exercise from time to time any and all rights and remedies available to it under the UCC or otherwise. Each Provider agrees that ten days shall be reasonable prior notice to the applicable Provider or to the Primary Servicer on behalf of such Provider of the date of any public or private sale or other disposition of all or any of the Batch Receivables.

SECTION 5.10 No Liability of the Purchaser. Neither this Agreement nor any document executed in connection herewith shall constitute an assumption by the Purchaser of any obligation to an Obligor or a plan participant/patient/customer of any Obligor.

SECTION 5.11 No Proceedings. Each of the Providers hereby agrees that it will not institute against the Purchaser or Healthco-4 any proceeding of the type referred to in paragraph (g) of Exhibit V so long as any senior indebtedness issued by the Purchaser or Healthco-4 shall be outstanding or there shall not have elapsed one year plus one day since the last day on which any such senior indebtedness shall have been outstanding.

SECTION 5.12 Attorney-in-Fact. Each Provider hereby irrevocably designates and appoints the Purchaser, the Primary Servicer, the Master Servicer and each Person in the HFG Group, to the extent permitted by applicable law and regulation, as such Provider's attorneys-in-fact, which irrevocable power of attorney is coupled with an interest, with authority to (i) endorse or sign such Provider's name to financing statements, remittances, invoices, assignments, checks (other than payments from Governmental Entities), drafts or other instruments or documents in respect of the Batch Receivables, (ii) notify Obligors to make payments on the Batch Receivables directly to the Purchaser, and (iii) bring suit in such Provider's name and settle or compromise such Batch Receivables as the Purchaser, the Primary Servicer, the Master Servicer or any Person in the HFG Group may, in its discretion, deem appropriate.

SECTION 5.13 Entire Agreement; Severability. (a) This Agreement, including all exhibits and schedules hereto, and the documents referred to herein, embody the entire agreement and understanding of the parties concerning the subject matter contained herein. This Agreement supersedes any and all prior agreements and understandings between the parties, whether written or oral.

(b) If any provision of this Agreement shall be declared invalid or unenforceable, the parties hereto agree that the remaining provisions of this Agreement shall continue in full force and effect.

SECTION 5.14 GOVERNING LAW. THIS AGREEMENT SHALL, IN ACCORDANCE WITH SECTION 5-1401 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK, BE GOVERNED BY THE LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD TO ANY CONFLICT OF LAWS PRINCIPLES THEREOF THAT WOULD CALL FOR THE APPLICATION OF THE LAWS OF ANY OTHER JURISDICTION.

SECTION 5.15 WAIVER OF JURY TRIAL, JURISDICTION AND VENUE. EACH OF THE PARTIES HERETO HEREBY WAIVES ALL RIGHTS TO A TRIAL BY

JURY IN THE EVENT OF ANY LITIGATION WITH RESPECT TO ANY MATTER RELATED TO THIS AGREEMENT, AND HEREBY IRREVOCABLY CONSENTS TO THE JURISDICTION OF THE STATE AND FEDERAL COURTS LOCATED IN NEW YORK COUNTY, NEW YORK CITY, NEW YORK IN CONNECTION WITH ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT. IN ANY SUCH LITIGATION, EACH OF THE PARTIES HERETO WAIVES PERSONAL SERVICE OF ANY SUMMONS, COMPLAINT OR OTHER PROCESS AND AGREES THAT SERVICE THEREOF MAY BE MADE BY CERTIFIED OR REGISTERED MAIL DIRECTED TO SUCH PARTY AT ITS ADDRESS SET FORTH ON THE SIGNATURE PAGE HEREOF.

SECTION 5.16 Execution in Counterparts. This Agreement may be executed in counterparts, each of which when so executed shall be deemed to be an original and all of which when taken together shall constitute one and the same agreement.

SECTION 5.17 Survival of Termination. The provisions of Article IV (and the representations and warranties with respect thereto) (other than Section 4.04) and Sections 5.05, 5.06, 5.10, 5.11 and this Section 5.17 shall survive any termination of this Agreement.

SECTION 5.18 Addition, Removal and Suspension of Providers. (a) Subject to the conditions set forth below, upon 30-days' prior written request from time to time of the Primary Servicer, the Purchaser hereby agrees to the adding of other Persons designated by the Primary Servicer as additional Providers hereunder (each such event, an "ADDITION"); provided, that, in the reasonable commercial judgment of the Purchaser and its designees and assignees):

(i) no Group-Wide Event of Termination is existing and the proposed Addition shall not cause, or not reasonably be expected to cause, a Group-Wide Event of Termination;

(ii) as of the effective date of such Addition, such applicable conditions precedent set forth in Exhibit II hereto shall have been fulfilled with respect to such Person;

(iii) as of the effective date of such Addition, each applicable representation and warranty set forth in Exhibit III hereto shall be true and correct in all material respects with respect to such Person;

(iv) if such Person is not an Affiliate of the Primary Servicer, the Purchaser shall have determined that such Person will be able to perform the Primary Servicer Responsibilities, or have waived such requirement in writing;

(v) the Purchaser shall have received a certificate from the Master Servicer stating that all computer linkups and interfaces necessary or desirable, in the sole discretion of the Master Servicer, to effectuate the transactions and information transfers under this Agreement with respect to the Addition are fully operational to the satisfaction of the Master Servicer and the Master Servicer shall have received an interface fee for each additional computer interface;

(vi) such Person shall execute such agreements, instruments and documents as the Purchaser may reasonably request, in form and substance satisfactory to the Purchaser to effectuate the Addition, including without limitation (x) the appropriate subscription agreement in the form of Exhibit XIV attached (the "SUBSCRIPTION AGREEMENT") to this Agreement whereby such Person agrees to be bound by the terms of this Agreement, and (y) financing statements covering Receivables that such Person may sell or contribute to the Purchaser;

(vii) the Purchaser and its assigns shall have been provided with such information (whether financial or otherwise) and time necessary and desirable (in the sole discretion of the Purchaser and its assigns) to make the assessments under clauses (i), (ii) and (iii); and

(viii) such Person shall become a member of the Purchaser.

(b) Subject to the conditions set forth below, upon 30-days' prior written request from time to time of the Primary Servicer, the Purchaser hereby agrees to the removal of any Provider designated by the Primary Servicer from time to time (each such event, a "REMOVAL"); provided, that, in the reasonable commercial judgment of the Purchaser (and Healthco-4 as its assignee):

(i) no Group-Wide Event of Termination is existing and the proposed Removal shall not cause, or not reasonably be expected to cause, a Group-Wide Event of Termination;

(ii) after giving effect to such Removal, the aggregate minimum Tangible Net Worth of the remaining Providers hereunder shall (x) equal at least \$5,000,000, and (y) not have decreased as a result of the Removal (combined with all other Removals) by greater than 25%;

(iii) such Person shall execute such agreements, instruments and documents as the Purchaser may reasonably request, in form and substance satisfactory to the Purchaser to effectuate the Removal, including without limitation an amendment to this Agreement effectuating such Removal;

(iv) the Purchaser and Healthco-4, as its assignee, have been provided with such information (whether financial or otherwise) and time necessary and desirable (in the sole discretion of the Purchaser and Healthco-4, as its assignee) to make the assessments under clauses (i), (ii) and (iii) above; and

(v) such Person shall withdraw as a member of the Purchaser; provided, however, that such Provider's capital account as a member of the Purchaser shall not be paid out until the earlier of (x) the date of termination of this Agreement as set forth in Section 5.07 herein and (y) the Final Payment Date with respect to the Receivables of such Provider.

(c) The Purchaser hereby agrees to the suspension of any Provider designated by the Primary Servicer from time to time (each such event a "SUSPENSION"); provided, that in the reasonable commercial judgment of the Purchaser (and Healthco-4 as its assignee), no Group-Wide Event of Termination is existing and the proposed Suspension shall not cause, or not reasonably be expected to cause, a Group-Wide Event of Termination. For the period of the Suspension, such suspended Provider shall be deemed not to be a Provider for the purpose hereof or for the purposes of the Loan Agreement. Such Suspension shall cure any breach of a covenant, representation or warranty by such suspended Provider, provided, that such cure shall not be deemed, in and of itself, to cure a Group-Wide Event of Termination.

SECTION 5.19 Joint and Several Liability; Providers. Each Provider agrees that each reference to "the Providers" in this Agreement shall be deemed to refer to each such Provider jointly and severally. Each Provider (i) shall be jointly and severally liable for the obligations, duties and covenants under this Agreement and the acts and omissions of each other such Provider including, without limitation, under Article IV hereof, and (ii) jointly and severally makes each representation and warranty under this Agreement; provided, however, that the breach of an obligation, duty, covenant, representation or warranty by one Provider shall not result in an Event of Termination with respect to any other Provider unless such breach constitutes a Group-Wide Event of Termination.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

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

PROVIDER: MIM HEALTH PLANS, INC.

By: /s/ Edward J. Sitar

Name: Edward J. Sitar
Title: Treasurer

Address: 100 Clearbrook Road
Elmsford, NY 10523

Facsimile Number: (914) 460-1670

AMERICAN DISEASE MANAGEMENT
ASSOCIATES, LLC

By: /s/ Edward J. Sitar

Name: Edward J. Sitar
Title: Treasurer

Address 5N Regent Street, Suite 506
Livingston, NJ 07039

Facsimile Number: (914) 460-1670

CONTINENTAL PHARMACY, INC.

By: /s/ Edward J. Sitar

Name: Edward J. Sitar
Title: Treasurer

Address: 2791 Charter Street
Columbus, Ohio 43228

Facsimile: (914) 460-1670

PURCHASER:

MIM FUNDING LLC

By: /s/ Edward J. Sitar

Name: Edward J. Sitar
Title: Treasurer

Address: 100 Clearbrook Road
Elmsford, NY 10523

Facsimile Number: (914) 460-1670

PRIMARY SERVICER:

MIM HEALTH PLANS, INC.

By: /s/ Edward J. Sitar

Name: Edward J. Sitar
Title: Treasurer

Address: 100 Clearbrook Road
Elmsford, NY 10523

Facsimile Number: (914) 460-1670

EXHIBIT I

DEFINITIONS

As used in the Agreement (including its Exhibits and Schedules), the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ACCOUNTS" means all accounts (including, without limitation, all Receivables), all general intangibles, related goodwill and all other obligations for the payment of money arising out of a Provider's sale of merchandise or rendition of services in the ordinary course of business, whether now existing or hereafter arising, including all rights to reimbursement under any agreements with and payments from Obligors, and all proceeds of any of the foregoing.

"ACCOUNTS RECEIVABLE TURNOVER" means, at any date, for the 12-month period then most recently ended, the product obtained by multiplying (a) the quotient obtained by dividing (i) aggregate Receivables of the Providers as of such date, by (ii) aggregate revenue of the Providers generated from Receivables for the 12-month period then ended, by (b) 365 days.

"AFFILIATE" means, as to any Person, any other Person that, directly or indirectly, is in control of, is controlled by or is under common control with such Person or is a director or officer of such Person. For the purposes of this definition, "control", when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

"AGREEMENT" has the meaning set forth in the preliminary statements hereto.

"BATCH RECEIVABLE" means a Receivable that is included in a Transferred Batch, but excludes a Denied Receivable for which the Repurchase Price has been received by the Purchaser.

"BATCHING DAY" means each Monday of each week, or if such day is not a Business Day, the next preceding Business Day.

"BATCHING TIME" means 11:00 a.m. New York City time, on each Batching Day.

"BUSINESS DAY" means any day on which banks are not authorized or required to close in New York City, New York or Providence, Rhode Island.

"CAPITAL EXPENDITURES" means, with respect to any Person for any period, the aggregate of all expenditures (including, without limitation, obligations created under Capital Leases in the year in which created but excluding payments made thereon) of any Person in respect of the purchase or other acquisition of fixed or capital assets.

"CAPITAL LEASE" means, as applied to any Person, any lease of any Property (whether real, personal or mixed) by that Person as lessee, the obligations of which are required, in accordance with GAAP, to be capitalized on the balance sheet of that Person.

"CHAMPUS" means the Civilian Health and Medical Program of the Uniformed Service, a program of medical benefits covering former and active members of the uniformed services and certain of their dependents, financed and administered by the United States Departments of Defense, Health and Human Services and Transportation and established pursuant to 10 USC ss.ss. 1071-1106, and all regulations promulgated thereunder including without limitation (a) all federal statutes (whether set forth in 10 USC ss.ss. 1071-1106 or elsewhere) affecting CHAMPUS; and (b) all rules, regulations (including 32 CFR 199), manuals, orders and administrative, reimbursement and other guidelines of all Governmental Entities (including, without limitation, the Department of Health and Human Services, the Department of Defense, the Department of Transportation, the Assistant Secretary of Defense (Health Affairs), and the Office of CHAMPUS, or any Person or entity succeeding to the functions of any of the foregoing) promulgated pursuant to or in connection with any of the foregoing (whether or not having the force of law) in each case as may be amended, supplemented or otherwise modified from time to time.

"CHANGE OF CONTROL" means any Provider shall have consummated or have entered into any transaction or agreement which shall result in the consummation of the sale, lease, transfer, assignment or other disposition of all or substantially all of the assets or Property of a Provider to any Person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended); the liquidation or dissolution of (or the adoption of a plan of liquidation by) a Provider; the merger or consolidation of any Provider into or with another Person; the acquisition of all or a substantial portion of the assets of any Person; or any transaction the result of which is that any Person or group (as such term is defined in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended) beneficially owns, directly or indirectly, more of the voting stock of a Provider than is owned on the date hereof, other than a Permitted Acquisition.

"CLOSING DATE" means November 1, 2000.

"COLLECTIONS" means, with respect to any Batch Receivable or Transferred Batch, all cash collections, wire transfers, electronic funds transfers and other cash proceeds of such Batch Receivable or Transferred Batch, as the case may be, deposited in or transferred to the Purchaser Lockbox Account, including, without limitation, all cash proceeds thereof.

"CONSOLIDATED CAPITAL EXPENDITURE" means, for any period, the Capital Expenditures of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED EBITDA" means, for any period, the EBITDA of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED INTEREST COVERAGE RATIO" means, for any period, the quotient obtained by dividing (i) Consolidated EBITDA minus Consolidated Capital Expenditures by (ii) Consolidated Interest Expense.

"CONSOLIDATED INTEREST EXPENSE" means, for any period, the Interest Expense of the Parent and its Subsidiaries for such period, determined on a consolidated basis in accordance with GAAP.

"CONSOLIDATED NET WORTH" means, at any date of determination, an amount equal to (a) the total assets of the Parent and its Subsidiaries on a consolidated basis minus (b) the total liabilities of the Parent and its Subsidiaries on a consolidated basis.

"CONSOLIDATED TANGIBLE NET WORTH" means with respect to the Parent and its Subsidiaries determined on a consolidated basis, at any date of determination, (i) the sum of capital stock, capital in excess of par or stated value of shares of its capital stock, retained earnings and any other account which, in accordance with GAAP constitutes stockholder's equity, less (ii) treasury stock and any minority interest in subsidiaries, less (iii) the amount of any write-up subsequent to the Closing Date in the value of any asset above the cost or depreciated cost thereof and less (iv) all intangible assets, including, without limitation, goodwill, which would be classified as such in accordance with GAAP.

"CONSOLIDATED TOTAL NET INCOME" means, for any period, the total Net Income of the Parent and its Subsidiaries for such period, determined on a consolidated basis.

"CONSOLIDATED WORKING CAPITAL" means at any date of determination, an amount equal to Current Assets minus Current Liabilities.

"CREDIT AND COLLECTION POLICY" means those receivables credit and collection policies and practices of the Providers in effect on the date of the Agreement as set forth as Schedule III hereto, and as may be modified from time to time with the consent of the Purchaser and Healthco-4.

"CURRENT ASSETS" means, at any date of determination, the aggregate amount of all assets of the Parent and its Subsidiaries on a consolidated basis that would be classified as current assets at such date, computed and calculated in accordance with GAAP, adjusted for prepaid expenses and "other current assets".

"CURRENT LIABILITIES" means, at any date of determination, the aggregate amount of all liabilities of the Parent and its Subsidiaries on a consolidated basis (including tax and other proper accruals) which would be classified as current liabilities at such date, computed and calculated in accordance with GAAP and shall exclude any borrowings under the Loan Agreement.

"DEBT" means as to any Person (without duplication): (i) all obligations of such party for borrowed money, (ii) all obligations of such party evidenced by bonds, notes, debentures, or other similar instruments, (iii) all obligations of such party to pay the deferred purchase price of property or services (other than trade payables in the ordinary course of business), (iv) all Capital Leases of such party, (v) all Debt of others directly or indirectly Guaranteed (which term shall not include endorsements in the ordinary course of business) by such party, (vi) all obligations secured by a Lien existing on property owned by such party, whether or not the obligations secured thereby have been assumed by such party or are non-recourse to the credit of such party (but only to the extent of the value of such property), and (vii) all reimbursement obligations of such party (whether contingent or otherwise) in respect of letters of credit, bankers' acceptance and similar instruments.

"DEFAULTED RECEIVABLE" means a Batch Receivable (i) as to which the Obligor thereof or any other Person obligated thereon has taken any action, or suffered any event to occur, of the type

described in paragraph (g) of Exhibit V or (ii) which, consistent with the Credit and Collection Policy, would be written off the applicable Provider's books as uncollectible.

"DEFERRED PURCHASE PRICE" means the portion of the Purchase Price of a Purchased Batch purchased on any Transfer Date exceeding the amount of the Purchase Price under Section 1.03 to be paid in cash, which portion when added to the cumulative amount of all previous Deferred Purchase Prices (after giving effect to any payments made on account thereof) shall not exceed the lesser of (a) \$6,750,000 or (b) 15% of the Expected Net Value of the Transferred receivables. The obligations of the Purchaser in respect of the Deferred Purchase Price shall be evidenced by the Purchaser's subordinated promissory note in the form of Exhibit D hereto.

"DELINQUENCY RATIO" means, as of the last Business Day of each Month, a percentage equal to:

DR
--
Pool

where:

DR = The Expected Net Value of all Purchased Receivables which became Delinquent Receivables in the Month immediately prior to the date of calculation.

Pool = The Expected Net Value of all Purchased Receivables in the Month immediately prior to the date of calculation.

"DELINQUENT RECEIVABLE" means a Batch Receivable (a) that has not been paid in full on or following the 180th day following the date of original invoicing thereof, or (b) that is a Denied Receivable.

"DENIED RECEIVABLE" has the meaning set forth in Section 4.01 hereto.

"DEPOSITARY AGREEMENT" means that certain Depositary Account Agreement, dated the date hereof, among the Providers, the Purchaser, Healthco-4 and the Lockbox Bank, in substantially the form attached hereto as Exhibit XII, as such agreement may be amended, modified or supplemented from time to time in accordance with its terms.

"EBITDA" means, for any period, the sum (determined without duplication on a consolidated basis) for the Providers and Subsidiaries of (a) net income (or net loss) of the Providers and Subsidiaries (calculated before extraordinary items), plus (b) Consolidated Interest Expense for such period deducted in the determination of such net income (or net loss) plus (c) depreciation, amortization and other non-cash items for such period to the extent included in the determination of net income (or net loss) plus or minus (d) all taxes accrued for such period on or measured by income to the extent deducted or credited in determining such net income (or net loss) minus or plus (e) gains (or losses) from asset dispositions outside of the normal course of business to the extent included in determining such net income (or net loss) plus (f) losses due to asset impairment.

"ELIGIBILITY CRITERIA" means the criteria and basis for determining whether a Receivable qualifies as an Eligible Receivable, all as set forth in Exhibit XV hereto, as such Eligibility Criteria may be modified from time to time by the Purchaser and Healthco-4 in their good faith discretion and based on historical performance and other Provider-related or Obligor-related factually-based credit criteria upon Written Notice to the Primary Servicer.

"ELIGIBLE RECEIVABLES" means Receivables that satisfy the Eligibility Criteria.

"EMPLOYEE BENEFIT PLAN" means any employee benefit plan within the meaning of ss. 3(3) of ERISA maintained by any Provider or any ERISA Affiliate, or with respect to which any of them have any liability.

"EQUITY" means the amount set forth on the balance sheet of a Provider as equity.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended.

"ERISA AFFILIATE" means any entity which is under common control with any Provider within the meaning of ERISA or which is treated as a single employer with any Provider under the Internal Revenue Code of 1986, as amended.

"EVENT OF TERMINATION" means any of the events specified in Exhibit V hereto.

"EXPECTED NET VALUE" means, with respect to any Batch Receivable, the gross unpaid amount of such Receivable on the Transfer Date therefor, times the Net Value Factor.

"FACILITY TERMINATION DATE" means the earlier of (a) the date twenty-four months after the Initial Transfer Date (subject to an automatic extension of such date to coincide with the "Scheduled Maturity Date" under the Loan Agreement) and (b) the date of delivery of notice of the occurrence of a Group-Wide Event of Termination, if required pursuant to Section 3.02 hereof, or the date of occurrence of an Event of Termination if no notice is required, unless such event is waived by the Purchaser in writing.

"FINAL PAYMENT DATE" means the first Settlement Date following the Settlement Period in which final collection has been received for all Purchased Receivables or such Purchased Receivables have become Denied Receivables or Defaulted Receivables.

"GAAP" means generally accepted accounting principles in the United States of America, applied on a consistent basis, as set forth in Opinions of the Accounting Principles Board of the American Institute of Certified Public Accountants or in statements of the Financial Accounting Standards Board or the rules and regulations of the Securities and Exchange Commission or their respective successors and which are applicable in the circumstances as of the date in question.

"GOVERNMENTAL ENTITY" means the United States of America, any state, any political subdivision of a state and any agency or instrumentality of the United States of America or any state or political subdivision thereof and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government. Payments from Governmental Entities shall

be deemed to include payments governed under the Social Security Act (42 U.S.C.ss.ss. 1395 et seq.), including payments under Medicare, Medicaid, and CHAMPUS, and payments administered or regulated by HCFA.

"GROUP-WIDE EVENT OF TERMINATION" has the meaning set forth in Exhibit V.

"GROUP-WIDE PROVIDERS" has the meaning set forth in Exhibit V.

"GROUP-WIDE SERVICER TERMINATION EVENT" has the meaning set forth in Section 1.05(b).

"GUARANTY" by any Person means any obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other Person and, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay), or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect the obligee of such Debt or other obligation of the payment thereof or to protect the obligee against loss in respect thereof (in whole or in part), provided that the term Guaranty shall not include endorsements for collection or deposit in the ordinary course of business. The term "Guarantee" used as a verb has a corresponding meaning.

"HCFA" means the Health Care Financing Administration of the United States Department of Health and Human Services.

"HEALTHCO-4" means HFG Healthco-4 LLC, a Delaware limited liability company.

"HFG GROUP" means (i) Healthco-4, the Program Manager and the Master Servicer and (ii) Healthco-4's agents, delegates, designees and assigns (other than any Provider or the Primary Servicer) identified from time to time to effectuate the Agreement.

"INDEMNIFIED AMOUNTS" has the meaning set forth in Section 4.02 hereto.

"INDEMNIFIED PARTY" has the meaning set forth in Section 4.02 hereto.

"INITIAL TRANSFER DATE" means the date of the initial purchase and contribution of Receivables hereunder.

"INTEREST EXPENSE" means, with respect to any Person for any period, the gross interest expense of such Person (exclusive of interest income) during such period as determined in accordance with GAAP.

"INVOICE DATE" means, with respect to any Receivable, the date set forth on the related invoice or statement.

"LAST SERVICE DATE" means, with respect to any Receivable that is not a Rebate Receivable, the earlier of (i) the date on which the applicable Provider has received the data required to bill such Receivable and (ii) the last day for submission of the related claim under any related contracts.

"LIBO RATE" has the meaning specified in the Loan Agreement.

"LIEN" means any lien, mortgage, security interest, tax lien, pledge, hypothecation, assignment, preference, priority, other charge or encumbrance, or any other type of preferential arrangement of any kind or nature whatsoever by or with any Person (including, without limitation, any conditional sale or title retention agreement), whether arising by contract, operation of law, or otherwise.

"LOAN AGREEMENT" means the Loan and Security Agreement dated as of the date hereof between the Purchaser as borrower and Healthco-4 as lender, as such agreement may be modified, supplemented or amended from time to time in accordance with its terms.

"LOCKBOX" means either the Provider Lockbox or the Purchaser Lockbox, as the context requires.

"LOCKBOX ACCOUNT" means either the Provider Lockbox Account or the Purchaser Lockbox Account, each associated with the respective Lockbox to deposit Collections, including Collections received by wire transfer directly, all as more fully set forth in the Depository Agreement.

"LOCKBOX BANK" means Fleet National Bank as lockbox bank under the Depository Agreement. "LOSS-TO-LIQUIDATION RATIO" means, as of the last Business Day of each Month, a percentage equal to:

DR
--
C

where:

DR = The Expected Net Value of all Purchased Receivables which became Defaulted Receivables in the Month immediately prior to the date of calculation.

C = Collections in the Month immediately prior to the date of calculation.

"MASTER SERVICER" means the Program Manager and any other Person then identified by the Program Manager to the Providers, or the Primary Servicer on behalf of the Providers, as being authorized to administer and service Receivables.

"MATERIAL ADVERSE EFFECT" means any event, condition, change or effect that (a) has a materially adverse effect on the business, Properties, operations or financial condition of (i) Group- Wide Providers, (ii) the Primary Servicer, (iii) the Parent on a consolidated basis, or (iv) the Purchaser; (b) materially impairs the ability of the Primary Servicer, the Group-Wide Providers or the Purchaser to perform its obligations under the Agreement; (c) materially impairs the validity or enforceability of, or materially impairs the rights, remedies or benefits available to the Purchaser under the Agreement; or (d) due to acts or actions within the control or influence of any of the Providers, the Primary Servicer or the Parent, changes, or could reasonably be expected to change, the characterization and treatment of the sales of Receivables under the Agreement as something other than a true sale.

"MISDIRECTED PAYMENT" means any form of payment in respect of a Batch Receivable made by an Obligor in a manner other than as provided in the Notice sent to such Obligor.

"MULTIEMPLOYER PLAN" means a plan, within the meaning of ss. 3(37) of ERISA, as to which the Primary Servicer, any Provider or any ERISA Affiliate contributed or was required to contribute within the preceding five years.

"NET INCOME" means, for any period, for any Person, the net income (loss) of such Person for such period determined in accordance with GAAP.

"NET VALUE FACTOR" means, initially, the percentages set forth on Schedule VI attached hereto, as such percentages may be adjusted, upwards or downwards on a prospective basis with Written Notice to the Purchaser, in the good faith discretion of Healthco-4 but in consultation with the Purchaser and the Primary Servicer, based on (i) the historical actual final collections received on the Receivables within 180 days of the Invoice Date of such Receivables (without regard to the factors set forth in the definition of "Defaulted Receivable"), divided by (ii) the gross value of such Receivables.

"NOTICE TO GOVERNMENTAL ENTITIES" means a notice letter on a Provider's corporate letterhead in substantially the form attached hereto as Exhibit VII-A.

"NOTICE TO NON-GOVERNMENTAL ENTITIES" means a notice letter on a Provider's corporate letterhead in substantially the form attached hereto as Exhibit VII-B.

"NOTICE TO OBLIGORS" means either a Notice to Governmental Entities or a Notice to non-Governmental Entities, as the context requires.

"OBLIGOR" means each Person who is responsible for the payment of all or any portion of a Receivable.

"PARENT" means MIM Corporation.

"PBGC" means the Pension Benefit Guaranty Corporation or any entity succeeding to all or any of its functions under ERISA.

"PERMITTED ACQUISITION" means the acquisition by a Provider of a business or of businesses or the merger or consolidation of a Provider into or with another Person; provided that (1) both before and immediately after giving effect to such proposed acquisition (including without limitation, compliance with the financial covenants on a pro forma basis after giving effect to the proposed acquisition), no Default or Event of Default has or will occur or be continuing and no Event of Termination has occurred or would be reasonably likely to occur, (2) the proposed acquisition is of a business or businesses involving the rendition of pharmacy benefit (including specialty pharmacy products and services) and/or formulary management services or rebate administration services, the sale of medical and/or pharmaceutical products or the rendition of medical services, (3) the proposed acquisition is accretive to both (x) EBITDA and (y) the sum of Net Income plus the amortization of goodwill related to the acquisition of the acquiring Provider, (4) the proposed acquisition is not subject to, and is not reasonably likely to subject any Provider to, any governmental investigation, material litigation or other material liabilities for which adequate reserves are not available or have not been taken, (5) the Provider is the surviving Person, (6) such surviving Person shall have a Tangible Net Worth that is no less than the Tangible Net Worth of such Provider, (7) the Provider has delivered to the Purchaser and Healthco-4 financial statements for the trailing 12 month period prior to the acquisition on a pro forma basis giving effect to the proposed acquisition and such financial statements show that the acquisition would not cause and would not be reasonably likely to cause an Event of Termination, (8) the total consideration for any single acquisition does not exceed \$30,000,000 and (9) the cash portion of the total consideration for any single acquisition, together with any debt assumed in connection therewith, does not exceed \$15,000,000.

"PERMITTED LIEN" means a Lien that is expressly subordinated in writing to the Lien created hereunder in a manner acceptable to Healthco-4, in its sole discretion, and, with respect to any such Lien existing on the Closing Date, is described on Schedule IV hereto.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PRIMARY SERVICER" as defined in the preamble, means MIM Health Plans, Inc., if it is then authorized to perform the Primary Servicer Responsibilities pursuant to Section 1.05(b), or any other Person then authorized to perform the Primary Servicer Responsibilities that is acceptable to the Program Manager.

"PRIMARY SERVICER ACCOUNT" means account # 09069730 of the Primary Servicer at Fleet National Bank, ABA # 011000390, Providence, Rhode Island or such other bank account designated by the Primary Servicer by Written Notice to the Master Servicer, the Purchaser and the Program Manager from time to time, as the account for receipt of proceeds on behalf of the Providers.

"PRIMARY SERVICER RESPONSIBILITIES" has the meaning set forth in Section 1.05(b) hereto.

"PRIMARY SERVICING FEE" means, with respect to any Purchased Batch, an amount equal to \$8.00 multiplied by the number of Receivables in such Purchased Batch.

"PROGRAM MANAGER" means (i) Healthcare Finance Group, Inc., or (ii) any other Person then identified by Healthco-4 to the Primary Servicer as being authorized to provide administrative services with respect to the Purchaser and the Purchaser's purchase, funding and collection of healthcare-related receivables.

"PROPERTY" means property of all kinds, movable, immovable, corporeal, incorporeal, real, personal or mixed, tangible or intangible (including, without limitation, all rights relating thereto), whether owned or acquired on or after the date of this Agreement.

"PROPOSED ELIGIBLE RECEIVABLES" has the meaning set forth in Section 1.02 hereto.

"PROVIDER" or "PROVIDERS" has the meaning set forth in the preamble hereto.

"PROVIDER LOCKBOX" means the lockboxes set forth on Schedule V hereto to receive checks with respect to Receivables payable by Governmental Entities.

"PROVIDER LOCKBOX ACCOUNT" means the accounts set forth on Schedule V hereto in the name of the Providers and associated with the Provider Lockbox established and controlled by the Providers to deposit Collections from Governmental Entities, including Collections received in the Provider Lockbox and Collections received by wire transfer directly from Governmental Entities, all as more fully set forth in the Depositary Agreement.

"PURCHASE PRICE" means, with respect to Receivables in each Purchased Batch, (i) the aggregate Expected Net Value of the Receivables, minus (ii) 5%.

"PURCHASED BATCH" has the meaning set forth in Section 1.02(b) hereto.

"PURCHASED RECEIVABLE" means a Receivable that has been purchased by the Purchaser.

"PURCHASER" has the meaning set forth in the preamble hereto.

"PURCHASER LOCKBOX" means the lockboxes set forth on Schedule V hereto to receive checks with respect to Receivables payable by non-Governmental Entities.

"PURCHASER LOCKBOX ACCOUNT" means the lockbox accounts set forth on Schedule V hereto associated with the Purchaser Lockbox established by the Purchaser to deposit Collections from non-Governmental Entities, including Collections received in the Purchaser Lockbox and Collections received by wire transfer directly from non-Governmental Entities, all as more fully set forth in the Depositary Agreement.

"REBATE RECEIVABLE" means a Receivable, the Obligor of which is a manufacturer or distributor of pharmaceutical products.

"RECEIVABLE INFORMATION" has the meaning set forth in Section 1.02 hereto.

"RECEIVABLES" means all accounts receivable or general intangibles, owing (or in the case of Unbilled Receivables, to be owing) to a Provider, including those arising out of the rendition of pharmacy benefit and formulary management or rebate administration services provided to any Person (including the provision of market information) or the sale of medical and/or pharmaceutical products by a Provider and any medical services rendered in connection therewith, including, without limitation, all amounts due from manufacturers or distributors of pharmaceutical products based on contractual payments and all rights to reimbursement under any agreements with and payments from Obligor, together with, to the maximum extent permitted by law, all accounts receivable and general intangibles related thereto, all rights, remedies, guaranties, security interests and Liens in respect of the foregoing, all books, records and other Property evidencing or related to the foregoing, and all proceeds of any of the foregoing.

"REPURCHASE PRICE" means an amount equal to (x) the Purchase Price of such Denied Receivable, minus (y) any cash received from the Obligor in the Purchaser Lockbox Account with respect to such Denied Receivable, plus (z) interest on such amount calculated at the interest rate then in effect under the Loan Agreement (or the maximum rate legally permitted if less than such rate) on the average outstanding difference between clauses (x) and (y) from and including the Business Day following the Transfer Date of such Denied Receivable to the date the Repurchase Price is received by the Purchaser.

"SERVICER" means the Primary Servicer, if it is then authorized to perform the Primary Servicer Responsibilities pursuant to Section 1.05(b), or the Master Servicer, or any other Person then authorized hereunder to perform the Primary Servicer Responsibilities.

"SERVICER TERMINATION EVENT" means any of the events specified in Exhibit IX hereto.

"SETTLEMENT DATE" means, with respect to a Settlement Period, Tuesday of each week; or if such day is not a Business Day, the next succeeding Business Day; provided, that, if, following the occurrence of an Event of Termination, the Purchaser shall have selected a period shorter than one week as the Settlement Period, the Settlement Date shall mean the fifth Business Day following the end of each such Settlement Period.

"SETTLEMENT PERIOD" means the period beginning on Friday of each week and ending at the close of Thursday of the following week; provided, that notwithstanding the foregoing, the first Settlement Period shall be the period from and including the Initial Transfer Date through November 2, 2000; and provided, further, that following the occurrence of an Event of Termination, the Purchaser may from time to time, by notice to the Primary Servicer on behalf of the Providers, select a shorter period as the Settlement Period.

"SUBSCRIPTION AGREEMENT" has the meaning set forth in Section 5.18 hereto.

"SUBSIDIARY" means, with respect to any Provider, any corporation or entity of which at least a majority of the outstanding shares of stock or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors (or Persons performing similar functions) of such corporation or entity (irrespective of whether or not at the time, in the case of a corporation, stock of any other class or classes of such corporation shall have or might have voting

power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Provider.

"TANGIBLE NET WORTH" means, with respect to any Person at any time, the sum of (i) such Person's capital stock, capital in excess of par or stated value of shares of its capital stock, retained earnings and any other account which, in accordance with GAAP, constitutes stockholders' equity, less (ii) treasury stock, minus (iii) the book value of all assets classified as intangible under GAAP, including, without limitation, goodwill, deferred taxes, deferred financing costs, trademarks, trade names, patents, copyrights and licenses.

"TOTAL COLLECTIONS" means, as to each Transferred Batch, the sum of all Collections, Repurchase Prices and Indemnified Amounts (but only to the extent that such Indemnified Amounts are received in lieu of Collections) distributed to and received by the Purchaser with respect thereto.

"TRANSFER DATE" means any Business Day after the Initial Transfer Date on which there is a purchase or contribution of Receivables hereunder, provided, that there shall be at least one Transfer Date in any single week, and provided, further, that a Transfer Date shall occur simultaneously with each Funding Date as defined in the Loan Agreement.

"TRANSFERRED BATCH" has the meaning set forth in Section 1.02 hereto.

"TRANSMISSION" means, upon establishment of computer interface between the Providers and the Master Servicer in accordance with the specifications established by the Master Servicer, the transmission of Receivable Information through computer interface to the Master Servicer in a manner satisfactory to the Master Servicer.

"UCC" means the Uniform Commercial Code as in effect from time to time in the specified jurisdiction.

"UNBILLED RECEIVABLE" means a Receivable in respect of which the goods have been shipped, or the services rendered and rights to payment thereon have accrued, but the invoice has not been rendered to the applicable Obligor.

"WRITTEN NOTICE" and "IN WRITING" means any form of written communication or a communication by means of telex, telecopier device, telegraph or cable as provided in Section 5.02.

Other Terms. All accounting terms not specifically defined herein shall be construed in accordance with GAAP. All terms used in Article 9 of the UCC in the State of New York, and not specifically defined herein, are used herein as defined in such Article 9.

EXHIBIT II

CONDITIONS OF PURCHASES

2. Conditions Precedent on the Initial Transfer Date. The purchase of a Purchased Batch under the Agreement on the Initial Transfer Date is subject to the conditions precedent that the Purchaser shall have received on or before the Initial Transfer Date the following, each (unless otherwise indicated) dated such date, in form and substance satisfactory to the Purchaser:

(a) For each Provider and the Primary Servicer, a certificate issued by the Secretary of State of the state of such entity's (i) organization as to the legal existence and good standing of such entity and (ii) locale of operation, if different from its state of organization, as to the foreign qualification, authorization and good standing of such entity in such locale (all of which certificates shall be dated not more than 20 days prior to the Initial Transfer Date).

(b) For each Provider and the Primary Servicer, certified copies of the charter and by-laws or other organizational documents of such entity, certified copies of resolutions of the Board of Directors or similar governing body of such entity approving the Agreement, certified copies of all documents filed to register any and all assumed/trade names of such entity, and certified copies of all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to the Agreement.

(c) For each Provider and the Primary Servicer, a certificate of the Secretary or Assistant Secretary of such entity certifying the names and true signatures of the incumbent officers of such entity authorized to sign the Agreement and the other documents to be delivered by it hereunder.

(d) (i) Certified copies of the balance sheets of the Primary Servicer and its Subsidiaries as at December 31, 1999, and for the prior 3 fiscal years and the related statements of income and expense and retained earnings of MIM Corporation and its Subsidiaries for the fiscal year then ended, certified in a manner acceptable to the Purchaser by independent public accountants acceptable to the Purchaser and (ii) unaudited balance sheets of the Primary Servicer and its Subsidiaries for the fiscal quarter ended June 30, 2000 and the related statements of income and expense and retained earnings of the Primary Servicer and its Subsidiaries for such fiscal quarter then ended.

(e) Acknowledgment or time stamped receipt copies of proper financing statements (showing each Provider as debtor/seller, the Purchaser as secured party/purchaser and Healthco-4 as assignee, and stating that the financing statements are being filed because UCC Section 9-102 does not distinguish between a sale and a secured loan for filing purposes) duly filed on or before the Initial Transfer Date under the UCC of all jurisdictions that the Purchaser may deem necessary or desirable in order to perfect the ownership interests contemplated by the Agreement.

(f) Acknowledgment or time-stamped receipt copies of proper financing statements (showing each Provider as debtor and the Purchaser as secured party and Healthco-4 as assignee with respect to the grant by the Providers of a first priority security interest to the Purchaser in the

Providers' Accounts and the proceeds thereof, as contemplated by Section 4.04 of the Agreement) duly filed on or before the Initial Transfer Date under the UCC of all jurisdictions that the Purchaser may deem necessary or desirable in order to perfect such security interest.

(g) Completed requests for information (UCC search results) dated within 20 days of the Initial Transfer Date, and a schedule thereof listing all effective financing statements filed in the jurisdictions referred to in subsections (e) and (f) above that name each Provider as debtor, together with copies of all other financing statements filed against the Providers (none of which shall cover any Accounts or any proceeds thereof).

(h) Releases of, and acknowledgment copies of proper termination statements (Form UCC-3), if any, necessary to evidence the release of all security interests, ownership and other rights of any Person previously granted by any Provider in any of its Accounts or the proceeds thereof.

(i) Favorable opinions of Tennessee local counsel for the Providers, substantially in the form attached hereto as Exhibit XI-A, regarding compliance with patient confidentiality laws in Tennessee, and to such other matters as the HFG Group requests and a survey prepared by King & Spalding regarding patient confidentiality laws in Ohio, Nevada, New Jersey, New York and Texas, and as to such other matters as the HFG Group requests.

(j) Favorable opinions of (1) King & Spalding, counsel for the Primary Servicer and the Providers, and (2) Barry Posner, Esq., General Counsel for the Borrower, substantially in the form attached hereto as Exhibits XI-B and XI-C, respectively, and as to such other matters as the HFG Group requests.

(k) Proof of payment of \$450,000 which sum is equal to the facility fee payable by the Purchaser to Healthcare Finance Group, Inc.

(l) Proof of payment of all reasonable attorneys' fees and disbursements incurred by the Purchaser and the HFG Group.

(m) A duly executed Depositary Agreement, together with evidence satisfactory to the Purchaser that the Lockboxes and the Lockbox Accounts have been established.

(n) Copies of all Notices to Obligors required pursuant to Article II of the Agreement, together with evidence satisfactory to the Purchaser that such Notices to Obligors have been or will be delivered to the addressees thereof.

(o) A copy of each new form of invoice from the Providers showing the appropriate Lockbox as the remittance address.

(p) A certificate from the Master Servicer stating that all computer linkups and interfaces necessary or desirable, in the judgment of the Master Servicer, to effectuate the transactions and information transfers contemplated hereunder, are fully operational to the satisfaction of the Master Servicer.

It shall be a further condition precedent on the Initial Transfer Date that Healthco-4 shall have paid the following: (i) \$600,000 to General Electric Capital Corporation ("GECC"), on behalf of MIM, representing the termination fee payable by MIM in connection with the termination, on the date hereof, of MIM's credit facility with GECC and (ii) to MIM, an amount equal to the current unamortized portion of the closing fee paid by MIM under its credit facility with GECC.

3. Conditions Precedent on All Transfer Dates. Each purchase of a Purchased Batch on a Transfer Date (including the Initial Transfer Date) shall be subject to the further conditions precedent that the Primary Servicer, each Provider and the Purchaser shall have agreed upon the terms of such purchase and also that:

(a) The Providers shall have delivered to the Purchaser or the Master Servicer, as the case may be, at least two Business Days prior to such Transfer Date, in form and substance satisfactory to the Purchaser:

(i) completed Receivable Information with respect to each Proposed Eligible Receivable (such Receivable Information having been delivered on or prior to the most recent Batching Time preceding such Transfer Date), together with such additional information as may reasonably be requested by the Purchaser or the Master Servicer; and

(ii) to the extent not previously provided, executed Notices to each Obligor responsible for the payment of any of the Batch Receivables to be purchased on such Transfer Date, directing such Obligors to make payment to the addresses and accounts designated in the Notices, as set forth in Article II hereof, together with evidence that such Notices have been delivered to such Obligors.

(b) On each such Transfer Date the following statements shall be true (and acceptance of the proceeds of such purchase by the Primary Servicer on behalf of the Providers shall be deemed a representation and warranty by each Provider that such statements are then true):

(i) the representations and warranties contained in Exhibit III are true and correct in all material respects on and as of the date of such purchase as though made on and as of such date (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be correct on and as of such date), and

(ii) no event has occurred and is continuing, or would result from such purchase, that constitutes a Group-Wide Event of Termination or that would constitute a Group-Wide Event of Termination but for the requirement that notice be given or time elapse or both.

(c) The Purchaser shall have received a duly executed Subscription Agreement for each Provider that became a Provider after the Initial Transfer Date.

(d) The Purchaser shall have received such other approvals, opinions or documents as it may reasonably request.

EXHIBIT III

REPRESENTATIONS AND WARRANTIES

Each of the Providers and the Primary Servicer represents and warrants as follows:

(a) It is a corporation duly incorporated, validly existing and in good standing under the laws of the state of its incorporation as set forth on Schedule I hereto, and is duly qualified to do business, and is in good standing, in every jurisdiction where the nature of its business requires it to be so qualified, except in any jurisdiction other than that of its chief executive offices where the failure to be so qualified would not have a Material Adverse Effect.

(b) The execution, delivery and performance by it of the Agreement and the other documents to be delivered by it thereunder, (i) are within its corporate or limited liability company powers, (ii) have been duly authorized by all necessary corporate or limited liability company action, (iii) do not contravene (1) its charter or by-laws or certificate of formation or operating agreement, as applicable, (2) any material law, rule or regulation applicable to it, (3) any material contractual restriction binding on or affecting it or its Property, or (4) any order, writ, judgment, award, injunction or decree binding on or affecting it or its Property, and (iv) do not result in or require the creation of any Lien upon or with respect to any of its Properties, other than the interests created by the Agreement. The Agreement has been duly executed and delivered by it. It has furnished to the Purchaser a correct and complete copy of its certificate of incorporation and by-laws, including all amendments thereto.

(c) Except for financing statements or termination statements that have been delivered to the Purchaser for filing in accordance with subsections 1(e), (f) and (h) of Exhibit II, no authorization or approval or other action by, and no notice to or filing with, any Governmental Entity is required for the due execution, delivery and performance by it of the Agreement or any other document to be delivered thereunder.

(d) The Agreement constitutes the legal, valid and binding obligation of it, enforceable against it in accordance with its terms, except as limited by bankruptcy, insolvency, moratorium, fraudulent conveyance or other laws relating to the enforcement of creditors' rights generally and general principles of equity (regardless of whether enforcement is sought at equity or law).

(e) Except as disclosed on Schedule IV hereto, it has all power and authority, and has all permits, licenses, accreditations, certifications, authorizations, approvals, consents and agreements of all Obligor, Governmental Entities, accreditation agencies and any other Person (including without limitation, accreditation by the appropriate Governmental Entities and industry accreditation agencies and accreditation and certifications necessary to receive payment and compensation and to participate under Medicare, Medicaid, CHAMPUS, Blue Cross/Blue Shield and other equivalent programs relevant to any Provider), necessary or required for it (i) to own the assets (including Receivables) that it now owns, and (ii) to carry on its business as now conducted, except where failure to have such permits, licenses, authorizations, approvals, consents, agreements with third-party payors, accreditation and certifications (including, without limitation, accreditation by the

appropriate Governmental Entities and industry accreditation agencies and accreditation and certifications necessary to receive payment and compensation and to participate under Medicare, Medicaid, CHAMPUS, Blue Cross/Blue Shield and other equivalent programs) would not have a Material Adverse Effect.

(f) Except as disclosed in Schedule IV hereto, it has not been notified by any Obligor, Governmental Entity or instrumentality, accreditation agency or any other Person, during the immediately preceding 24 month period, that such party has rescinded or not renewed, or is reasonably likely to rescind or not renew, any such material permit, license, accreditation, certification, authorization, approval, consent or agreement granted to it or to which it is a party.

(g) As of the Initial Transfer Date, all conditions precedent set forth in Exhibit II have been fulfilled or waived in writing by the Purchaser, and as of each Transfer Date, the conditions precedent set forth in paragraph 2 of such Exhibit II have been fulfilled or waived in writing by the Purchaser.

(h) The balance sheets of the Parent and its Subsidiaries as at December 31, 1999, and the related statements of income and expense, cash flows and retained earnings of the Parent and its Subsidiaries for the fiscal periods then ended, copies of which have been furnished to the Purchaser, fairly present the financial condition of the Parent and its Subsidiaries as at such date and the results of the operations of the Parent and its Subsidiaries for the period ended on such date, all in accordance with GAAP, and since December 31, 1999 there has been no change resulting in a Material Adverse Effect.

(i) Except as disclosed on Schedule IV hereto, there is no pending or, to any Provider's or the Primary Servicer's knowledge, threatened action or proceeding or injunction, writ or restraining order affecting the Primary Servicer, any Provider or any Subsidiary before any court, Governmental Entity or arbitrator which could reasonably be expected to result in a Material Adverse Effect, and the Primary Servicer, any Provider or any Subsidiary is not currently the subject of, and has no present intention of commencing, an insolvency proceeding or petition in bankruptcy. Furthermore, to its knowledge, there are no pending civil or criminal investigations by any Governmental Entity involving it or its officers or directors and neither it nor any of its officers or directors has been involved in, or is the subject of, any civil or criminal investigation by any Governmental Entity.

(j) Each Provider is the legal and beneficial owner of the Receivables in each Transferred Batch free and clear of any Lien (other than Permitted Liens); upon each purchase or contribution of a Transferred Batch, the Purchaser shall acquire valid ownership of each Receivable in such Transferred Batch and in the Collections with respect thereto prior to all other Liens thereon. No effective financing statement or other instrument similar in effect covering any Accounts or the Collections with respect thereto, or any proceeds thereof, is on file in any recording office, except those filed in favor of the Purchaser, Healthco-4 or any permitted assignee of Healthco-4 relating to the Agreement, and no competing notice or notice inconsistent with the transactions contemplated in the Agreement remains in effect with respect to any Obligor.

(k) All Receivable Information, information provided in the application for the program effectuated by the Agreement, and each other document, report and Transmission provided by the Primary Servicer or any Provider to the HFG Group is or shall be accurate in all material respects as of its date and as of the date so furnished, and no such document contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary in order to make the statements contained therein, in the light of the circumstances under which they were made and when taken as a whole, not misleading.

(l) The principal place of business and chief executive office of each Provider and the office where such Provider keeps its records concerning the Receivables are located at the respective address referred to on the signature pages of the Agreement and, except as disclosed on Schedule IV hereto, there have been no other such locations for the four immediately prior months.

(m) Each purchase of a Purchased Batch will constitute a purchase or other acquisition of notes, drafts, acceptances, open accounts receivable or other obligations representing part or all of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended.

(n) Each Receivable included in a Purchased Batch is, as of the Transfer Date of such Purchased Batch, an Eligible Receivable.

(o) The provisions of the Agreement create in the Purchaser's favor, on the Initial Transfer Date, legal and valid liens in all of the Accounts owned or held by the Providers (other than the Batch Receivables that have been sold or contributed to the Purchaser pursuant to the provisions of the Agreement) and all proceeds thereof, and when all proper filings and other actions necessary to perfect such liens have been completed, will constitute a perfected and continuing Lien on all of the Accounts owned or held by the Providers (other than the Batch Receivables that have been sold or contributed to the Purchaser pursuant to the provisions of the Agreement) and all proceeds thereof, having priority over all other liens on such Accounts and proceeds thereof of the Providers, enforceable against each Provider and all third parties.

(p) Except as disclosed on Schedule IV hereto, all required Notices have been prepared and delivered to each Obligor, and all invoices now bear only the appropriate remittance instructions for payment direction to the applicable Lockbox or Lockbox Account, as the case may be.

(q) Except as disclosed on Schedule IV hereto, no Provider has changed its principal place of business or chief executive office in the last five years.

(r) The exact name of each Provider is as set forth on the signature pages of the Agreement and, except as set forth on such signature page, such Provider has not changed its name in the last five years and, except as set forth opposite such Provider's name on Schedule IV, during such period such Provider has not used, nor does such Provider now use, any other fictitious, assumed or trade name.

(s) With respect to itself or any of its Subsidiaries taken as a whole, there exists no event which could reasonably be expected to result in a Material Adverse Effect.

(t) It is not in violation under any applicable statute, rule, order, decree or regulation of any court, arbitrator or governmental body or agency having jurisdiction over it which could have a Material Adverse Effect.

(u) It has filed on a timely basis all tax returns (federal, state and local) required to be filed and has paid, or made adequate provision for payment of, all taxes, assessments and other governmental charges due from it, unless contested in good faith by appropriate proceedings. No tax Lien has been filed and is now effective against it or any of its Properties, except any Lien in respect of taxes and other charges not yet due or contested in good faith by appropriate proceedings. To its knowledge, there are no pending investigations of it by any taxing authority or any pending but unassessed tax liability of it. It does not have any obligation under any tax sharing agreement.

(v) It is solvent and will not become insolvent after giving effect to the transactions contemplated by the Agreement; it has not incurred debts or liabilities beyond its ability to pay; it will, after giving effect to the transaction contemplated by the Agreement, have an adequate amount of capital to conduct its business in the foreseeable future; the sales and contributions of Receivables hereunder are made in good faith and without intent to hinder, delay or defraud its present or future creditors.

(w) The Lockboxes are the only post office boxes and the Lockbox Accounts are the only lockbox accounts maintained for Receivables; and no direction of any Provider is in effect directing Obligor to remit payments on Batch Receivables other than to the Lockboxes or Lockbox Accounts.

(x) Each pension plan or profit sharing plan to which it is a party has been fully funded in accordance with its obligations as set forth in such plan.

(y) The primary business of each Provider is the provision of independent pharmacy benefit and formulary management services, the sale of medical and/or pharmaceutical products and the rendition of medical services in connection therewith.

(z) The assets of each Provider are free and clear of any liens in favor of any Employee Benefit Plan or the PBGC.

(aa) With respect to each Employee Benefit Plan of it, including to its knowledge as to any Multiemployer Plan, such Employee Benefit Plan has complied and been administered in accordance with its terms and in substantial compliance with all applicable provisions of ERISA and the Internal Revenue Code of 1986, as amended; neither it nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been terminated, within the meaning of Title IV of ERISA; and it has no material unpaid liability for any Employee Benefit Plan.

(bb) No transaction contemplated under this Agreement requires compliance with any bulk sales act or similar law.

(cc) It is not engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation T, U, or X of the Board of Governors of the Federal Reserve System), and no part of the proceeds of any extension of credit under this Agreement will be used to purchase or carry any such margin stock or to extend credit to others for the purpose of purchasing or carrying margin stock.

(dd) With respect to each Transferred Batch, each Provider shall receive, for its own capital account, its proportional share (based on such Provider's portion of the Receivables contributed to the Purchaser) of the aggregate Expected Net Value of the Receivables in the Transferred Batch which are not Purchased Receivables.

(ee) It is not in violation of any applicable material patient confidentiality law.

(ff) All computer software used by any Provider or the Primary Servicer in connection with the Receivables is date compliant, and no problems have occurred as a result of the date conversion.

EXHIBIT IV

COVENANTS

Until the later of the Facility Termination Date and the Final Payment Date, each Provider agrees as follows:

(a) Compliance With Laws, etc. It will comply in all material respects with all applicable laws, rules, regulations and orders and preserve and maintain its corporate existence, rights, franchises, qualifications, and privileges except to the extent that the failure so to comply with such laws, rules and regulations or the failure so to preserve and maintain such existence, rights, franchises, qualifications, and privileges would not result in a Material Adverse Effect.

(b) Offices, Records and Books of Account. It will keep its principal place of business and chief executive office at the address set forth under its name on the signature pages to the Agreement and the office where it keeps its records concerning the Accounts at 33 North Road, Wakefield, Rhode Island 02879, or, upon 30 days' prior Written Notice to the Purchaser, at any other locations in jurisdictions where all actions reasonably requested by the Purchaser or otherwise necessary to protect, perfect and maintain the Purchaser's security interest in the Accounts and all proceeds thereof have been taken and completed. It shall keep its books and accounts in accordance with GAAP and shall make a notation on its books and records, including any computer files, to indicate which Receivables have been sold or contributed to the Purchaser and the security interest of the Purchaser in its Accounts not sold to the Purchaser. It shall maintain and implement administrative and operating procedures (including, without limitation, an ability to recreate records evidencing Receivables and related contracts in the event of the destruction of the originals thereof), and keep and maintain all documents, books, records and other information reasonably necessary or advisable for collecting all Batch Receivables (including, without limitation, records adequate to permit the daily identification of each Batch Receivable and all Collections of and adjustments to each existing Batch Receivable) and for providing the Receivable Information.

(c) Performance and Compliance With Contracts and Credit and Collection Policy. It will, at its expense, timely and fully perform and comply with all material provisions, covenants and other promises required to be observed by it under the contracts and other documents related to the Batch Receivables and to its responsibilities under the Agreement, and timely and fully comply in all material respects with the Credit and Collection Policy in regard to each Batch Receivable and the related contract, and it shall maintain, at its expense, in full operation each of the Lockbox Accounts and Lockboxes. During the continuation of an Event of Termination or a Servicer Termination Event and at any time it is not the Primary Servicer or has turned over its Primary Servicer Responsibilities with respect to any Batch Receivable in accordance with the provisions of this Agreement, it shall not do anything to impede or interfere, or suffer or permit any other Person to impede or interfere in any material respect, with the collection by the Purchaser, or the Master Servicer, or any other Person designated by the Purchaser, on behalf of the Purchaser, of the Batch Receivables or such Batch Receivable..

(d) Sales, Liens, etc. Except for the sales and contributions contemplated under this Agreement, it will not sell, assign (by operation of law or otherwise) or otherwise dispose of, or create

or suffer to exist any Liens upon or with respect to, its Accounts, or upon or with respect to any account to which any Collections of any Batch Receivable are sent, or assign any right to receive income in respect thereof except (i) Permitted Liens and (ii) those Liens in favor of the Purchaser, Healthco-4 or any assignee of Healthco-4 relating to the Agreement.

(e) Extension or Amendment of Batch Receivables. It shall not amend, waive or otherwise permit or agree to any deviation in any material respect from the terms or conditions of any Batch Receivable except in accordance with the Credit and Collection Policy or with respect to a Denied Receivable for which the Repurchase Price has been received by the Purchaser.

(f) Change in Business or Credit and Collection Policy. It will not make any change in the Credit and Collection Policy or make any change in the character of its business that, in either event, could reasonably be expected to result in a Material Adverse Effect, and it will not make any other material changes in the Credit and Collection Policy without the prior written consent of the Purchaser; provided, however, that if an Event of Termination has occurred and is continuing, it will not make any change in the Credit and Collection Policy.

(g) Audits and Visits. It will, at any time and from time to time during regular business hours as requested by the Purchaser, permit the Purchaser, or its agents or representatives (including the Master Servicer), upon reasonable notice, (i) on a confidential basis, to examine and make copies of and abstracts from all books, records and documents (including, without limitation, computer tapes and disks) in its possession or under its control relating to Batch Receivables including, without limitation, the related contracts, and (ii) to visit its offices and properties for the purpose of examining and auditing such materials described in clause (i) above, and to discuss matters relating to Batch Receivables or its performance hereunder or under the contracts with any of its officers or employees having knowledge of such matters. It shall permit the Master Servicer to have at least one agent or representative physically present in its administrative office during normal business hours to assist it in performing its obligations under the Agreement, including its obligations with respect to the collection of Batch Receivables pursuant to Article I of the Agreement. Notwithstanding the foregoing, and provided that no Event of Termination, Servicer Termination Event or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Termination or Servicer Termination Event shall have occurred and be continuing, all visits and examinations shall be scheduled at mutually convenient times.

(h) Change in Payment Instructions. It will not terminate the Lockboxes or the Lockbox Accounts, or make any change or replacement in the instructions contained in any invoice, Notice or otherwise, or regarding payments with respect to Receivables to be made to the Lockboxes, the Lockbox Accounts, the Purchaser or the Master Servicer, except upon the prior and express written consent of the Program Manager or the Purchaser.

(i) Reporting Requirements. It will provide to the Purchaser (in multiple copies, if requested by the Purchaser) the following:

- (i) as soon as available and in any event within 45 days after the end of each of the first three quarters of each fiscal year of the Parent, (x) consolidated and consolidating balance sheets of the Parent and its Subsidiaries as of the end of

such quarter and consolidated and consolidating statements of income, cash flows and retained earnings of the Parent and its Subsidiaries for the period commencing at the beginning of the current fiscal year and ending with the end of such quarter or (y) a copy of the Parent's quarterly reports on Form 10-Q for such quarters as filed with the Securities and Exchange Commission, in either case, certified by the chief financial officer of the Parent and accompanied by a certificate of an authorized officer of each Provider stating that, as of such date, (i) no Event of Termination, Group-Wide Event of Termination or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Termination or a Group-Wide Event of Termination has occurred and is continuing, (ii) all representations and warranties set forth in the Agreement are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct on and as of such date) and (iii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Purchaser, and detailing such Provider's compliance for such fiscal period with all financial covenants contained in the Agreement, and to the extent any Event of Termination, Group-Wide Event of Termination or other event or non-compliance exists, a description of the steps being taken by such Provider to address such Event of Termination, Group-Wide Event of Termination, other event or non-compliance;

- (ii) as soon as available and in any event within 90 days after the end of each fiscal year of the Parent, (x) a copy of the audited consolidated financial statements (together with explanatory notes thereon) and the auditor's report letter for such year for the Parent and its Subsidiaries, containing financial statements for such year audited by Arthur Anderson or other independent public accountants of recognized standing acceptable to the Purchaser or (y) a copy of the Parent's annual report on Form 10-K as filed with the Securities and Exchange Commission, in either case, accompanied by a certificate of an authorized officer of each Provider stating that, as of such date, no Event of Termination Group-Wide Event of Termination or event which, with the giving of notice or lapse of time, or both, would constitute an Event of Termination or a Group- Wide Event of Termination has occurred and is continuing, (ii) all representations and warranties set forth in the Agreement are true and correct in all material respects (except any representation or warranty that expressly indicates that it is being made as of a specific date, in which case such representation or warranty shall be true and correct on and as of such date) and (iii) the conditions precedent set forth in paragraph 2 of Exhibit II have been fulfilled or waived in writing by the Purchaser, and detailing such Provider's compliance for such fiscal period with all the financial covenants contained in the Agreement, and to the extent any Event of Termination, Group-Wide Event of Termination, other event or non-compliance exists, a description of the steps being taken by such Provider to address such Event of Termination, Group- Wide Event of Termination, other event or non-compliance;

- (iii) on or before the 25th of each month, monthly and year-to-date statistical and financial reports, in substantially the form attached hereto as Schedule VII;
- (iv) promptly and in any event within five Business Days following actual knowledge thereof by a Provider or the Primary Servicer of an Event of Termination or an event which, with the giving of notice or lapse of time, or both, would constitute an Event of Termination, a statement of the chief financial officer of the Primary Servicer setting forth details of such Event of Termination or event, and the action that it has taken and proposes to take with respect thereto;
- (v) promptly after the sending or filing thereof, if any, copies of all reports and registration statements that the Parent, any Provider or any Subsidiary files with the Securities and Exchange Commission or any national securities exchange and official statements that any Provider or any Subsidiary files with respect to the issuance of tax-exempt indebtedness and after an Event of Termination or Servicer Termination Event, copies of all reports (if any) that any Provider or any Subsidiary sends to any of its security holders;
- (vi) promptly after the filing or receiving thereof, copies of all reports and notices that any Provider or any of its Affiliates files under ERISA with the Internal Revenue Service or the PBGC or the U.S. Department of Labor or that any Provider or any of its Affiliates receives from any of the foregoing or from any Multiemployer Plan to which any Provider or any of its Affiliates is or was, within the preceding five years, a contributing employer, in each case in respect of the assessment of withdrawal liability or an event or condition which could, in the aggregate, result in the imposition of liability on any Provider or any such Affiliate in excess of \$100,000;
- (vii) at least ten Business Days prior to any change in any Provider's name or any implementation of a new trade/assumed name, a Written Notice setting forth the new name or trade name and the proposed effective date thereof and copies of all documents required to be filed in connection therewith;
- (viii) promptly (and in no event later than ten days following actual knowledge or receipt thereof), Written Notice in reasonable detail, of (w) any Lien asserted or claim made against a Batch Receivable, (x) the occurrence of a Servicer Termination Event, (y) the occurrence of any other event which could have a Material Adverse Effect on the value of a Batch Receivable or on the interest of the Purchaser in a Batch Receivable or (z) the results of any material cost report, investigation or similar audit being conducted by any federal, state or county Governmental Entity or its agents or designees;
- (ix) promptly upon approval by the Board of Directors, and in no event later than March 31st in each year, a consolidated and consolidating operating plan

(together with a complete statement of the assumptions on which such plan is based) of the Primary Servicer and its Subsidiaries approved by its Board of Directors, which shall include monthly budgets for the prospective year in reasonable detail acceptable to the Purchaser and will integrate operating profit and cash flow projections and personnel, capital expenditures, and facilities plans;

- (x) promptly upon receipt thereof, a copy of any management letter or written report submitted to the Primary Servicer by independent certified public accountants with respect to the Subsidiaries, business, condition (financial or otherwise), operations, prospects, or Properties of the Providers;
- (xi) no later than five Business Days after the commencement thereof, Written Notice of all actions, suits, and proceedings before any Governmental Entity or arbitrator affecting any Provider which, if determined adversely to any Provider, could have a Material Adverse Effect;
- (xii) promptly after the furnishing thereof, copies of any statement or report furnished by a Provider to any other party pursuant to the terms of any indenture, loan, or credit or similar agreement in excess of \$1,000,000 and not otherwise required to be furnished to the Purchaser pursuant to this Agreement;
- (xiii) except as otherwise required to be furnished to the Purchaser pursuant to this Agreement, as soon as available, (A) one copy of each financial statement, report, notice or proxy statement sent by the Parent or any Provider to its stockholders generally, (B) and one copy of each regular, periodic or special report, registration statement, or prospectus filed by any Provider or any of its Subsidiaries with any securities exchange or the Securities and Exchange Commission or any successor agency or the Bankruptcy Court, and (C) all press releases and other statements made available by any Provider to the public concerning developments in the business of any Provider;
- (xiv) within the sixty (60) day period prior to the end of each fiscal year of each Provider, a report satisfactory in form to the Purchaser, listing all material insurance coverage maintained as of the date of such report by such Provider and all material insurance planned to be maintained by such Provider in the subsequent fiscal year; and
- (xv) such other information respecting the Receivables or the condition or operations, financial or otherwise, of any Provider or any Subsidiary or Affiliate as the Purchaser may from time to time reasonably request.

(j) Notice of Proceedings; Overpayments. The Primary Servicer shall promptly notify the Master Servicer in the event of any action, suit, proceeding, dispute, set-off, deduction, defense or counterclaim involving in excess of \$100,000 that is or has been threatened to be asserted by an Obligor with respect to any Batch Receivable. The Primary Servicer shall cause each Provider

to make any and all payments to the Obligors necessary to prevent the Obligors from offsetting any earlier overpayment to any Provider against any amounts the Obligors owe on any Batch Receivables.

(k) Further Instruments, Continuation Statements. Each Provider shall, at its expense, promptly execute and deliver all further instruments and documents, and take all further action that the Program Manager or the Purchaser may reasonably request, from time to time, in order to perfect, protect or more fully evidence the full and complete transfer of ownership of the Batch Receivables, or to enable the Purchaser or the Program Manager to exercise or enforce the rights of the Purchaser hereunder or under the Batch Receivables. Without limiting the generality of the foregoing, each Provider will upon the request of the Program Manager execute and file such UCC financing or continuation statements, or amendments thereto or assignments thereof, and such other instruments or notices, as may be, in the opinion of the Program Manager, necessary or appropriate. Each Provider hereby authorizes the Program Manager or its designees, upon two Business Days' notice, to file one or more financing or continuation statements and amendments thereto and assignments thereof, relative to all or any of the Batch Receivables now existing or hereafter arising without the signature of such Provider where permitted by law. If a Provider fails to perform any of its agreements or obligations under the Agreement, the Program Manager may (but shall not be required to) itself perform, or cause performance of, such agreement or obligation, and the expenses of the Program Manager incurred in connection therewith shall be payable by the Providers.

(l) Taxes. The Providers shall pay any and all taxes (excluding the Purchaser's income, gross receipts, franchise, doing business or similar taxes) relating to the transactions contemplated under the Agreement, including but not limited to the sale, transfer and assignment of each Batch Receivable.

(m) Purchaser's Ownership of Batch Receivables. It shall not prepare or permit to be prepared any financial statements which shall account for the transactions contemplated hereby in a manner which is, or in any other respect account for the transactions contemplated hereby in a manner which is, inconsistent with the Purchaser's ownership of the Batch Receivables.

(n) No "Instruments". It shall not take any action which would allow, result in or cause any Transferred Batch or Batch Receivable to be evidenced by an "instrument" within the meaning of the UCC of the applicable jurisdiction.

(o) Implementation of New Invoices. Each Provider shall take all reasonable steps to ensure that all invoices rendered or dispatched on or after the Initial Transfer Date contain only the remittance instructions required under Article II of this Agreement.

(p) Assumed/Trade Name Certificates. On or before the Closing Date, the Purchaser shall receive copies of all certificates filed by the Providers in each applicable jurisdiction regarding the use of each of the trade or assumed names set forth opposite each Provider's name on Schedule IV attached hereto.

(q) Notice of Termination or Suspension of Contracts. It shall promptly (and in no event later than one Business Day following actual knowledge thereof) inform the Purchaser and the

Master Servicer of any termination or suspension of any of its contracts which could reasonably be expected to reduce revenue by 3% or more.

(r) Treatment as a Sale. It shall treat each sale of Receivables hereunder as a sale for federal and state income tax, reporting and accounting purposes and shall treat each contribution of Receivables hereunder as a contribution for federal and state income tax, reporting and accounting purposes.

(s) Maintain Properties. Each Provider shall maintain, keep, and preserve all of its Properties necessary or useful in the proper conduct of its business in good repair, working order, and condition (ordinary wear and tear excepted) and make all necessary repairs, renewals, replacements, betterments, and improvements thereof.

(t) Payment of Taxes, etc. Each Provider shall pay or discharge at or before maturity or before becoming delinquent (i) all taxes, levies, assessments, and governmental charges imposed on it or its income or profits or any of its Property, except any taxes, levies, assessments, and governmental charges contested in good faith by appropriate proceedings and (ii) all lawful claims for labor, material, and supplies, which, if unpaid, might become a Lien upon any of its Property.

EXHIBIT V

EVENTS OF TERMINATION

Each of the following shall be an "EVENT OF TERMINATION" with respect to each individual provider and, if any Event of Termination relates either (in each case, a "GROUP-WIDE EVENT OF TERMINATION") to the Primary Servicer or to Providers responsible in the aggregate for the sale or contribution to the Purchaser of more than 20% of the Batch Receivables (whether or not purchased) in the prior 90 days (or the number of days from the date of the Agreement to the date of such Event of Termination, if less than 90 days) ("GROUP-WIDE PROVIDERS"), such Event of Termination shall relate to each Provider:

(a) The Primary Servicer, in its capacity as agent for the Purchaser pursuant to Section 1.05(b), shall fail to perform or observe in any material respect any term, covenant or agreement included in the Primary Servicer Responsibilities (other than a Servicer Termination Event resulting from the events described in paragraph (g) of this Exhibit) and such failure shall remain unremedied for 15 days or the Primary Servicer or any Provider shall fail to make when due any payment or deposit to be made by it under the Agreement.

(b) Any Provider or the Primary Servicer (i) fails to transfer in a timely manner any servicing rights and obligations with respect to the Batch Receivables to any successor designated pursuant to Section 1.05(b) of the Agreement, (ii) fails to make any payment required under the Agreement (unless such payment obligation has been fulfilled in full pursuant to the Purchaser's set-off rights under Section 4.03 of the Agreement) or (iii) sends a "Revocation Order" (as defined in the Depositary Agreement) or makes any change or replacement in the "Standing Revocable Instruction" (as defined in the Depositary Agreement).

(c) Any representation or warranty (other than those representations and warranties (i) with respect to the purchase of Receivables that are covered by paragraph (f) of this Exhibit and (ii) with respect to Batch Receivables, the Repurchase Price with respect thereto is paid to the Purchaser in the manner set forth in Article IV of this Agreement within five Business Days following demand therefor) made or deemed made by a Provider under or in connection with the Agreement or any information or report delivered by a Provider pursuant to the Agreement shall prove to have been incorrect or untrue in any material respect when made or deemed made or delivered.

(d) Any Provider fails to perform or observe in any material respect any other term, covenant or agreement contained in the Agreement on its part to be performed or observed and any such failure shall remain unremedied for ten Business Days after the earlier of (i) the discovery thereof by such Provider and (ii) written notice thereof shall have been given to such Provider or the Primary Servicer by the Purchaser, unless such Provider is removed as a Provider in accordance with Section 5.18(b) of the Agreement after the earlier of clauses (i) and (ii).

(e) Any Provider shall fail to pay any principal of or premium or interest on any of its Debt which individually or in the aggregate exceeds \$100,000 when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or

instrument relating to such Debt; or any other event shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt; or any such Debt shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), redeemed, purchased or defeased, or an offer to repay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof.

(f) Any purchase of a Purchased Batch pursuant to the Agreement shall for any reason (other than pursuant to the terms hereof) fail or cease to create or fail or cease to be a valid and perfected ownership interest in each Batch Receivable in such Purchased Batch and the Collections with respect thereto free and clear of all Liens (other than Liens referred to in clauses (i) and (ii) of paragraph (d) of Exhibit IV) unless, as to any such Batch Receivable, the Repurchase Price with respect thereto is paid to the Purchaser in the manner set forth in Article IV of the Agreement within five Business Days following demand therefor.

(g) Any Provider or the Parent shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against the Provider seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, custodian or other similar official for it or for any substantial part of its Property and, in the case of any such proceeding instituted against it (but not instituted by it), either such proceeding shall remain undismissed or unstayed for a period of 45 days, or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or for any substantial part of its Property) shall occur; or the Parent, a Provider or any of its Subsidiaries shall take any action to authorize any of the actions set forth above in this paragraph (g).

(h) There shall have occurred any Material Adverse Effect since December 31, 1999.

(i) A Change of Control shall occur.

(j) Judgments or orders for payment of money (other than judgments or orders in respect of which adequate insurance is maintained for the payment thereof) against the Providers in excess of \$100,000 in the aggregate remain unpaid, unstayed on appeal, undischarged, unbonded or undismissed for a period of 45 days or more.

(k) Any governmental authority (including, without limitation, the Internal Revenue Service or the PBGC) files a notice of a Lien against the assets of a Provider other than a Lien (i) that is limited by its terms to assets other than Accounts and all proceeds thereof, and (ii) that does not result in a Material Adverse Effect.

(l) Any Provider does not keep insured by financially sound and reputable insurers all Property of a character usually insured by corporations engaged in the same or similar business similarly situated against loss or damage of the kinds and in the amounts customarily insured against by such corporations and carry such other insurance as is usually carried by such corporations. Each policy referred to in this clause (n) shall provide that the interests of the Purchaser shall not be invalidated by any act or negligence of the Provider. Any Provider does not advise the Purchaser promptly of any policy cancellation, reduction, or amendment. Any insurance policy for property, casualty, liability and business interruption coverage for a Provider does not name DH-3 as assignee of the Purchaser as loss payee (as the Purchaser's interests may appear) or an additional insured, as appropriate.

(m) Any Provider does not maintain proper books of record and account in which full, true and correct entries in conformity with GAAP are made of all dealings and transactions in relation to its business and activities and such failure remains unremedied for 10 days.

(n) Any Provider does not comply with all minimum funding requirements and all other material requirements of ERISA, if applicable, so as not to give rise to any liability thereunder.

(o) Any Provider engages in any line or lines of business activity that is materially different from the businesses in which it is engaged on the date hereof.

(p) Any contracts with Obligors located in the State of Tennessee are terminated for any reason or are not extended at the end of their term and the aggregate effect of such terminations and non-extensions is a loss of more than 20% of the combined revenue of the Providers.

(q) An "Event of Default" (as defined in the Loan Agreement) shall occur and be continuing under the Loan Agreement.

(r) Any provision of this Agreement shall for any reason cease to be valid and binding on the Primary Servicer or a Provider or the Primary Servicer or a Provider shall so state in writing.

(s) Consolidated Net Worth. The Consolidated Net Worth, calculated at the end of each fiscal quarter of the Parent, is less than the amount indicated opposite each such fiscal quarter ended as follows:

Fiscal Quarter Ending	Amount
September 30, 2000	\$41,750,000
December 31, 2000	\$40,700,000
March 31, 2001	\$42,640,000
June 30, 2001	\$44,080,000
September 30, 2001	\$45,619,000
December 31, 2001	\$46,311,000
each fiscal quarter thereafter	

(t) Consolidated Interest Coverage Ratio. The Consolidated Interest Coverage Ratio, calculated as of the end of each fiscal quarter of the Parent for the four fiscal quarters of the Parent then most recently ended, is less than the ratio set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending -----	Ratio -----
September 30, 2000	2.0:1.00
December 31, 2000	2.0:1.00
March 31, 2001 and each fiscal quarter thereafter	4.0:1.00

(u) Capital Expenditures. The Consolidated Capital Expenditures calculated as of (i) the end of the fiscal quarter of the Parent ended September 30, 2000 is more than \$900,000 during such fiscal quarter, (ii) the end of the fiscal quarter of the Parent ending December 31, 2000 is more than \$2,000,000 during such fiscal quarter, (iii) the end of the fiscal quarter of the Parent ending March 31, 2001 and each fiscal quarter ending thereafter is more than \$2,000,000 during such fiscal quarter and (iv) the end of the fiscal year of the Parent ending December 31, 2001 and each fiscal year ending thereafter is more than \$3,000,000 during such fiscal year.

(v) Consolidated EBITDA. The Consolidated EBITDA, calculated as of the end of each fiscal quarter of the Parent for the four fiscal quarters of the Parent then most recently ended, is less than the amount set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending -----	Amount -----
September 30, 2000	\$450,000
December 31, 2000	\$275,000
March 31, 2001	\$2,250,000
June 30, 2001	\$2,250,000
September 30, 2001	\$2,250,000
December 31, 2001	\$1,750,000
Each fiscal quarter thereafter	\$2,500,000

(w) Accounts Receivable Turnover. The Accounts Receivable Turnover, calculated as of the end of each fiscal quarter of the Parent for the four fiscal quarters of the Providers then most recently ended, is more than 75 days.

(x) The Providers' Debt to Equity Ratio. The ratio of Debt of the Providers to their Equity exceeds the ratio set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending -----	Ratio -----
September 30, 2000	1.75:1.00
December 31, 2000	1.75:1.00
March 31, 2001	1.80:1.00
June 30, 2001	1.80:1.00
September 30, 2001	1.80:1.00
December and each fiscal quarter thereafter	2.10:1.00

(y) The Provider's Debt to Consolidated Tangible Net Worth Ratio. The ratio of Debt of the Providers to their Consolidated Tangible Net Worth exceeds the ratio set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending -----	Ratio -----
September 30, 2000	22.5:1.00
December 31, 2000	26.5:1.00
March 31, 2001	15.5:1.00
June 30, 2001 and each fiscal quarter thereafter	10.5:1.00

(z) Current Ratio. The ratio of Current Assets to Current Liabilities is less than the ratio set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending -----	Ratio -----
September 30, 2000	0.9:1.00
December 31, 2000	0.9:1.00
March 31, 2001	1.00:1.00
June 30, 2001 and each fiscal quarter thereafter	1.00:1.00

(aa) Consolidated Working Capital. The Consolidated Working Capital, calculated as of the end of each fiscal quarter of the Parent, is less than the amount set forth below as of the end of the corresponding fiscal quarter indicated below:

Fiscal Quarter Ending -----	Amount -----
September 30, 2000	(\$4,250,000)
December 31, 2000	(\$5,000,000)
March 31, 2001	\$1,750,000
June 30, 2001 and each fiscal quarter thereafter	\$4,000,000

(bb) Consolidated Tangible Net Worth. The Consolidated Tangible Net Worth, calculated at the end of each fiscal quarter of the Parent, is less than the amount indicated opposite each such fiscal quarter ended as follows:

Fiscal Quarter Ending -----	Amount -----
September 30, 2000	\$3,300,000
December 31, 2000	\$2,100,000
March 31, 2001	\$4,750,000
June 30, 2001	\$6,600,000
September 30, 2001	\$8,650,000
December 31, 2001	\$9,800,000
each fiscal quarter thereafter	

EXHIBIT VI

RECEIVABLE INFORMATION

The following information shall, as appropriate, be provided by each Provider to the Master Servicer with respect to each Batch Receivable, together with such other information and in such form as may reasonably be requested from time to time by the Master Servicer and as, in accordance with applicable law, may be disclosed or released to the Master Servicer (the "RECEIVABLE INFORMATION"):

(i) Cash Receipts Report - Cash receipt transaction data containing:

- o Transaction date
- o Transaction number
- o Customer number
- o Cash receipt amount

(ii) Invoices Report - Invoice transaction data containing:

- o Transaction date
- o Transaction number
- o Customer number
- o Invoice amount

(iii) Adjustments Report - Adjustment transaction data containing:

- o Transaction date
- o Transaction number
- o Customer number
- o Amount of adjustment

EXHIBIT VII-A

FORM OF NOTICE TO GOVERNMENTAL ENTITIES

[Letterhead of the applicable Provider]

[Date]

[Name and Address
of Governmental Entity]

Re: Change of Account and Address [for Medicare Supplier No.]

To Whom it May Concern:

Please be advised that we have opened a new bank account at Fleet National Bank and a post-office box with respect to such bank account. Accordingly, effective immediately and until further notice, we hereby request that:

(1) All wire transfers be made directly into our account at:

Fleet National Bank
Boston, MA
Account # _____
ABA # 011000390

(2) All remittance advices and other forms of payment, including checks, be made to our post office box located at:

P.O. Box _____
Boston, MA 02241-
Reference: Account # _____

As provided in the Medicare Carriers Manual ss. 3060.11, the undersigned hereby certifies that this payment arrangement will continue in effect only so long as the following requirements are met:

- a) Fleet National Bank does not provide financing to the undersigned nor acts on behalf of another party in connection with the provision of such financing; and
- b) The undersigned has sole control of the account, and Fleet National Bank is subject only to the instructions of the undersigned (or its agents) regarding the account.

Thank you for your cooperation in this matter.

[MIM HEALTH PLANS, INC. d/b/a Scrip
PHARMACY SOLUTIONS] [AMERICAN
DISEASE MANAGEMENT ASSOCIATES, LLC]
[CONTINENTAL PHARMACY, INC.]

By: _____
Edward J. Sitar, CFO

VII-A-2

EXHIBIT VII-B

FORM OF NOTICE TO NON-GOVERNMENTAL ENTITIES

[Letterhead of the Applicable Provider]

[Date]

[Name and Address
of Obligor]

Re: Change of Account and Address

To Whom it May Concern:

We are pleased to announce that we have entered into a new long-term financing arrangement with the Healthcare Finance Group, Inc. This financing arrangement will allow us to continue to provide you with new and innovative services and products. As part of this arrangement, we will be selling and contributing all of our existing and future receivables payable by you to us to MIM Funding LLC, an affiliated company. Also as part of this arrangement, MIM Funding LLC is assigning the aforementioned existing and future arising receivables as collateral to its lender -- HFG Healthco-4 LLC ("Healthco- 4"). Accordingly, you are hereby directed to make:

(1) All wire transfers directly to the following account:

Fleet National Bank
Boston, MA
Account # _____
ABA # 011000390

(2) All remittance advices and other forms of payment, including checks, to the following address:

P.O. Box _____
Boston, MA 02241-
Reference: Account # _____

Please note that this is the same remittance name, address and account to which you currently send payment.

The foregoing directions shall apply to all existing receivables payable to us and (until further written notice) to all receivables arising in the future and may not be revoked except by a writing executed by MIM Funding LLC and Healthco-4.

Please acknowledge your receipt of this notice by signing the enclosed copy of this letter and returning it in the enclosed envelope.

Thank you for your cooperation in this matter.

[MIM HEALTH PLANS, INC. d/b/a Scrip PHARMACY SOLUTIONS][AMERICAN DISEASEMANAGEMENT ASSOCIATES, LLC][CONTINENTAL PHARMACY, INC.]

By: _____
Edward J. Sitar, CFO

MIM FUNDING LLC

By: MIM Health Plans, Inc., its managing member

By: _____
Edward J. Sitar, CFO

VII-B-2

EXHIBIT VIII

PRIMARY SERVICER RESPONSIBILITIES

Each Provider shall be responsible for the following administration and servicing obligations (the "PRIMARY SERVICER RESPONSIBILITIES") which shall be performed by the Primary Servicer on behalf of the Providers until such time as a successor servicer shall be designated and shall accept appointment pursuant to Section 1.05(b) of the Agreement:

(a) Servicing Standards and Activities. Each provider and the Primary Servicer agree to administer and service the Batch Receivables sold or contributed by the Providers in each Transferred Batch (i) to the extent consistent with the standards set forth in clauses (b)(i) through (iv) below, with the same care that it exercises in administering and servicing similar receivables for its own account, (ii) within the parameters of services set forth in paragraph (b) of this Exhibit VIII, as such parameters may be modified by mutual written agreement of the Purchaser and the Primary Servicer, (iii) in compliance at all times with applicable law and with the agreements, covenants, objectives, policies and procedures set forth in the Agreement, and (iv) in accordance with industry standards for servicing healthcare receivables unless such standards conflict with the procedures set forth in paragraph (b) of this Exhibit VIII in which case the provisions of paragraph (b) shall control. The Primary Servicer shall establish and maintain electronic data processing services for monitoring, administering and collecting the Batch Receivables in accordance with the foregoing standards and shall, within three Business Days of the deposit of any checks, other forms of cash deposits, or other written matter into a Lockbox, post such information to its electronic data processing services.

(b) Parameters of Primary Servicing. The Primary Servicer Responsibilities shall be performed within the following parameters:

- (i) Subject to the review and authority of the Purchaser and except as otherwise provided herein, the Primary Servicer shall have full power and authority to take all actions that it may deem necessary or desirable, consistent in all material respects with its existing policies and procedures with respect to the administration and servicing of accounts receivable, in connection with the administration and servicing of Batch Receivables. Without limiting the generality of the foregoing, the Primary Servicer shall, in the performance of its servicing obligations hereunder, act in accordance with all legal requirements and subject to the terms and conditions of the Agreement. The Primary Servicer agrees that the Primary Servicing Fee has been calculated to cover all costs and expenses incurred in the performance of its servicing obligations hereunder and no other reimbursement of costs and expenses shall be payable to the Primary Servicer.
- (ii) The Primary Servicer shall not be entitled to sue to enforce or collect any Batch Receivable without the prior written consent of the Purchaser unless

the Primary Servicer shall have repurchased such Batch Receivable in accordance with the Agreement.

The Primary Servicer shall not change in any material respect its existing policies and procedures with respect to the administration and servicing of accounts receivable (including, without limitation, the amount and timing of write-offs) without the prior written consent of the Purchaser.

- (iii) The Primary Servicer will be responsible for monitoring and collecting the Batch Receivables, including, without limitation, contacting Obligor that have not made payment on their respective Batch Receivables within the customary time period for such Obligor, and resubmitting any claim rejected by an Obligor due to incomplete information.
- (iv) If the Primary Servicer determines that a payment with respect to a Batch Receivable has been received directly by a pharmacy or any other Person, the Primary Servicer shall promptly advise the Purchaser, and the Purchaser shall be entitled to presume that the reason such payment was made to such pharmacy or other Person was because of a breach of representation or warranty in the Agreement with respect to such Batch Receivable (such as, by way of example, the forms related to such Batch Receivable not being properly completed so as to provide for direct payment by the Obligor to the Primary Servicer), unless the Primary Servicer shall demonstrate that such is not the case. In the case of any such Batch Receivable which is determined not to be a Denied Receivable, the Primary Servicer shall promptly demand that such pharmacy or other Person remit and return such funds. If such funds are not promptly received by the Provider, the Primary Servicer shall take all reasonable steps to obtain such funds.
- (vi) Notwithstanding anything to the contrary contained herein, no Provider may amend, waive or otherwise permit or agree to any deviation from the terms or conditions of any Batch Receivable in any material respect without the prior consent of the Purchaser.

(c) The Primary Servicer shall be responsible, with the Purchaser, for the determination and application of the Eligibility Criteria and the delivery and certification of the Borrowing Base Certificate.

(d) Aged Term Servicing. The parties hereby agree that at such time as any Batch Receivable is unpaid for more than 120 days after the Invoice Date, the Primary Servicer shall, upon the request of the Purchaser, turn over all of its Primary Servicer Responsibilities under this Agreement with respect to such Batch Receivable to a successor servicer selected by the Purchaser, and such servicer shall thereafter service such Batch Receivable.

(e) Termination of Primary Servicer Responsibilities; Cooperation. Upon the occurrence of a Servicer Termination Event, the Purchaser may, by written notice, terminate the performance of the Primary Servicer Responsibilities by the Primary Servicer, in which event the Primary Servicer shall immediately transfer to a successor servicer designated by the Purchaser all records, computer access and other information as shall be necessary or desirable, in the reasonable judgment of such successor servicer, to perform such responsibilities. The Primary Servicer shall otherwise cooperate fully with such successor servicer.

(f) Primary Servicing Fee. Upon the transfer of servicing with respect to any Purchased Receivable pursuant to this Agreement, the Primary Servicer shall no longer be paid the Primary Servicing Fee relating to such Purchased Receivables, and such Primary Servicing Fee will be paid to the successor Person performing the Primary Servicer Responsibilities with respect thereto.

EXHIBIT XI

SERVICER TERMINATION EVENTS

Each of the following shall be a "SERVICER TERMINATION EVENT":

(a) An event has occurred and is continuing that constitutes an Event of Termination or that would constitute an Event of Termination but for the requirement that notice be given or time elapse or both.

(b) The Primary Servicer is not performing in any material respect the Primary Servicer Responsibilities set forth in Exhibit VIII hereof, or the Purchaser, in its sole judgement, which judgment shall be commercially reasonable, is not satisfied with the performance by the Primary Servicer, or the Providers, of the Primary Servicer Responsibilities with respect to the Batch Receivables.

(c) The Primary Servicer is unable to maintain the Transmission interface described in Exhibit X to the satisfaction of the Master Servicer, or the electronic information servicing capabilities of the Primary Servicer are not functioning for a period of more than three consecutive Business Days for any reason other than force majeure.

(d) The Primary Servicer has sent multiple Transmissions to the Master Servicer in a manner that is not in compliance with the specifications set forth in Exhibit X hereof.

EXHIBIT X

INTERFACE BETWEEN MASTER SERVICER AND THE PRIMARY SERVICER

1. The Master Servicer will convey appropriate data requirements and instructions to the Primary Servicer to establish a computer interface between the Primary Servicer's systems and the Master Servicer's receivables monitoring system. The interface will permit the Master Servicer to receive electronically the Primary Servicer's accounts receivable data, including the Receivable Information, billing data and collection and other transaction data relating to the Receivables.
2. The Primary Servicer shall give the Master Servicer and the Purchaser at least ten Business Days' notice of any coding changes or electronic data processing system modifications made by the Primary Servicer which could affect the Master Servicer's processing or interpretation of data received through the interface.
3. The Master Servicer shall have no responsibility to return to the Primary Servicer any information which the Master Servicer receives pursuant to the computer interface.
4. The Primary Servicer will prepare weekly accounts receivable data files of all transaction types for all of the Primary Servicer's sites that are included in the program. The weekly cutoff will occur at a predetermined time each week, and the weekly cutoff date for all of the sites must occur at exactly the same time. The cutoff date that will be selected will be at the end of business for a specific day of the week, or in other words, at the end of the Primary Servicer's transaction posting process for that day. The Primary Servicer will temporarily maintain a copy of the accounts data files in the event that the data is degraded or corrupted during transmission, and needs to be re-transmitted.
5. The Master Servicer will be responsible for the management of the hardware, communications and software used in the program.
6. The Master Servicer's data center will receive the Receivable files, and immediately confirm that the files have been passed without degradation or corruption of data by balancing the detailed items to the control totals that accompany the files. Any problems in this process will be immediately reported to the Primary Servicer so that the Receivable file can be re-transmitted, if necessary.
7. Once the receipt of the Receivable data has been confirmed, the Master Servicer will perform certain tests and edits to ensure that each Receivable meets the specified eligibility criteria for purchase by the Purchaser. Compliance with concentration limits will be verified and the Master Servicer will notify the Program Manager that the Eligible Receivables have been determined. Upon the successful completion of a purchase, the Master Servicer will generate a one-line trial balance (listing all purchased accounts) confirming the Receivables that have been

purchased. A copy of the trial balance will be forwarded to each Provider, to the Primary Servicer, to the Purchaser, and to the Program Manager to confirm the purchase.

8. The Primary Servicer's sites will continue to post daily transactions to their respective Receivable files. The Primary Servicer's Receivable files for each of the eligible sites will include all transactions posted through that day. The Primary Servicer will create a transaction report and a Receivable file for each of the eligible sites. The transaction report will contain all transactions posted to the respective site Receivable file for the specified period (and will indicate the respective site and the number of items and total dollars on each transaction report for control purposes). The Receivable file will contain balances that reflect the transactions posted on the Primary Servicer's systems through the end of business of the specified period.
9. The Primary Servicer will transmit the billing, transaction, and the most current Receivable data files to the Master Servicer's data center according to the established schedule. The Providers and the Primary Servicer should, again, maintain the backup of each of these files in the event that a re-transmission is necessary.
10. The Master Servicer's data center will confirm that the files have been received intact, and will immediately communicate any problems to the Primary Servicer in order to initiate a re-transmission. The Master Servicer will then post the transaction files to the accounts receivable for the previously purchased accounts that the Master Servicer is maintaining, and consequently update the affected balances. Upon completion of the posting process, the Master Servicer will generate summary reports of the posting process that the Program Manager will use to complete various funding activities. The Master Servicer summary reports will reference the Primary Servicer's transaction codes and activity to codes that are common to the funding program.
11. The Master Servicer will then compare the updated accounts balances on the Master Servicer's system to the corresponding account balances reflected on the Receivable file. The Master Servicer expects that the balances for the funded Receivables will be congruent, and any discrepancies will be immediately examined and resolved through the cooperative effort of the Master Servicer and the Primary Servicer. The Master Servicer shall produce discrepancy reports (e.g., "Funding Only" or "Out of Balance" reports) and the Primary Servicer shall respond promptly to such reports.
12. Once the reconciliation process has been completed and any discrepancies between the Master Servicer and the Primary Servicer's Receivable files resolved through the discrepancy report process described in paragraph 9 above, the Master Servicer will then process the Receivable file and advise the Purchaser that it may purchase any new Receivable that is eligible. The Master Servicer will then proceed through exactly the same process described in paragraph 6 above.

EXHIBIT XI-A
FORM OF OPINION
[SEE ATTACHED]

XI-A-1

EXHIBIT XI-B

FORM OF OPINION OF PROVIDERS' AND PURCHASER'S COUNSEL
WITH RESPECT TO CERTAIN CORPORATE MATTERS

[SEE ATTACHED]

XI-B-1

EXHIBIT XI-C

OPINION OF GENERAL COUNSEL FOR BORROWER

[SEE ATTACHED]

XI-C-1

EXHIBIT XII
FORM OF DEPOSITARY AGREEMENT

[SEE ATTACHED]

XII-1

EXHIBIT XIII
FORM OF DEFERRED PURCHASE PRICE NOTE
[SEE ATTACHED]

XIII-1

EXHIBIT XIV
FORM OF SUBSCRIPTION AGREEMENT
[SEE ATTACHED]

XIV-1

EXHIBIT XV

ELIGIBILITY CRITERIA

The following shall constitute the eligibility criteria for determining Receivables eligible for purchase under the Agreement (the "ELIGIBILITY CRITERIA"):

(a) The information provided by the applicable Provider with respect to each such Receivable is complete and correct and all documents, attestations and agreements relating thereto that have been delivered to the Purchaser are true and correct, and, other than with respect to Unbilled Receivables, such Provider has billed the applicable Obligor and has delivered to such Obligor all requested supporting claim documents with respect to such Receivable and no amounts with respect to such Receivable have been paid as of the date and time of the sale of such Receivable to the Purchaser. All information set forth in the bill and supporting claim documents with respect to such Receivable is true, complete and correct; if additional information is requested by the Obligor, the applicable Provider has or will promptly provide the same, and if any error has been made with respect to such information, such Provider will promptly correct the same and, if necessary, rebill such Receivable.

(b) Each such Receivable (i) is payable, in an amount not less than its Expected Net Value, by the Obligor identified by the applicable Provider as being obligated to do so, (ii) is based on an actual and bona fide rendition of services to the Obligor or sale of goods to an Obligor or a plan participant of the Obligor in the ordinary course of business, (iii) is denominated and payable only in U.S. dollars in the United States, and (iv) is an account receivable or general intangible within the meaning of the UCC of the state in which the applicable Provider has its principal place of business, or is a right to payment under a policy of insurance or proceeds thereof, and is not evidenced by any instrument or chattel paper. There is no payor other than the Obligor identified by the applicable Provider as the payor primarily liable on such Receivable.

(c) Each such Receivable (i) is not the subject of any action, suit, proceeding or --- dispute (pending or threatened), setoff, counterclaim, defense, abatement, suspension, deferment, deductible, reduction or termination by the Obligor (except for statutory rights of Governmental Entities that are not pending or threatened), (ii) is not past, or within 60 days of, the statutory limit for collection applicable to the Obligor or is not aged more than 180 days from its Invoice Date, (iii) in the case of a Receivable that is not a Rebate Receivable, was not billed to the Obligor on a date more than 30 days after the Last Service Date, and (iv) in the case of a Rebate Receivable, was not billed to the Obligor on a date more than 60 days after the end of the fiscal quarter in which such Rebate Receivable became due and payable.

(d) Each such Receivable is not due from any Governmental Entity other than Medicare, Medicaid, State of Rhode Island, State of Tennessee and State of Arizona; provided that no Receivable due from the State of Rhode Island shall be considered to

satisfy the Eligibility Criteria until Healthco-4 shall have received a favorable opinion of Rhode Island counsel to the Providers, in form and substance satisfactory to Healthco-4.

(e) The applicable Provider does not have any guaranty of, letter of credit providing credit support for, or collateral security for, such Receivable, other than any such guaranty, letter of credit or collateral security as has been assigned to the Purchaser, and any such guaranty, letter of credit or collateral security is not subject to any Lien in favor of any other Person.

(f) Each such Receivable is an obligation representing all or part of the sales price of merchandise, insurance or services within the meaning of Section 3(c)(5) of the Investment Company Act of 1940, as amended, and the nature of which is such that its purchase with the proceeds of notes would constitute a "current transaction" within the meaning of Section 3(a)(3) of the Securities Act of 1933, as amended.

(g) The Obligor with respect to each such Receivable is (i) not currently the subject of any bankruptcy, insolvency or receivership proceeding, nor is it unable to make payments on its obligations when due; provided, however, that Receivables with respect to which Xantus Health Plan of Tennessee, Inc. is the Obligor shall not be ineligible solely as a result of such Obligor being in such a proceeding, (ii) located in the United States of America, (iii) one of the following: (x) a Person which in the ordinary course of its business or activities agrees to pay for healthcare services received by individuals, including, without limitation, commercial insurance companies and non-profit insurance companies (such as Blue Cross and Blue Shield) issuing health, personal injury, worker's compensation or other types of insurance, employers or unions which self-insure for employee or member health insurance, prepaid healthcare organizations, preferred provider organizations, health maintenance organizations, commercial hospitals, physician's groups or any other similar person or (y) an individual, (iv) not a Subsidiary, parent or other Person that is an Affiliate of any Provider and (v) not the Obligor of any Receivable that was a Defaulted Receivable in the past 12 months.

(h) The sale or contribution of such Receivables hereunder is made in good faith and without actual intent to hinder, delay or defraud present or future creditors of any of the Providers.

(i) The insurance policy, contract or other instrument obligating an Obligor to make payment with respect to such Receivable (i) does not contain any provision prohibiting the grant of a security interest in such payment obligation from the applicable Provider to the Purchaser, or from the Purchaser to the Healthco-4, (ii) has been duly authorized and, together with such Receivable, constitutes the legal, valid and binding obligation of the Obligor in accordance with its terms, (iii) together with such Receivable, does not contravene in any material respect any requirement of law applicable thereto, and (iv) was in full force and effect and applicable to the Obligor at the time the goods or services constituting the basis for such Receivable were sold or performed.

(j) No consents by any third party to the sale of such Receivable are required other than consents previously obtained in writing by the applicable Provider, a copy of each such consent having been provided to the Purchaser.

(k) Unless specifically verified and accepted by the Master Servicer or Program Manager, no single Eligible Receivable that is not a Rebate Receivable has an Expected Net Value greater than \$800,000.

(l) No prior sale or assignment of security interest which is still in effect on the applicable Transfer Date has been made with respect to or granted in any such Receivable.

SCHEDULE I

LIST OF PROVIDERS

NAME	JURISDICTION OF
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	INCORPORATION
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American Disease Management Associates, LLC	Delaware
Continental Pharmacy, Inc.	Ohio
MIM Health Plans, Inc.	Delaware