

U.S. SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 1996

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 33-00412-NY

FIRST PRIORITY GROUP, INC

(Exact name of small business issuer as specified in its charter)

New York

11-2750412

(State or other jurisdiction of
incorporation or organization)

(IRS Employer
Identification No.)

270 Duffy Avenue
Hicksville, New York 11801

(Address of principal executive offices)

(516) 938-1010

(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 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

State the number of shares outstanding of each of the issuer's classes of
common equity, as of May 14, 1996: 5,883,883 shares of common stock

Transitional Small Business Format (check one)

Yes No

Part I Financial Information

Item 1. Financial Statements

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

MARCH 31, 1996

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 771,767
Accounts receivable, less allowance for doubtful accounts of \$11,500	1,152,936
Other current assets	14,462

Total current assets	1,939,165
Property and equipment, net	128,334
Security deposits	10,575

	\$ 2,078,074
	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable and accrued expenses	1,075,272

Total current liabilities	1,075,272
Shareholders' equity:	
Common stock, \$.015 par value, authorized 8,000,000 shares; issued 6,150,550 shares	92,258
Additional paid-in capital	1,929,310
Deficit	(928,766)

	1,092,802
Less common stock held in treasury, at cost, 266,667 shares	(90,000)

Total shareholders' equity	1,002,802

	\$ 2,078,074
	=====

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED	
	March 31, 1996	March 31, 1995
	-----	-----
	(Unaudited)	(Unaudited)
Revenue from operations	\$3,180,779	\$2,663,265
Costs of revenue (principally charges incurred at repair facilities for services)	2,589,172	2,141,484
	-----	-----
Gross profit	591,607	521,781
Operating expenses:		
Selling, general and administration	484,205	365,354
	-----	-----
Income from operations	107,402	156,427

Interest and other income	6,538	785
	-----	-----
Income before income taxes	113,940	157,212
Provision for income taxes	1,000	1,000
	-----	-----
Net income	\$ 112,940	\$ 156,212
	=====	=====
Income per common share	0.01	0.03
	=====	=====
	5,883,883	4,883,883

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

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

	THREE MONTHS ENDED	
	March 31, 1996	March 31, 1995
	-----	-----
Cash flows from operating activities:		
Net income	112,940	156,212
	-----	-----
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,887	6,146
Changes in assets and liabilities:		
Accounts receivable	(83,150)	(168,115)
Other current assets	(3,522)	(14,471)
Accounts payable and accrued expenses	15,983	179,327
	-----	-----
Total adjustments	(61,802)	2,887
	-----	-----
Net cash provided by operating activities	51,138	159,099
	-----	-----
Cash flows from investing activities, additions to property and equipment	(21,181)	(3,812)
	-----	-----
Cash flows used in financing activities, repayment of notes payable	(37,264)	0
	-----	-----
Net increase (decrease) in cash and cash equivalents	(7,307)	155,287
Cash and cash equivalents at beginning of period	779,074	126,918
	-----	-----
Cash and cash equivalents at end of period	771,767	282,205
	=====	=====

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

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. UNAUDITED FINANCIAL STATEMENTS

The information contained in the condensed consolidated financial statements for the period ended March 31, 1996 is unaudited, but includes all adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position and the results of operations for these periods.

The financial statements and notes are presented as permitted by Form 10-QSB, and do not contain certain information included in the Company's annual statements and notes. These financial statements should be read in conjunction with the Company's annual financial statement as reported in its most recent annual report on Form 10-KSB.

2. BUSINESS OF THE COMPANY

First Priority Group, Inc. (the "Company"), a New York corporation formed in June 28, 1985, is engaged directly and through its wholly-owned subsidiaries in automotive fleet management and administration of automotive repairs for businesses, insurance companies and members of affinity groups. The services provided by the Company include the computerized compilation and analysis of vehicle usage and maintenance data and the repair and maintenance of vehicles through approximately 3,000 independently contracted and over 5,000 nationally recognized repair facilities nationwide. The Company's office is located at 270 Duffy Avenue, Hicksville, New York 11801 and its telephone number is (516) 938-1010.

3. RESULTS OF OPERATIONS

The unaudited results of operations for the three months ended March 31, 1996 are not necessarily indicative of the results to be expected for the full year.

4. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

The computation of earnings per common and common equivalent share is based upon the weighted average number of outstanding common shares during the period plus, when their effect is dilutive, common shares subject to stock options and warrants.

The number of common and common equivalent shares utilized in the per share computations were 7,775,377 and 4,883,883 in the three months ended March 31, 1996 and March 31, 1995, respectively.

Item 2. Management's Discussion and Analysis or Plan of Operation.

For the three months ended March 31, 1996 the Company's revenues from operations increased by \$517,514 (19.4%) to \$3,180,779 from \$2,663,265 for the three months ended March 31, 1995. Gross profit increased \$69,826 to \$591,607 for the first quarter of 1996 from \$521,781 during the same period of 1995. The gross profit percentage was 18.6% for the three months ended March 31, 1996 as compared to 19.6% for the same period of 1995. The decreased gross profit percentage is mainly due to fee based programs offered to large companies at a reduced rate as an incentive to sign long term contracts. This business practice has reduced the Company's attrition rate.

Selling, general and administrative expenses increased \$118,851 (32.5%) to \$484,205 for the first quarter of 1996 from \$365,354 during the same period of 1995. Of the \$118,851 increase in selling, general, and administrative expenses, approximately \$88,000 was related to increased salary expense due to contractual agreements, wage increases and an increase in labor force necessary to prepare the Company to manage anticipated increases in its business activities. The remaining increase was directly related to the increase in revenue.

The Company believes that it has adequate liquidity to support its cost of operations for the foreseeable future.

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Part II Other Information

Item 6. Exhibits and Reports on Form 8-K.

(b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Exchange Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FIRST PRIORITY GROUP, INC.

Date: May 14, 1996

By: /s/ Michael Karpoff

Michael Karpoff
Co-Chairman of the Board
of Directors, President and
Co-Chief Executive Officer

Date: May 14, 1996

By: /s/ Barry Siegel

Barry Siegel
Co-Chairman of the Board
of Directors, Treasurer,
Secretary and Principal
Financial and Accounting
Officer

Index of Exhibits

Exhibit No.	Description	Page
-----	-----	-----
10.1	Amendment of Lease dated June, 1995, between the Company, American Auto Trading and LBA Properties, Inc., of original lease dated September 12, 1990 for the Company's headquarters.	11

AMENDMENT TO LEASE

AMENDMENT made this day of June, 1995, between LBA PROPERTIES, INC., a domestic corporation with offices at 575 Underhill Boulevard, Syosset, New York 11791 (hereinafter referred to as "Landlord") and FIRST PRIORITY GROUP, INC. and AMERICAN AUTO TRADING, INC., successor-in-interest to FIRST PRIORITY GROUP, INC., a domestic corporation having an office at 270 Duffy Avenue, Hicksville, New York 11801, (hereinafter referred to as "Tenant").

W I T N E S S E T H:

WHEREAS, the Landlord and the Tenant herein are parties to a lease dated September 12, 1990, (the "Lease") with respect to premises ("Premises") at 270 Duffy Avenue, Hicksville, New York 11801; and

WHEREAS, the Lease shall expire on January 31, 1996; and

WHEREAS, Tenant and Landlord are desirous of further extending the term of the Lease.

NOW, THEREFORE, in consideration of \$1.00 to each in hand paid and other good and valuable consideration the receipt and sufficiency of which is hereby acknowledged, it is mutually agreed that the Lease is further extended and modified as follows:

1. The term of the Lease is extended for three (3) additional years commencing on February 1, 1996 and ending on January 31, 1999, both dates inclusive (The "Extended Term").

2. The rental schedule during the Extended Term shall be as follows:

TERM -----	MONTHLY -----	ANNUALLY -----
2/1/96 - 1/31/99	\$6,185.63	\$74,227.52

3. Tenant does hereby waive its Option To Renew contained in Schedule "A" of the Lease.

4. Notwithstanding anything to the contrary herein, Tenant shall have the right and option to cancel the Lease effective the dates listed below ("Effective Date") subject to the conditions described below in paragraph 4(b), provided that the Tenant shall serve a written notice to such effect upon Landlord on or before the corresponding notice date listed below. If Tenant shall exercise such option, the Lease and the term thereof shall expire and terminate on such Effective Date with the same effect as if that were the date originally set forth herein for the expiration of the term of the Lease, and Tenant shall vacate and surrender the Premises to Landlord, in the manner required by the Lease, on or before such date as if such date were the date originally set forth herein for the expiration of the term thereof.

NOTICE DATE -----	EFFECTIVE DATE -----		
1/31/97	7/31/97		
9/1/97	1/31/98	2/1/98	7/31/98

(b) The above described rights of cancellation shall be effective and binding on Landlord if and only if:

(i) any such notice is sent certified mail, return receipt requested on or before the Notice Date corresponding to the Effective Date listed above, time being of the essence.

(ii) such notice is sent by the Tenant named herein, such right being personal to such Tenant and not transferable to any assignee or subtenant.

(iii) Tenant shall not be in default under any of the terms, covenants, conditions, and provisions of the Lease at the time of any such Notice or at the corresponding Effective Date.

5. Except as modified by this Amendment to Lease, all of the remaining provisions of the Lease are ratified and approved and shall continue in full force and effect.

6. This Amendment to Lease shall not be binding on Landlord until a duly executed original thereof is delivered to Tenant.

IN WITNESS WHEREOF, Landlord and Tenant have signed this Amendment to Lease as of the date first-written above.

LBA PROPERTIES, INC.

By:_____

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FIRST PRIORITY GROUP, INC.

By:_____

AMERICAN AUTO TRADING, INC.

By:_____

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