U.S. Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-KSB

(Mark One)

[x] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1996

or

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE REQUIRED]

For the transition period from to

Commission File Number 0-21467

FIRST PRIORITY GROUP, INC.
(Name of small business issuer in its charter)

NEW YORK	11-2750412
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

270 Duffy Avenue
Hicksville, New York 11801
(Address of principal executive offices) (Zip Code)

Registrant's telephone number: (516) 938-1010

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common Stock par value $.015 per share

Check whether the issuer (1) 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 X No ___

Check if there is no disclosure of delinquent filers pursuant to Item 405 of Regulation S-B contained in this form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB. [X]

State the issuer's revenues for its most recent fiscal year $14,066,248

The aggregate market value of the issuer's voting stock held by non-affiliates of the issuer as of April 4, 1997, based upon the average bid and asked prices was $4,923,699.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of March 31, 1997, the issuer had outstanding a total of 5,883,883 common shares.

DOCUMENTS INCORPORATED BY REFERENCE: None.

Transitional Small Business Disclosure Format (check one):

Yes _____ No X _____

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Part I

Item 1. DESCRIPTION OF BUSINESS

First Priority Group, Inc. (the "Company"), a New York corporation formed in October 1983, is engaged directly and through its wholly-owned subsidiaries in nationwide managed auto care services for self-insured corporate fleets, insurance companies and members of affinity groups. The services provided by the Company include collision claims management, subrogation, salvage, and administration of auto clubs, whose members require repair and maintenance of vehicles. The Company has thousands of contracted repair facilities nationwide. The Company is additionally engaged in the business of direct mail programs providing various services and products through it's FPG Direct division. FPG Direct was formed exclusively for the purpose of utilizing the nations largest gasoline companies and retailers credit card data bases, as a means of distributing the Company's products and services. The Company's principal office is located at 270 Duffy Avenue, Hicksville, New York 11801. The telephone number is (516) 938-1010.

Nature of Services

The services offered by the Company consist of vehicle maintenance and repair management, including collision and general repair programs, appraisal services subrogation services, vehicle salvage and vehicle rentals; and the administration of automotive collision repair referral services for self insured fleets, insurance companies and affinity group members.

The Company's wholly-owned subsidiary, National Fleet Service, Inc., conducts the Company's fleet management business. The Company itself provides the various affinity programs for all types of businesses and administers the automotive collision repair referral services for insurance companies.

Fleet Management. The Company has entered into contractual arrangements with thousands of independently owned and operated repair shops throughout the United States, as well as with national chains of automobile repair shops, to provide repair services for the Company's fleet management clients' vehicles. The automotive repair shops with which the Company has contracted can handle, on a per incident basis, any repair which the Company's fleet management clients' drivers may encounter. Because the Company has made arrangements with a large number of repair shops, whenever a repair to a client's vehicle is needed, the chances are excellent that a local repair shop will be available to perform the required repair work. The repairs provided consist primarily of collision and glass replacement repairs although general repairs can also be provided. In the event that a repair is needed, the driver need only call the Company's toll free telephone number. Through the development of a comprehensive proprietary management system and customized computer software, upon receipt of the call, the driver is directed to a local repair shop to which the driver may take the vehicle for the needed repairs. All the activity surrounding the repair process is tightly managed by the Company's staff. Upon completion of the repair, the bill is forwarded to the Company, which in turn, bills the client. There is no need for independent negotiations between the repair shop and the client or the driver. As part of its fleet management services, the Company also offers its clients computerized appraisal services, salvage and subrogation services, and offers vehicle rentals to permit clients to avoid driver down-time while a client's vehicle is being repaired. Additionally, the Company has created a complete line of customized reports with features that allow risk managers to thoroughly assess all variables concerning the collision activity expense of their fleet. It is primarily these unique systems that won the Company it's prestigious award in 1995 from Inc. Magazine and MCI, as one of the nations best run service companies.

Affinity Group Programs. These programs are a series of comprehensive vehicle-related services for consumers that are provided through affinity groups, financial institutions, corporations and organizations. These programs may be used as re-enrollment incentives and/or membership premiums, or resold at a profit, and may be sold individually, or a variety of services can be bundled together as a high-value package.

Collision Damage Repair Program (CDR). - This is the corporate collision program modified to suit consumer needs. Drivers participating in this program may utilize the Company's proprietary network of collision body repair shops. Additionally, the Company's customer service department will supervise the entire process from expediting estimates and repairs, to troubleshooting any problems or difficulties that may occur.

Driver Discount Program (DDP). This program offers drivers discounts of up to forty percent off automotive-related services through thousands of premium auto chain facilities throughout the nation. It applies these discounts to virtually all routine maintenance including oil changes, brakes, transmissions, mufflers, shocks, tires and glass. An option to this program also provides 24 hour emergency roadside assistance for drivers anywhere in the U.S..

Auto Service Hotline (ASH). This program provides drivers with their own repair specialist who will help the driver determine a course of action to repair the vehicle, and if necessary, provide a referral to one of thousands of independently owned auto repair facilities. Drivers will receive a ten percent discount off repairs and an enhanced nationwide warranty when utilizing the shop to which they were referred. Additionally, drivers will be offered rental replacement cars at preferred rates that are delivered to and picked up from the driver's home or office.

ServiceGram. This program is a computerized tracking and notification program that generates maintenance reminders in accordance with manufacturer's specifications. ServiceGram archives a vehicle's history including mileage and repairs that provides an accurate record for tax purposes, warranty validation or to increase resale value.

Direct Appraisal and Repair Program (DARP). In 1992 the Company began developing the business of providing automotive appraisal and collision repair services for insurance companies. The automobile insurance industry is experiencing massive changes as it moves in the direction of a "PPO" or "HMO" type environment, similar to that of the health industry. The Company believes that it's presence in this market and provision of such services to insurance companies will be an important source of revenue for the Company because of the high volume of collision repair referrals that insurance companies can provide. The Company believes it is uniquely positioned to take advantage of the need for such services by insurance companies. The Company has entered into agreements with several insurance companies whereby such insurance companies have agreed to utilize the Company for appraisal and repair services. The Company proposes to try to expand its insurance company referral business, and to that end, has hired a divisional company president to head up the marketing and administration efforts of the Company's repair services to insurance companies. At the present time the Company believes that it has the most proficient DARP system in the industry.

Recent Developments.

The Company has been attempting to increase the number of insurance companies participating in the insurance company referral program and to expand the volume of referrals provided by existing participants in the program. Additionally, the Company has begun marketing consumer oriented auto club programs and has hired a divisional president to head up the marketing efforts of the Company in providing such services. The Company has recently entered into agreements with at least one large bank and several marketing agencies and affinity groups. The Company already has millions of direct mail pieces en route to the customers of banks, affinity

groups, utilities and mortgage companies as of this report. Revenues for this program are expected to grow dramatically during their 1997 calendar year. Several of these agreements provide for clients to meet minimum participation guarantees.

Sales and Marketing. The Company's fleet maintenance clients generally consist of companies having a large number of vehicles on the road over a broad geographical area. The Company's clients for its affinity programs are organizations and affinity groups. The Company's clients for the insurance company referral program are property and casualty insurance companies.

Sales activities are performed by the Company's own personnel and contracted agencies outside the Company. Sales are made through referrals, cold canvassing of appropriate prospects and direct mailings. The Company also attends trade shows in order to increase its client base.

Since the Company deals with a large number of independently owned repair facilities, it is often able to offer to its fleet management clients a custom tailored program to suit their needs for vehicle repairs and maintenance. The Company believes that this flexibility is important in its marketing

activities and in increasing its client base.

During the years 1996 and 1995, none of the Company's customers accounted for more than 10 percent of the Company's revenues.

Employees

At year end, the Company employed 40 full-time employees. None of the Company's employees are governed by a union contract and the Company believes that its employee relationships are satisfactory.

Competition

Fleet Management. Some leasing companies offer fleet management services, but most offer such services only to fleets leased by them. The Company is aware of three other companies that, like the Company, offer fleet management services independent of a fleet leasing arrangement.

Affinity Group Programs. Although there are several companies providing various type of auto club programs the Company believes that there is only one other company that offers a program providing many of the services offered by the Company's Affinity Group division.

Insurance Company Referral Business. The Company is aware of two other companies that offer automotive collision repair services to insurance companies. One of such companies is, like the Company, in the fleet management business, while the other is in the vehicle valuation business. The Company believes that its services for insurance companies are superior to those offered by such other companies.

Item 2. DESCRIPTION OF PROPERTY

In September 1990, the Company entered into a lease for new office space at 270 Duffy Avenue, Hicksville, New York 11801. The space consists of approximately 5,400 square feet of office space. The Company exercised an option to renew the lease for an additional three year term at an annual rent of $74,220. The Company holds several options of cancellation during the lease

term. The Company has exercised its option to cancel its lease effective July 31, 1997 and has leased new office space to accommodate the Company's growth consisting of 12,200 square feet located at 51 East Bethpage Road, Plainview, NY. The Company expects to relocate to this new space during April 1997.

Item 3. LEGAL PROCEEDINGS

There is no pending legal proceeding which could have a material effect upon the Company's financial position and/or operating results.

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PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

The Company's common shares are traded on the OTC Bulletin Board of The Nasdaq Stock Market. The following table shows the high and low bid quotations for the periods indicated, based upon information received from National Quotation Bureau Incorporated of New York, New York. Such quotations represent prices between dealers without retail markup, markdown or commission and may not necessarily represent actual transactions.

	Bid Price($) High	Low
1996		
First Quarter	$1.03125	$.5625
Second Quarter	$.84375	$.53125
Third Quarter	$1.75	$.40625
Fourth Quarter	$2.1875	$1.50
1995		
First Quarter	$.05	$.05
Second Quarter	$.09	$.05
Third Quarter	$.69	$.09
Fourth Quarter	$1.03	$.06

The number of record holders of the Company's common shares as of March 31, 1997 was 432.

The Company has never paid dividends on its common stock and is not expected to do so in the foreseeable future. Payment of dividends is within the discretion of the Company's Board of Directors and would depend on, among other factors, the earnings, capital requirements and operating and financial condition of the Company.

Item 6. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Results of Operations

The Company, prior to 1996, conducted business in only one segment, automotive fleet management and related operations ("Automotive Management".) In September of 1996, the Company commenced a new line of business, under the name FPG Direct. FPG Direct markets consumer goods to the credit card base of customers of oil companies and retail department stores through direct mailing efforts throughout the United States ("Direct Response Business")

Automotive Management

Revenues from services of the automotive management operations were $13,338,678 in 1996, as compared to $10,150,086, representing an increase of $3,188,592, or 31.4%. The increased revenues reflect the Company's continued success in increasing the amount of business it is conducting with continuing customers, as well as adding new customers to its base of business. The Company has significantly increased its revenue in the areas of collision repair and subrogation services. The direct costs of services related to such revenue (principally charges from automotive repair facilities) were $11,010,836 in 1996, as compared to $8,332,487, representing an increase of $2,678,349, or 32.1%. Such increase in costs is attributable to the increase in the related revenues.

Direct Response

FPG Direct had net sales of $727,570, and cost of goods sold of $332,708, resulting in a gross profit of $394,862, or 54.3% in its initial four month period. This initial four month period ("the roll-out period") included only eleven promotions, some of which carried over into 1997, as some of the promotions were conducted during the latter part of December 1996. FPG Direct incurred selling, general and administrative expenses of $445,763, and interest expense of $6,101, resulting in a net loss for FPG Direct of $57,002 during its initial four month period. Management believes that FPG Direct's revenues will increase substantially during 1997, and is hopeful that FPG Direct will be a significant source of future profitability. The results for this roll out period are not necessarily indicative of future results.

Operating expenses and other

Total operating expenses were $2,434,370 in 1996, as compared to $1,591,873 in 1995, representing an increase of $842,497, or 52.9%. Of this increase, $445,763 is directly related to the operating expenses of FPG Direct. The remaining increase in operating expenses of $396,734 reflects an increase of 24.9% over 1995, and primarily represents increased payroll and related expenses as well as increases in other general and administrative expenses required to service the Company's growing automotive management operations.

Interest and other income were $37,529 in 1996, as compared to $7,554

in 1995, representing an increase of $29,975. The increase is primarily attributable to larger average cash balances available during 1996 which were invested in short-term cash equivalents.

Net income

As a result of the foregoing, net income was $313,574 in 1996 ($.05 per share) as compared to $230,334 ($.04 per share) in 1995, representing an improvement in net income of $83,240, or 26.5%.

Liquidity and Capital Resources

As of December 31, 1996, the Company had cash and cash equivalents of $683,503 as compared to $779,074 as of December 31, 1995. Working capital of the Company as of December 31, 1996, was $1,027,632 as compared to $763,248 as of December 31, 1995. The Company's operating activities used $592,417 of cash in 1996 as compared to 1995, when the Company's operating activities provided $265,021 of cash. The principal reason for the significant change in cash from operating activities was the cash required to finance the working capital needs of FPG Direct during its roll out period.

In order to provide for the working capital needs of FPG Direct and provide liquidity for its ongoing growth, the Company entered into a short-term line of credit agreement with its bank, providing for financing up to $1,000,000 through June 30, 1997. As of December 31, 1996, the Company had borrowed $600,000 from the bank under the line of credit. With the expected growth of FPG Direct during 1997, the Company anticipates that it will continue to need line of credit financing. The Company intends to enter into negotiations with its bank to renew and/or expand its line of credit before its expiration date of June 30, 1997.

The Company is relocating its Corporate offices in 1997 to a 12,000 square foot facility in Plainview, New York. The new facility will provide room for anticipated future growth. In connection with the relocation, the Company will incur significant expenditures, representing moving costs, new furniture and equipment, and leasehold improvements. The Company intends to finance a significant portion of such costs with a term loan from its bank, and the Company is finalizing the financing arrangements with its bank.

The Company believes that its present cash position, combined with its line of credit will enable the Company to continue to support its operations for the short and longer term.

Item 7. FINANCIAL STATEMENTS

The Company's financial statements and schedules appear at the end of this Report after Item 13.

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PART III

Item 9. DIRECTORS, EXECUTIVE OFFICERS, PROMOTERS AND CONTROL PERSONS;

COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

The following schedule sets forth the name and age of each director and executive officer of the Company and the title of all positions and offices with the Company presently held by him or her.

<TABLE>
<CAPTION>

Name	Age	Position
<S>	<C>	<C>
Michael Karpoff	53	Co-Chairman of the Board of Directors, Co-Chief Executive Officer, and President
Barry Siegel	45	Co-Chairman of the Board of Directors, Co-Chief Executive Officer, Secretary, and Treasurer
Lisa Siegel	36	Vice President of Operations

Leonard Giarraputo	52	Director

</TABLE>

The directors of the Company are elected by the Company's shareholders or by the other members of the Board of Directors, and the Company's officers are elected annually by the Board of Directors. Each officer devotes his full business time to the Company.

Michael Karpoff has been President of the Company since June, 1986. Mr. Karpoff became a director of the Company at its inception and became Co-Chairman of the Company's Board of Directors and Co-Chief Executive Officer in October, 1987. Mr. Karpoff was President of National Fleet Service, Inc. from August, 1984 until January, 1991. On October 22, 1992, Mr. Karpoff was again elected President of National Fleet Service, Inc. and has continued to hold this position through the present date.

Barry Siegel became a director of the Corporation at its inception and became Co-Chairman of the Board of Directors and Co-Chief Executive Officer in October, 1987. Mr. Siegel was the Executive Vice-President of the Company from June, 1986 until October, 1987. He became the Company's Treasurer in June, 1986, and its Secretary in November, 1987. He was the Executive Vice-President of National Fleet Service, Inc. from February 1984 until October, 1987, and he has been the Treasurer of National Fleet Service, Inc., since February, 1984 and the Secretary of National Fleet Service, Inc., since January, 1991. He is married to Lisa Siegel.

Lisa Siegel was elected Vice President of Operations of the Company and its wholly owned subsidiary, National Fleet Service, Inc. in February, 1994. Previously, she held the position of Manager of Subrogation Services. She has held various management positions in the Company since its inception. She is married to Barry Siegel.

Leonard Giarraputo was elected a director of the Company in September, 1988. He has also been a director of National Fleet Service, Inc. since February, 1984. From March, 1972 through May 1996, he was Senior Vice President of Block Trading with Paine Webber Incorporated. Since May 1996, he has been a Managing Director of Worldco, LLC., a member of NASD.

There are no arrangements or understandings between any of the Company's directors or officers, or anyone else, pursuant to which directors or officers were, or are, to be selected for a particular office or position.

All Reporting Persons as defined under the Securities Exchange Act of 1934 (the "Act") have filed all required forms under Section 16(a) of the Act.

Item 10. EXECUTIVE COMPENSATION

(b) Summary Compensation Table

SUMMARY COMPENSATION TABLE

Annual Compensation

(a)	(b)	(c)	(d)
Name and Principal Position	Year	Salary($)	Bonus($)
Michael Karpoff	1996	$175,000	$0 (1)
Co-Chairman	1995	$125,000	$11,771 (2)
of the Board	1994	$122,319	$6,229 (3)
of Directors, Co-Chief Executive Officer and President			
Barry Siegel	1996	$175,000	$0
Co-Chairman	1995	$125,000	$11,771 (2)
of the Board	1994	$122,319	$6,229 (3)
of Directors, Co-Chief Executive Officer, Treasurer and Secretary			

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

(1) Incentive compensation for the year ended December 31, 1996 was waived by both executives.

(2) Incentive compensation for the year ended December 31, 1995 was paid in 1996.

(3) Incentive compensation for the year ended December 31, 1994 was paid in 1995.

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(d) Aggregated Option/SAR Exercises and Fiscal Year-End Option/SAR Value Table

(a) Name	(b) Shares Acquired on Exercise (#)	(c) Value Realized ($)	(d) Number of Securities Underlying Unexercised Options/SARs at FY-End (#) Exercisable/ Unexercisable	(e) Value of Unexercised In-the-Money Options/SARs at FY-End ($) Exercisable/ Unexercisable
Michael Karpoff	None	None	308,333/291,667	$459,541/$255,459
Barry Siegel	None	None	308,333/291,667	$459,541/$255,459

(f) Compensation of Directors

No compensation is paid to the directors in consideration of the director's service on the board. However, the 1995 Stock Incentive Plan provides that non-employee directors of the Company shall be granted nonstatutory stock options for 15,000 shares of the Company's common stock on the day after the

first day of the Company's fiscal year. In March 1997, this provision was amended by the Board of Directors whereby the non-employee director shall receive an option grant of 15,000 shares on the date of election to the Board and upon every successive anniversary date of his or her initial election.

(g) Employment contracts and termination of employment and change in control arrangements.

The Company has employment agreements with its two principal officers, Barry Siegel and Michael Karpoff. The Company entered into employment agreements that expire on December 31, 1998. The agreements provide for minimum annual salaries each of $175,000 effective January 1, 1996; $192,500 effective January 1, 1997; and $211,750 effective January 1, 1998. Each contract provides for options to purchase 300,000 shares of the Company's common stock under the 1995 Incentive Stock Option Plan. Additionally, the agreements also provide for additional incentive compensation based on a stated percentage of earnings as defined in the agreements. Incentive compensation for the year ended December 31, 1995 totaled $23,542. Both executives waived their incentive compensation for 1996.

These employment agreements also contain a change in control provision whereby the executive, following a change of control as defined in the agreement, would receive: (a) a severance payment of 300 percent of the average annual salary for the past five years, less $100; (b) the cash value of the outstanding, but unexercised stock options, and (c) other perquisites, should the executive be terminated for various reasons as defined in the agreement. The agreements provide that in no event, shall the severance payment exceed the amount deductible by the Company under the provisions of the Internal Revenue Code.

Item 11. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following information is as of March 31, 1997.

(a) Security ownership of certain beneficial owners.

(1) Title of Class	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Owner	(4) Percent of Common Stock(1)
Common	Kirlin Holding Corp. 6901 Jericho Turnpike Syosset, NY. 11791	1,140,000 (2)	14.55
Common	Kirlin Securities, Inc. 6901 Jericho Turnpike Syosset, NY. 11791	1,140,000 (2)	14.55
Common	Frances Giarraputo 6 Fox Hunt Court Huntington, NY 11743	1,020,999 (3)	13.03%

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(1) The percentages set forth in this Annual Report on Form 10-KSB have been calculated in accordance with Instruction 3 to Item 403 of Regulation S-B.

(2) Includes 800,000 shares owned directly by Kirlin Holding Corp. and warrants to purchase 40,000 and 300,000 shares of the Company's common stock that are exercisable in full, held by Kirlin Securities, Inc.

(3) Includes 749,000 owned directly by Frances Giarraputo, 56,999 shares owned directly or as custodian for others by Leonard Giarraputo, and 215,000 shares representing options that are exercisable within sixty days by Leonard Giarraputo to purchase the common stock of the Company. Leonard and Frances Giarraputo are husband and wife. Each disclaims beneficial ownership of shares held by the other.

(b) Security ownership of management.

<TABLE>
<CAPTION>

(1) Title Class	(2) Name and Address of Beneficial Owner	(3) Amount and Nature of Beneficial Owner	(4) Percent of Common Stock(1)
<S>	<C>	<C>	<C>
Common	Michael Karpoff 32 Gramercy Park South New York, NY 10010	1,110,666 (3)	14.18%
Common	Barry Siegel	1,194,651(4)	15.25%

</TABLE>

<TABLE>

<S>	<C>	<C>	<C>
	8 Indian Well Court Huntington, NY 11743		
Common	Leonard Giarraputo 6 Fox Hunt Court Huntington, NY 11743	1,020,999 (2)	13.03%
Common	Lisa Siegel 8 Indian Well Court Huntington, NY 11743	1,194,651(4)	15.25%
Common	Directors and officers as a group (4 persons)	3,326,316	42.47%

</TABLE>

(1) The percentages set forth in this Annual Report on Form 10-KSB have been calculated in accordance with Instruction 3 to Item 403 of Regulation S-B.

(2) Includes 749,000 owned directly by Frances Giarraputo, 56,999 shares owned directly or as custodian for others by Leonard Giarraputo, and 215,000 shares representing options that are exercisable within sixty days by Leonard Giarraputo to purchase the common stock of the Company. Leonard and Frances Giarraputo are husband and wife. Each disclaims beneficial ownership of shares held by the other.

(3) Owned jointly with another. Includes 308,333 shares representing options that are exercisable within sixty days by Michael Karpoff to purchase the common stock of the Company.

(4) Includes options exercisable by Barry Siegel within sixty days to purchase 308,333 shares, 3,334 shares held by Barry Siegel as custodian

for two nephews, 67 shares held directly by Barry Siegel's wife, Lisa Siegel, and 81,250 shares representing options held by her that are exercisable within sixty days. Both Barry and Lisa Siegel disclaim beneficial ownership of shares held by the other.

(c) Changes in control. None.

Item 12. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The Company entered into an Investment Banking Agreement with Kirlin Securities, Inc. ("Kirlin") (the "Investment Banking Agreement") on August 1, 1995. For a term of eighteen months, Kirlin will provide financial consulting and investment banking services to the Company. It is anticipated that Kirlin will assist the Company in exploring the possibility of raising additional capital through the issuance of additional shares of its common stock. In consideration, Kirlin has been granted a warrant to purchase 750,000 shares of the Company's Common Stock which is exercisable at various prices.

On December 18, 1995, the Company sold through a private placement, 1 million shares of common stock generating net proceeds of $435,000. Kirlin Holding Corp. parent of its wholly owned subsidiary Kirlin Securities, and the principal shareholders of Kirlin Holding Corp., were the sole purchasers of the 1 million shares of this private placement. Kirlin earned a placement agent fee from this private placement, under the Investment Banking Agreement, of $50,000, non-accountable expenses of $15,000, and a warrant to purchase 100,000 shares of the Company's common stock.

Item 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

3.1 Certificate of Incorporation of the Company, as amended, incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1991.

3.2 Amendment to the Certificate of Incorporation incorporated by reference to Exhibit 3.1 of the Company's Form 10-QSB for the period ended September 30, 1996.

3.3. By-laws of the Company, incorporated by reference to Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1991.

10.1 Sample employment agreement executed between the Barry Siegel and Michael Karpoff dated January 18, 1996 incorporated by reference to Exhibit 10.1 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995.

10.2 Sample subscription agreement executed by subscribers to the Company's private placement dated December 18, 1995 incorporated by reference to Exhibit 10.2 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995.

10.3 Sample warrant granted to transferees of Kirlin Securities, Inc., placement agent to the private placement, dated December 18, 1995 incorporated by reference to Exhibit 10.3 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995.

10.4 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 incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended March 31, 1996.

10.5 The Company's 1995 Incentive Stock Plan incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.6 Employment Agreement between the Company and Paul Zucker dated September 3, 1996 incorporated by reference to Exhibit 10.2 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.7 Employment Agreement between the Company and Steven Zucker dated September 3, 1996 incorporated by reference to Exhibit 10.3

of the Company's Form 10-QSB for the period ended September 30, 1996.

10.8 Employment Agreement between the Company and Donald Shanley dated September 3, 1996 incorporated by reference to Exhibit 10.4 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.9 Employment Agreement between the Company and Barry J. Siegel dated September 3, 1996 incorporated by reference to Exhibit 10.5 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.9 Employment Agreement between the Company and Barry J. Siegel dated September 3, 1996 incorporated by reference to Exhibit 10.5 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.10 Employment Agreement between the Company and Douglas Konetzni dated December 16, 1996 filed herein.

10.11 General Loan and Collateral Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank filed herein.

10.12 Security Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank filed herein.

13.1 Form 10-QSB for the quarter ending March 31,1996 incorporated by reference dated and previously filed.

13.2 Form 10-QSB for the quarter ending June 30, 1996 incorporated by reference and previously filed with the Commission.

13.3 Form 10-QSB for the quarter ending September 30, 1996 incorporated by reference and previously filed with the Commission.

21 Subsidiaries of the Company, incorporated by reference to Exhibit 22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

(b) Reports on Form 8-K

None

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 1996 AND 1995

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Report of Independent Certified Public Accountants

Board of Directors
First Priority Group, Inc.
Hicksville, New York

We have audited the accompanying consolidated balance sheets of First Priority Group, Inc. and subsidiaries as of December 31, 1996 and 1995, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Priority Group, Inc. and subsidiaries as of December 31, 1996 and 1995, and the consolidated results of their operations and their consolidated cash flows for the years then ended, in conformity with generally accepted accounting principles.

March 20, 1997
Nussbaum, Yates & Wolpow, P.C.
Melville, New York

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1996 AND 1995

ASSETS

(Note 4)

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>
Current assets:		
Cash and cash equivalents	$ 683,503	$ 779,074
Accounts receivable, less allowance for doubtful accounts of $11,500 in 1996 and 1995 (Note 2)	2,016,635	1,069,786
Inventories	318,398	-
Prepaid expenses and other current assets	321,898	10,940
Total current assets	3,340,434	1,859,800
Property and equipment, net (Note 3)	141,824	116,039
Security deposits and other	47,313	10,575

Total assets	$3,529,571	$1,986,414

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Line of credit financing (Note 4)	$ 600,000	-
Equipment note (Note 4)	-	$ 37,264
Accounts payable	1,403,143	720,375
Accrued expenses, taxes and other current liabilities	309,659	338,913
Total current liabilities	2,312,802	1,096,552
Commitments and contingency (Notes 7 and 8)		
Shareholders' equity (Notes 5, 6 and 10):		
Common stock, $.015 par value, authorized 20,000,000 shares; issued 6,150,550 shares in 1996 and 1995	92,258	92,258
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued or outstanding	-	-
Additional paid-in capital	1,942,643	1,929,310
Deficit	(728,132)	(1,041,706)
	1,306,769	979,862
Less common stock held in treasury, at cost, 266,667 shares	90,000	90,000
Total shareholders' equity	1,216,769	889,862
Total liabilities and shareholders' equity	$3,529,571	$1,986,414

</TABLE>

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1996 AND 1995

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>
Revenues:		
Revenue from services	$13,338,678	$10,150,086
Net sales	727,570	-
Total revenue	14,066,248	10,150,086
Costs and expenses applicable to sales and revenues:		
Cost of services	11,010,836	8,332,487
Cost of goods sold	332,708	-
Total costs and expenses applicable to revenue	11,343,544	8,332,487
Excess of revenue over direct costs	2,722,704	1,817,599
Operating expenses:		
Selling and direct marketing expenses	990,995	509,206
General and administrative	1,443,375	1,082,667
Total operating expenses	2,434,370	1,591,873
Income from operations	288,334	225,726

	1996	1995
Other income (expense):		
Interest and other income	37,529	7,554
Interest expense	(7,140)	(1,407)
Total other income	30,389	6,147
Income before income taxes	318,723	231,873
Income taxes, all current (Note 9)	5,149	1,539
Net income	$ 313,574	$ 230,334
Earnings per common share	$ .05	$ .04
Weighted average number of common shares outstanding	5,883,883	4,922,239

</TABLE>

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1996 AND 1995

<TABLE>
<CAPTION>

	Common Stock		Additional		Treasury Stock		Total
	Shares	Amount	Paid-in Capital	Deficit	Shares	Amount	Share-holders' Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1995	5,150,550	$77,258	$1,509,310	($1,272,040)	266,667	$90,000	$224,528
Issuance of common stock (Note 10)	1,000,000	15,000	420,000	-	-	-	435,000
Net income	-	-	-	230,334	-	-	230,334
Balance, December 31, 1995	6,150,550	92,258	1,929,310	(1,041,706)	266,667	90,000	889,862
Issuance of stock options for services	-	-	13,333	-	-	-	13,333
Net income	-	-	-	313,574	-	-	313,574
Balance, December 31, 1996	6,150,550	$92,258	$1,942,643	($ 728,132)	266,667	$90,000	$1,216,769

</TABLE>

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1996 AND 1995

<TABLE>
<CAPTION>

	1996	1995
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$313,574	$230,334
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	42,105	32,940
Changes in assets and liabilities:		
Accounts receivable	(946,849)	(325,078)
Inventories	(318,398)	-
Prepaid expenses and other current assets	(299,625)	3,215

Security deposit and other	(36,738)	-
Accounts payable	682,768	285,759
Accrued expenses, taxes and other current liabilities	(29,254)	37,851
Total adjustments	(905,991)	34,687
Net cash provided by (used in) operating activities	(592,417)	265,021
Cash flows used in investing activities, additions to property and equipment	(65,890)	(85,129)
Cash flows provided by financing activities:		
Proceeds from borrowings under line of credit	600,000	-
Proceeds from equipment note	-	41,600
Principal payments on equipment note	(37,264)	(4,336)
Proceeds from issuance of common stock	-	435,000
Net cash provided by financing activities	562,736	472,264
Net increase (decrease) in cash	(95,571)	652,156
Cash and cash equivalents at beginning of year	779,074	126,918
Cash and cash equivalents at end of year	$683,503	$779,074
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	$ 5,350	$ 5,346
Cash paid during the year for interest	$ 1,453	$ 1,407

</TABLE>

Supplemental disclosure of non-cash investing and financial activities: During 1996, the Company granted 100,000 stock options valued at $13,333 for services.

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. Summary of Significant Accounting Policies

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of First Priority Group, Inc. and its subsidiaries, National Fleet Service, Inc., American Automotive Trading Corp., and First Priority Group Leasing, Inc. (collectively referred to as the "Company") all of which are wholly owned. All material intercompany balances and transactions have been eliminated.

Inventories

Inventories, consisting of finished goods purchased for resale, are stated at the lower of cost (first-in, first-out) or market.

Property and Equipment

Property and equipment are stated at cost. The Company provides depreciation primarily by the straight-line method over the estimated useful lives of the assets, ranging from three to five years.

Cash

The Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Direct-Response Advertising

The Company expenses the costs of advertising the first time the advertising takes place, except for direct-response advertising, which is capitalized and amortized over its expected period of future benefits.

Direct-response advertising consists primarily of advertising inserts mailed to customers that include order coupons for the Company's products. The capitalized costs of the advertising are generally amortized over a three or four-month period following the mail distribution date.

At December 31, 1996, $266,767 was reported as assets included under the caption prepaid expenses and other current assets. Advertising expense was $242,967 in 1996, including $13,385 for amounts written down to net realizable value.

1. Summary of Significant Accounting Policies (Continued)

Per Share Data

Earnings per share data is based upon the weighted average number of common shares plus, in 1995, 820,500 common equivalent shares. Stock options and warrants were not dilutive in 1996.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used in accounting for income taxes and direct-response advertising costs.

Reclassifications

Certain reclassifications have been made to the 1995 financial statements to conform to the 1996 presentation.

Fair Value of Financial Instruments

The following describes methods and assumptions used to estimate the fair value of each class of significant financial instrument:

o Cash and Cash Equivalents

The carrying amount approximates fair value because of the short maturity of those instruments.

o Short-Term Borrowings

The carrying amount of the Company's short-term borrowings approximates fair value.

2. Description of Business, Revenue Recognition and Concentration of Credit Risk

o Automotive Management

The Company is engaged in automotive management, including fleet management, for major corporate clients throughout the United States. The Company provides computerized compilation and analysis of vehicle usage and maintenance data and the repair and maintenance of vehicles through over 3,000 independently contracted repair facilities nationwide.

The Company also has a service called the Direct Appraisal Repair Program. The program provides automotive collision repair and appraisal services to insurance companies throughout the United States. The Company receives commissions from participating body shop vendors for referring clients of the insurance companies to them.

The Company recognizes revenue at the time of customer approval and completion of repair services. The Company warrants such services for varying periods ranging up to twelve months. Such warranty expense is borne by the repair facilities and has not been material to the Company.

o Direct-Response Marketing

Effective September 1, 1996, the Company commenced marketing consumer goods through oil companies and retail department stores ("client") through direct mailing efforts throughout the United States, to customers who regularly use a credit card issued by the client companies.

Revenues are recognized when merchandise is shipped. The Company generally accepts returns for up to one year either by contractual arrangements with the client company or as a client relations practice and, therefore, a provision for estimated future returns is recorded at the time of shipment. Accordingly, accounts receivable at December 31, 1996 have been reduced by approximately $168,000 to provide for such future returns. All credit risks associated with the credit card transaction are the client's responsibility.

2. Business Segments (Continued)

Segment Reporting for 1996

	Automotive Management	Direct-Response Marketing	Total
Net sales	$ 13,338,678	$ 727,570	$ 14,066,248
Operating income (loss)	$ 339,235	($ 50,901)	$ 288,334
Identifiable assets	$ 2,210,893	$ 1,318,678	$ 3,529,571
Capital expenditures	$ 61,555	$ 4,335	$ 65,890
Depreciation and amortization	$ 40,672	$ 1,433	$ 42,105

During 1995, the Company's operations were limited to one business segment, automotive management.

3. Property and Equipment

	1996	1995
Machinery and equipment	$206,907	$197,047
Furniture and fixtures	112,934	56,904
	319,841	253,951
Less accumulated depreciation	178,017	137,912
	$141,824	$116,039

4. Bank Debt

Line of Credit Financing

At December 31, 1996, the Company has a line of credit with its bank in the amount of $1,000,000, of which $600,000 was outstanding. The line is collateralized by substantially all assets of the Company, and the Company is required to maintain a compensating balance of $250,000 in a certificate of deposit. The line bears interest at prime plus 1/2% and expires June 30, 1997.

Equipment Note

In July 1995, the Company borrowed $41,600 under a term note from a bank used to purchase equipment which was pledged as collateral. The note was interest bearing at a rate of 1 1/2% above prime. On March 15, 1996, the balance of this note was paid off.

5. Stock Options

Stock Compensation Plan

The Company accounts for its stock option plans under APB Opinion No. 25, "Accounting for Stock Issued to Employees," under which no compensation expense is recognized. In 1996, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS No. 123) for disclosure purposes; accordingly, no compensation expense has been recognized in the results of operations for its stock option plans as required by APB Opinion No. 25. The Company has two fixed option plans, the 1995 Stock Incentive Plan, and the 1987 Incentive Stock Option Plan. Under the plans, in the aggregate, the Company may grant options to its employees, directors and consultants for up to 7,000,000 shares of common stock. Under both plans, incentive stock options may be granted at no less than the fair market value of the Company's stock on the date of grant, and in the case of an optionee who owns directly or indirectly more than 10% of the outstanding voting stock ("an Affiliate"), 110% of the market price on the date of grant. The maximum term of an option is ten years, except, in regard to incentive stock options granted to an Affiliate, in which case the maximum term is five years.

5. Stock Options (Continued)

Stock Compensation Plan (Continued)

For disclosure purposes, the fair value of each stock option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions used for stock options granted in 1996 and 1995, respectively: annual dividends of $0.00 for both years, expected volatility of 118% for both years, risk-free interest rate of 6.68% and 5.88%, and expected life of five years for all grants. The weighted-average fair value of stock options granted in 1996 and 1995 was $.63 and $.23, respectively.

Under the above model, the total value of stock options granted in 1996 and 1995 (including in 1995, non-incentive stock options described below) was $78,908 and $243,608, respectively, which would be amortized ratably on a pro forma basis over the related vesting periods, which range from twenty-eight months to five years (not including performance-based stock options granted in 1996, see below). Had the Company determined compensation cost for these plans in accordance with SFAS No. 123, the Company's pro forma net income would have been $231,041 in 1996 and $209,338 in 1995, the Company's pro forma earnings per share would have been $.04 in 1996 and $.04 in 1995. The SFAS No. 123 method of accounting does not apply to options granted prior to January 1, 1995, and accordingly, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

Performance-Based Stock Options

Under its 1995 Stock Incentive Plan, during 1996, the Company granted 1,975,000 options to certain key executives hired in 1996 whose vesting, is entirely contingent upon the future profits (as defined) for the division or subsidiary under the management of the related key executive. Generally, for each $10,000 of future profits of the related division or subsidiary, the key executive becomes vested and may exercise options equal to defined amounts of shares, ranging from 500 shares to 1,500 shares based upon the aggregate amount of future profit attained.

The Company believes that it is not possible to estimate any profits for the related divisions and subsidiaries, all of which have incurred losses through December 31, 1996, and therefore, cannot estimate as of December 31, 1996 the outcome of the performance condition. Accordingly, the pro forma amounts of net income and earnings per share described above do not include any pro forma compensation expense related to the performance-based stock options granted in 1996.

5. Stock Options (Continued)

Performance-Based Stock Options (Continued)

For disclosure purposes, the fair value of each performance-based stock option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumption used for stock options granted in 1996: annual dividends of $0.00, expected volatility of 118%, risk-free interest rate of 6.42% and expected life of five years for all grants. The weighted-average fair value of the performance-based stock options granted in 1996 was $.90.

Non-Incentive Stock Option Agreements

The Company has non-incentive stock option agreements with three of its directors and/or officers.

Summary

Stock options transactions (other than performance-based stock options) are summarized as follows:

<TABLE>
<CAPTION>

	Number of Shares	Exercise Price Range	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>
Options outstanding, January 1, 1995	783,333	$.06 - .25	$0.07
Options granted	1,050,000	.12 - 1.50	.79
Options expired	(33,333)	.25	.25
Options outstanding, December 31, 1995	1,800,000	.06 - 1.50	.49
Options granted	2,215,000	.70 - 2.00	1.03
Options expired	(100,000)	.07	.07
Options outstanding, December 31, 1996	3,915,000	.06 - 2.00	.81
Options exercisable, December 31, 1995	675,000	.06 - .22	.08
Options exercisable, December 31, 1996	1,099,167	.06 - 1.50	.34

</TABLE>

5. Stock Options (Continued)

Summary (Continued)

The following table summarizes information about the options outstanding at December 31, 1996 other than performance-based stock options:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$.06 - .22	1,100,000	2.47	$ .11	779,167	$ .10
.70 - 1.00	1,905,000	4.52	.77	310,000	.90
1.25 - 2.00	910,000	4.43	1.72	10,000	1.50

</TABLE>

6. Stock Warrants

In connection with the 1995 issuance of 1,000,000 shares of its common stock (Note 10), the Company issued warrants to purchase 850,000 shares of the Company's common stock. The warrants are all presently

exercisable at prices ranging from $.125 to $.50 per share. The weighted-average grant date fair value of such warrants issued in 1995 was

$.29.

During the fiscal year ended December 31, 1996 and 1995, none of these warrants were exercised. All warrants expire in 2000.

In lieu of the payment of the exercise price in cash, the holders have the right (but not the obligation) to convert the warrants, in whole or in part, into common stock as follows; upon exercise of the conversion rights of the warrant, the Company shall deliver to the holder that number of shares of common stock equal to the quotient obtained by dividing the remainder derived from subtracting (a) the exercise price multiplied by the number of shares of common stock being converted from (b) the market price of the common stock multiplied by the number of shares of common stock being converted, by the market price of the stock.

7. Employee Benefit Plan

During 1995, the Company instituted a new 401(k) profit sharing plan. This plan is for the benefit of all eligible employees as defined in the plan documents.

The plan provides for voluntary employee salary contributions from 1% to 15% not to exceed the statutory limitation provided by the Internal Revenue Code. The Company may, at its discretion, match within prescribed limits, the contributions of the employees. Employer contributions to the plan amounted to $4,918 and $4,513 in 1996 and 1995.

The 401(k) profit sharing plan which was previously in effect, was frozen during 1995. No contributions were made in 1996 and 1995.

8. Commitments and Contingency

Leases

The Company is obligated through March 2002 under a noncancelable operating lease for a new facility which the Company anticipates to occupy in April 1997. The new lease requires minimum annual rentals and certain other expenses including real estate taxes. Rent expense including real estate taxes for the years ended December 31, 1996 and 1995 aggregated

approximately $80,000.

As of December 31, 1996, the Company's approximate future minimum rental commitments are as follows:

1997	$124,000
1998	170,000
1999	177,000
2000	184,000
2001	192,000
Thereafter	48,000

8. Commitments and Contingency (Continued)

Employment Contracts

The Company has employment contracts with its two principal officers expiring on December 31, 1998. The agreements provide for minimum annual salaries each of $175,000 effective January 1, 1996; $192,500 effective January 1, 1997; and $211,750 effective January 1, 1998. The agreements also provide for additional incentive compensation based on a stated percentage of earnings, as defined in the agreements. Incentive compensation for the year ended December 31, 1995 totaled $23,542. Incentive compensation for the year ended December 31, 1996 was waived by the two principal officers of the Company.

Each employment contract provides that, in the event of termination of the employment of the officer within three years after a change in control of the Company, then the Company would be liable to pay a lump sum severance payment of three years' salary (average of last five years), less $100, in addition to the cash value of any outstanding, but unexercised stock options. In no event would the maximum amount payable exceed the amount deductible by the Company under the provisions of the Internal Revenue Code.

During 1996, the Company entered into employment contracts, with five newly hired executives, which expire on December 31, 1998. The contracts, in the aggregate, provide for annual base compensation of approximately $457,000 in 1997 and $480,000 in 1998. The contracts also provide for additional

incentive compensation (as defined in each contract) based upon the profits, if any, derived from the subsidiaries or divisions under the management of the aforementioned key executives.

9. Income Taxes

The Company accounts for income taxes on the liability method, as provided by Statement of Financial Accounting Standards 109, Accounting for Income Taxes.

At December 31, 1996, the Company has an operating loss carryforward of approximately $300,000 which is available to offset future taxable income. A valuation allowance has been recognized to offset the full amount of the related deferred tax asset of approximately $130,000 at December 31, 1996, and $250,000 at December 31, 1995 due to the uncertainty of realizing the benefit of the loss carryforwards.

9. Income Taxes (Continued)

At December 31, 1996, the Company's net operating loss carryforwards are scheduled to expire as follows:

Year ended December 31,	
2002	$192,000
2003	24,000
2005	50,000
2008	34,000
	$300,000

The Company's effective income tax rate differs from the Federal statutory rate as follows:

<TABLE>
<CAPTION>

<S>	1996 <C>	1995 <C>
Federal statutory rate	34.0%	34.0%
Utilization of net operating loss carryforwards	(34.0)	(34.0)
State income taxes	1.6	.7
	1.6%	.7%

</TABLE>

10. Common Shares

On December 18, 1995, the Company issued 1,000,000 shares of its common stock to Kirlin Holding Corporation and several of its executive officers for $.50 per share and received net proceeds of $435,000 after underwriting commissions of $65,000 (see Note 6 for warrants issued).

SIGNATURES

In accordance with Section 13 or 15(d) of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

FIRST PRIORITY GROUP, INC.

By: /s/ Michael Karpoff

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

Date: April 8, 1997

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Michael Karpoff

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

Date: April 8, 1997

By: /s/ Barry Siegel

Barry Siegel, Co-Chairman of
the Board of Directors, Co-Chief Executive Officer,
Treasurer, Secretary and Director (Principal
Financial and Accounting Officer)

Date: April 8, 1997

By: /s/ Leonard Giarraputo

Director

Date: April 8, 1997

INDEX OF EXHIBITS

3.1 Certificate of Incorporation of the Company, as amended, incorporated by reference to Exhibit 19.1 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1991.

3.2 Amendment to the Certificate of Incorporation incorporated by reference to Exhibit 3.1 of the Company's Form 10-QSB for the period ended September 30, 1996.

3.3. By-laws of the Company, incorporated by reference to Exhibit 19.2 to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 1991.

10.1 Sample employment agreement executed between the Barry Siegel and Michael Karpoff dated January 18, 1996 incorporated by reference to Exhibit 10.1 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995.

10.2 Sample subscription agreement executed by subscribers to the Company's private placement dated December 18, 1995 incorporated by reference to Exhibit 10.2 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995.

10.3 Sample warrant granted to transferees of Kirlin Securities, Inc., placement agent to the private placement, dated December 18, 1995 incorporated by reference to Exhibit 10.3 of the Company's Form 10-KSB for the fiscal year ended December 31, 1995.

10.4 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 incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended March 31, 1996.

10.5 The Company's 1995 Incentive Stock Plan incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.6 Employment Agreement between the Company and Paul Zucker dated September 3, 1996 incorporated by reference to Exhibit 10.2 of the Company's Form 10-QSB for the period ended September 30, 1996..

10.7 Employment Agreement between the Company and Steven Zucker dated September 3, 1996 incorporated by reference to Exhibit 10.3 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.8 Employment Agreement between the Company and Donald Shanley dated September 3, 1996 incorporated by reference to Exhibit 10.4 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.9 Employment Agreement between the Company and Barry J. Spiegel dated

September 3, 1996 incorporated by reference to Exhibit 10.5 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.9 Employment Agreement between the Company and Barry J. Spiegel dated September 3, 1996 incorporated by reference to Exhibit 10.5 of the Company's Form 10-QSB for the period ended September 30, 1996.

10.10 Employment Agreement between the Company and Douglas Konetzni dated December 16, 1996 filed herein.

10.11 General Loan and Collateral Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank filed herein.

10.12 Security Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank filed herein.

13.1 Form 10-QSB for the quarter ending March 31,1996 incorporated by reference dated and previously filed.

13.2 Form 10-QSB for the quarter ending June 30, 1996 incorporated by reference and previously filed with the Commission..

13.3 Form 10-QSB for the quarter ending September 30, 1996 incorporated by reference and previously filed with the Commission..

21 Subsidiaries of the Company, incorporated by reference to Exhibit 22 to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1990.

Exhibit 10.10

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated December 16, 1996 by and between First Priority Group, Inc., a New York corporation with an address at 270 Duffy Avenue, Hicksville, New York (the "Company"), and DOUGLAS KONETZNI, an individual residing at 7 Pinnacle Point, Randolph, New Jersey 07869 ("Employee").

W I T N E S S E T H

WHEREAS, the Company desires that Employee be employed by it and render services to it, and Employee is willing to be so employed and to render such services to the Company, all on the terms and subject to the conditions contained herein.

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained herein, and other good and valuable consideration, the receipt sufficiency of which is hereby acknowledged, the parties agree as follows:

1. Employment

Subject to and upon the terms and conditions contained in this Agreement, the Company hereby employs Employee, for the period set forth in Paragraph 2 (subject to the terms and conditions of this Agreement), to render the services to the Company, its affiliates and/or subsidiaries described in Paragraph 3.

2. Term

Employee's term of employment under this Agreement shall commence on January 20, 1997 (the "Commencement Date") and shall continue for a period of twenty-four (24) months thereafter, terminating on December 31, 1998 (the "Expiration Date"), unless earlier terminated under the terms and conditions herein (the "Employment Term").

3. Duties

(a) Employee's responsibilities shall be to develop and manage the insurance services division of the Company, FPG Claims Services Division (the "Division"), with full responsibility for the financial performance of the Division, and to perform such other duties and services involving sales, marketing and program development as shall from time to time be designated by the Board of Directors or the Co-Chief Executive Officers ("CCEO") of the Company, or such other executives or employees of the Company as may be designated by the Board of Directors or the CCEO, as the case may be. Employee shall be based in Nassau or Suffolk counties during the Employment Term and shall have the title of President, FPG Claims Services Division.

(b) Employee agrees to abide by all By-Laws and policies of the Company promulgated from time to time by the Company.

4. Exclusive-Services and Best Efforts

Employee shall devote his entire working time, attention, best efforts and ability exclusively to the service of the Company, its affiliates and subsidiaries during the term of this Agreement.

5. Compensation

(a) Base Salary. Commencing on January 20, 1997, the Employee shall receive an annual salary, payable pursuant to the Company's normal payroll procedures in place from time to time, during the Employment Term, in the amount of One Hundred and Fifty Thousand Dollars ($150,000), subject to all required federal, state and local payroll deductions.

(b) Incentive Compensation. The Employee shall receive Incentive Compensation equal to the amounts listed below payable on a monthly basis after the Division's Profit and Loss Statement is calculated monthly:

Total Net Income of Division during Term of Agreement	Bonus Percentage of Excess Net Income	Bonus Dollars
$0 up to $249,999	25%	$0 - $62,500
$250,000 up to $499,999	20%	$50,000 - $100,000
$500,000 up to $749,999	15%	$75,000 - $112,500
$750,000 and thereafter	10%	$75,000 - open

(c) Stock Options. The Employee shall be granted an Incentive Stock Option (the "Stock Option") under the Company's 1995 Incentive Stock Plan (the "Plan") providing the Employee with the right to purchase 500,000 shares of the Company's common stock at Two Dollars ($2) per share. The Company will provide the Employee with a stock option contract for his signature which will set out the terms of the option (the "Stock Option Contract"). This Stock Option shall be subject to the terms of the Plan. Such Stock Option shall be exercisable as follows:

(i) Definitions for use exclusively in this Paragraph 5:

(A) "Division Profit".The pre-tax net profit of the Division at the end of each fiscal year ended during the Employment Term.

(B) "Base Profit". The highest Division Profit in the preceding completed fiscal years attained by the Division during the Employment Term. The Base Profit for the first fiscal year ended during Employment Term shall be Zero Dollars ($0).

(C) "Option Profit". The difference resulting in subtracting the Base Profit from the Division Profit from the most recently completed fiscal year.

(ii) The Employee shall be permitted to exercise Stock Options, for the remaining term of the Stock Option Contract, with the right to purchase the Company's common stock in the amounts as calculated using the following formula:

(A) The Employee shall be able to exercise the Stock Options equal to 1,000 shares for every $10,000 of Option Profit, subject to the terms of the Stock Option Contract.

(iii) Notwithstanding the above, the Employee shall be granted an additional Stock Option under the Plan with the right to purchase up to 50,000 shares of the Company's common stock at Two Dollars ($2) per share. The Company will provide the Employee a Stock Option Contract for his signature which will set out the terms of the option and the Stock Option shall be exercisable in increments of 16,667 shares, 16,667 shares and 16,666 shares upon the first, second and third anniversary date of the Commencement Date, respectively. This Stock Option shall be subject to the terms of the Plan.

6. Business Expenses

Employee shall be reimbursed for only those business expenses incurred by him (a) which are reasonable and necessary for Employee to perform his duties under this Agreement in accordance with policies established from time to time by the Company, and (b) for which Employee has submitted vouchers and/or receipts. The Employee shall be issued a corporate credit card that he shall use solely for business expenses which are reasonable and necessary for the Employee to perform his duties under this Agreement in accordance with policies established from time to time by the Company

7. Employee Benefits

During the Employment Term, Employee shall participate, to the extent he is eligible under the terms and conditions thereof, in any health, life, disability insurance, or 401(k) plan, or other employee benefit plans maintained by Employer (but nothing herein shall obligate the Company to establish or maintain any such benefit plan). Employee will not be covered under the Company's health insurance until the Employee has been employed by the Company for more than ninety (90) days. The Employee shall be reimbursed for any payments he must make to continue his health insurance under the COBRA benefits offered by his former employer, until the Employee is covered under the Company's health insurance plan.

The Employee shall be reimbursed up to $500 per month for a car allowance upon the Employee submitting supporting documentation.

8. Vacation and Sick Leave

Employee shall be entitled to three (3) weeks of vacation per annum during the Employment Term, to be taken at such times as may be mutually agreed upon by the Company and Employee. The Employee shall be entitled to one (1) week of sick leave per annum during the Employment Term.

9. Death and Disability

(a) The Employment Term shall terminate on the date of Employee's death, in which event Employee's salary payable pursuant to Paragraph 5 through the date of Employee's death shall be paid to his estate. Employee's estate will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 9(a).

(b) If during the Employment Term, Employee, because of physical or mental illness or incapacity, shall become substantially unable to perform the duties and services required of him under this Agreement for a period of forty-five (45) consecutive days or ninety (90) days in the aggregate, the Company may, upon at least ten (10) days' prior written notice given at any time after the expiration of such 45 or 90-day period, as the case may be, to Employee of its intention to do so, terminate this Agreement as of such date as may be set forth in the notice. In case of such termination, Employee shall be entitled to receive his salary payable pursuant to Paragraph 5 through the date of termination. Employee will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 9(b).

10. Termination

(a) The Company may terminate the employment of Employee For Cause (as hereinafter defined). Upon such termination, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee the unpaid prorated salary pursuant to Paragraph 5 earned or accrued up through the day on which Employee is terminated.

(b) As used herein, the term "For Cause" shall mean:

(i) any breach of this Agreement by Employee that, in the case of a breach that may be cured or remedied, is not cured or remedied to the reasonable satisfaction of the Company within 30 days after notice is given by the Company to Employee, setting forth in reasonable detail the nature of such breach;

(ii) Employee's failure to perform his duties and services hereunder to the satisfaction of the Board of Directors or CCEO of the Company that, in the case of any such failure that may be cured or remedied, is not cured or remedied to the reasonable satisfaction of the Company within 30 days after notice is given by the Company to Employee, setting forth in reasonable detail the nature of such failure;

(iii) any act, or failure to act, by Employee in bad faith and to the detriment of the Company; or (iv) commission by Employee of an act involving moral turpitude, dishonesty, unethical business conduct, or any other conduct which significantly impairs the reputation of the Company, its subsidiaries or affiliates.

(v) the conviction of the Employee of a felony, including the plea of nolo contendere

(c) The Company may terminate this Agreement, upon thirty (30) days written notice should the Division not attain, for three (3) consecutive months, at least the pre-tax net income projections as set forth in the "Claims Services Division Forecast & Projections Summary" for the first twelve (12) months of this Agreement and at least fifty percent (50%) of the pre-tax net income projections thereafter, as attached to this Agreement as Exhibit 1 (the "Forecast") and has not attained at least the pre-tax net income projections as set forth in the Forecast for the aggregate period commencing in January 1997 through the date of such termination notice.

11. Disclosure of Information and Restrictive Covenant

(a) Employee acknowledges that, by his employment, he has been and will be in a confidential relationship with the Company and will have access to confidential information and trade secrets of the Company, its subsidiaries and affiliates, including, but not limited to, confidential information or trade secrets belonging or relating to the Company, its subsidiaries, affiliates, customers and/or clients or proprietary processes or procedures of the Company, its subsidiaries, affiliates, customers and/or clients. Proprietary processes and procedures shall include, but shall not be limited to, all information which is known only to employees of the Company, its respective subsidiaries and affiliates or others in a confidential relationship with the Company or its respective subsidiaries and affiliates which relates to business matters. Confidential information and trade secrets include, but are not limited to, customer and client lists, price lists, marketing and sales strategies and procedures, operational and equipment techniques, business plans and systems, quality control procedures and systems, special projects and technological research, including projects, research and reports for any entity or client or any project, research, report or the like concerning sales or manufacturing or new technology, employee compensation plans and any other

information relating thereto, and any other records, files, drawings, inventions, discoveries, applications or processes which are not in the public domain (all the foregoing shall be referred to herein as the "Confidential Information"). Employee agrees that in consideration of the execution of this Agreement by the Company, he will not use, or disclose to any third party, any of the Confidential Information, other than as required to perform his services hereunder or as directed or authorized by the Company's Board of Directors or President.

(b)

(i) Employee will not, at any time prior to the Expiration Date, or if the Employee's employment shall terminate prior to the Expiration Date, then for a period of one (1) year after the Employee ceases to be employed by the Company, engage in or participate in any business activity, including, but not limited to, acting as a director, officer, employee, agent, independent contractor, partner, consultant, licensor or licensee, franchiser or franchisee, proprietor, syndicate member, or shareholder that operates a program similar to the program of the Division, conducted by the Division during the term of this Agreement.

(ii) Any time during his employment by the Company or after the Employee ceases to be employed by the Company, divulge to any persons, firms or corporations, other than the Company (hereinafter referred to collectively as "third parties"), or use or allow or cause or authorize any third parties to use, any such Confidential Information; and

(iii) At any time during his employment by the Company and for a period of one (1) year after the Employee ceases to be employed by the Company, solicit or cause or authorize directly or indirectly to be solicited, for or on behalf of the Employee or third parties, any business from persons, firms, corporations or other entities who were at any time within one (1) year prior to the cessation of his employment hereunder, customers of the Company; and

(iv) At any time during his employment by the Company and for a period of one (1) year after the Employee ceases to be employed by the Company, accept or cause or authorize directly or indirectly to be accepted, for or on behalf of the Employee or third parties, any business from any such customers of this Company; and

(v) At any time during his employment by the Company and for a period of one (1) year after the Employee ceases to be employed by the Company, solicit or cause or authorize directly or indirectly to be solicited for employment, for or on behalf of the Employee or third parties, any persons who were at any time within one year prior to the cessation of his employment hereunder, employees of the Company; and

(vi) At any time during his employment by the Company and for a period of one year after the Employee ceases to be employed by the Company, employ or cause or authorize directly or indirectly to be employed, for or on behalf of the Employee or third parties, any such employees of the Company; and

(vii) At any time during his employment by the Company and for a period of one (1) year after the Employee ceases to be employed by the Company, compete with the Company in any fashion or work for, advise, be a consultant to or an officer, director, agent or employee of or otherwise associate with any person, firm, corporation or other entity which is engaged in or plans to engage in a business or activity which competes with any business or activity engaged in by the Company, or which is under development or in a planning stage by the Company.

(viii) Notwithstanding the above, should this Agreement expire on the Expiration Date and the Employee's employment shall have terminated on that Expiration Date, or should the Employee be terminated by the Company for reasons other than For Cause, then the restrictions upon the Employee's activities as

set forth in Subparagraphs 11(b)(i), 11(b)(iii), 11(b)(iv) and 11(b)(vii) shall not be operative for the one (1) year period following the Employee's cessation of employment by the Company, so long as the Employee and/or any organization with which he becomes associated does not engage in any business or activity which competes or interferes with any business or activity engaged in by the Company, or which is under development or is in a planning stage by the Company.

(c) Employee will not induce or persuade other employees of the Company to join him in any activity prohibited by Paragraph 11 or 12.

(d) This Paragraph 11 and Paragraph 12, 13 and 14 shall survive the expiration or termination of the Employment Term for any reason.

(e) It is expressly agreed by Employee that the nature and scope of each of the provisions set forth in Paragraphs 11 and 12 are reasonable and necessary. If, for any reason, any aspect of these provisions as they apply to Employee is determined by a court of competent jurisdiction to be unreasonable or unenforceable, the provisions shall only be modified to the minimum extent required to make the provisions reasonable and/or enforceable, as the case may be. Employee acknowledges and agrees that his services

are of a unique character and expressly grants to the Company or any subsidiary, successor or assignee of the Company, the right to enforce the provisions above through the use of all remedies available at law or in equity, including, but not limited to, injunctive relief.

12. Company Property

(a) Any patents, inventions, discoveries, applications, processes or designs, devised, planned, applied, created, discovered or invented by Employee in the course of Employee's employment under this Agreement and which pertain to any aspect of the Company's or its respective subsidiaries' or affiliates' businesses shall be the sole and absolute property of the Company, and Employee shall make prompt report thereof to the Company and promptly execute any and all documents reasonably requested to assure the Company the full and complete ownership thereof.

(b) All records, files, lists, including computer generated lists, drawings, documents, equipment and similar items relating to the Company's business which Employee shall prepare or receive from the Company shall remain the Company's sole and exclusive property. Upon termination of the Employment Term, or, if earlier, upon demand by the Company, Employee shall promptly return to the Company all property of the Company in his possession. Employee further represents that he will not copy or cause to be copied, print out or cause to be printed out any software, documents or other materials originating with or belonging to the Company. Employee covenants that, upon termination of his employment with the Company, he will not retain in his possession any such

software, documents or other materials.

13. Remedy

It is mutually understood and agreed that Employee's services are special, unique, unusual, extraordinary and of an intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in the event of any breach of this Agreement by Employee, including, but not limited to, the breach of the nondisclosure, non-solicitation and non-compete clauses under Paragraphs 11 and 12 hereof, the Company shall be entitled to equitable relief by way of injunction or otherwise in addition to damages the Company may be entitled to recover. Nothing herein shall be deemed to restrict any remedy available to Employee for breach of the Agreement by the Company.

14. Representations and Warranties of Employee and the Company

(a) In order to induce the Company to enter into this Agreement, Employee hereby represents and warrants to the Company as follows: (i) Employee has the legal capacity and unrestricted right to execute and deliver this Agreement once to perform all of his obligations hereunder: (ii) the execution and delivery of this Agreement by Employee and the performance of his obligations hereunder will not violate or be in conflict with any fiduciary or other duty, instrument, agreement, document, arrangement or other understanding to which Employee is a party or by which he is or may be bound or subject; and (iii) Employee is not a party to any instrument, agreement, document, arrangement or other understanding with any person (other than the Company) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services.

(b) The Company hereby represents and warrants to Employee, as follows: (i) the execution, delivery, and performance of this Agreement has been duly authorized by all necessary corporate action of the Company; and (ii) this Agreement constitutes the valid and binding obligation of the Company, enforceable in accordance with its terms, except that such enforcement may be subject to any bankruptcy, insolvency, reorganization, fraudulent transfer or other laws, now or hereafter in effect, relating to or limiting creditors' rights generally.

15. Notices

All notices given hereunder shall be in writing and shall be deemed effectively given when mailed, if sent by registered or certified mail, return receipt requested, addressed to Employee at his address set forth on the first page of this Agreement, and to the Company at its address set forth on the first page of this Agreement, Attention: Barry Siegel, Co-Chairman of the Board, with a copy to Muenz & Meritz, P.C., Three Hughes Place, Dix Hills, New York 11746, Attention: Lawrence A. Muenz, or at such address as such party shall have designated by a notice given in accordance with this Paragraph 15, or when actually received by the party for whom intended, if sent by any other means.

16. Entire Agreement

This Agreement constitutes the entire understanding of the parties with respect to its subject matter and no change, alteration or modification hereof may be made except in writing signed by the parties hereto. Any prior or other agreements, promises, negotiations or representations not expressly set forth in this Agreement are of no force or effect.

17. Severability

If any provision of this Agreement shall be unenforceable under any applicable law, then notwithstanding such unenforceability, the remainder of this Agreement shall continue in full force and effect.

18. Waivers, Modifications, Etc.

No amendment, modification or waiver of any provision of this Agreement shall be effective unless the same shall be in writing and signed by each of the parties hereto, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

19. Assignment

Neither this Agreement. nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be binding upon and inure to the benefit of Employee and his heirs and legal representatives and the Company and its successors and assigns. Successors of the Company shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Company, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Company" for the purpose hereof.

20. Applicable Law

This Agreement shall be deemed to have been made, drafted, negotiated and the transactions contemplated hereby consummated and fully performed in the State of New York and shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflicts of law rules thereof. Nothing contained in this Agreement shall be construed so as to require the commission of any act contrary to law, and whenever there is any conflict between any provision of this Agreement and any statute, law, ordinance, order or regulation, contrary to which the parties hereto have no legal right to contract, the latter shall prevail, but in such event any provision of this Agreement so affected shall be curtailed and limited only to the extent necessary to bring it within the legal requirements.

21. Jurisdiction and Venue

It is hereby irrevocably agreed that all actions, suits or proceedings between the Company and Employee arising out of, in connection with or relating to this Agreement shall be exclusively heard and determined in, and the parties do hereby irrevocably submit to the exclusive jurisdiction of, the Supreme Court of the State of New York for Nassau or Suffolk County or the United States District Court for the Eastern District of New York. The parties also agree that a final judgment in any such action, suit or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. The parties hereby unconditionally waive any objection which either of them may now or hereafter have to the venue of any such action, suit or proceeding brought in any of the aforesaid courts, and waive any claim that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

22. Full Understanding

Employee represents and agrees that he fully understands his right to discuss all aspects of this Agreement with his private attorney, that to the extent, if any, that he desired, he availed himself of this right, that he has carefully read and fully understands all of the provisions of this Agreement, that he is competent to execute this Agreement. that his agreement to execute this Agreement has not been obtained by any

duress and that he freely and voluntarily enters into it, and that he has read this document in its entirety and fully understands the meaning, intent and consequences of this document which is that it constitutes an agreement of employment.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date written below.

FIRST PRIORITY GROUP, INC.

By:___________________________ Dated:______________________

Title:__________________________

Douglas Konetzni

By:___________________________ Dated:______________________

Exhibit 10.11

[CHASE LOGO]

General Loan and Collateral Agreement
of First Priority Group, Inc.

Upon and after the happening of any event of deficiency or event of default, the Bank shall have, in addition to all other rights and remedies, the remedies of a secured party under the New York Uniform Commercial Code.

The undersigned hereby authorizes the Bank at any time during the existence of any event of deficiency, or upon or at any time after the occurrence of any event of default, whether occasioned by acceleration of maturity of any of the liabilities of the undersigned as hereinbefore provided or otherwise, to sell or grant options to purchase or otherwise realize upon the whole or from time to time any part of the collateral with or without notice or demand of payment of any of the liabilities of the undersigned. Any such sales may be made at any broker's board or at public or private sale, at the option of the Bank, with or without advertisement or notice of intention to sell or of the time or place of sale and may be for cash or credit and for present or future delivery. At any sale the Bank may become the purchaser of any of the property sold, free from any right of redemption.

The undersigned agrees to pay to the Bank, as soon as incurred, all costs and expenses incidental to the care, sale, or collection of or realization upon any of the collateral or in any way relating to the rights of the Bank hereunder, including counsel fees. The Bank may apply any or all proceeds of the collateral to the payment or reduction of such of the liabilities of the undersigned and in such amounts as it may select, although contingent and although unmatured; and may set off, without notice, against all or any part of the liabilities of the undersigned, whether or not then due or matured, all amounts owed by the Bank in any capacity to the undersigned in any capacity, whether or not then due or matured, and the Bank shall be deemed to have exercised such right against such funds immediately upon an event of default or event of deficiency and without further action even though such set off is subsequently entered on the Bank's books and records; and in case of any deficiency, the undersigned will remain liable therefor.

The undersigned expressly waives and releases any right under any theory whatsoever to require the Bank to collect any portion of the liabilities of the undersigned from any other person or from the proceeds of any other property held by the Bank. The Bank is hereby authorized, with or without notice, before or after maturity of any of the liabilities of the undersigned, to transfer to or register in the name of its nominee or nominees all or any part of the collateral and to exercise any or all rights of collection, enforcement, conversion or exchange and other similar rights, privileges and options pertaining to the collateral, but the Bank shall have no duty to exercise any such rights, privileges or options or to sell or otherwise realize upon any of the collateral as herein authorized or to preerve the same and shall not be responsible for any failure to do so or delay in doing so.

The undersigned expressly waives all notices of any character whatsoever and waives, as against the Bank, any right of subogation, contribution, indemnification and all other rights available to the undersigned at law or in equity.

The Bank may transfer this instrument and/or any or all instruments evidencing any or all of the liabilities of the undersigned and may deliver the collateral or any part thereof to the transferee or transferees, who shall thereupon become vested with all the powers and rights with respect thereto given to the Bank hereby or by the instrument or instruments so trnsferred, and the Bank shall thereafter be forever relieved and fully discharged from any liability or responsibility with respect thereto; but the Bank shall retain all rights and powers hereby given to it with respect to any and all liabilities of the undersigned and collateral not so transferred. The provisions of the fifth and sixth paragraphs hereof shall be and remain effective although any of the conditions stated therein shall, with or without the knowledge of the Bank, exist at or immediately after the time of its acceptance of any liability of the undersigned or of further security or of any payment on account. Presentment and demand for payment with respect to any of the liabilities of the undersigned may be made at the office of the Bank. Any notice to or demand on the undersigned elected to be given or made by the Bank or any transferee shall be deemed effective, if not first otherwise made or given, when forwarded by mail, telecopier, cable or radio or telephoned to the last address of the undersigned appearing on the Bank's books. No act or delay on the part of the Bank or any transferee in exercising any rights hereunder or failure to exercise the same shall operate as a waiver of any rights; no notice to or demand on the undersigned shall be deemed to be a waiver of the obligation of the undersigned or of the right of the Bank or of any transferee to take further action without notice or demand as provided herein; nor in any event shall any waiver be effective unless in writing and then the same shall be applicable only in the specific instance for which given. No course of dealing between the undersigned and the Bank shall be effective to modify or discharge in whole or in part this agreement.

This agreement shall cover all future as well as all existing transactions and shall remain effective irrespective of any interruptions in the business relations of the undersigned with the Bank. The term "undersigned" as used herein shall, if this instrument is signed by more than one party, mean the "undersigned and each of them" and each undertaking herein contained shall be their joint and several undertaking, provided, however, that in the phrases "of the undersigned", "by the undersigned", "against the undersigned", "for the undersigned", "to the undersigned", and "on the undersigned", the term "undersigned" shall mean the "undersigned or any of them", and the Bank may release or exchange any of the collateral belonging to any of the parties hereto and may renew or extend any of the liabilities of any of them and may make additional advances or extensions of credit to any of them and may release or fail to set off any deposit account or credit of any of them and may grant other

indulgences to any of them, all from time to time, before or after maturity of any of the liabilities of the undersigned, with or without further notice to or assent from any of the other parties hereto. If any party hereto shall be a partnership, the agreements herein contained shall remain in force and applicable notwithstanding any changes in the individuals composing the partnership, and the term "undersigned" shall include any altered or successive partnerships, but the predecessor partnerships and their partners shall not thereby be released from any liability.

The Bank and the undersigned, in any litigation arising out of or in connection with the collateral, the liabilities of the undersigned or this agreement, IRREVOCABLY WAIVE TRIAL BY JURY.

This agreement shall be governed by and construed in accordance with the laws of the State of New York.

Executed and delivered this 29 day of July, 1996.

____
(Individual Borrower)

____
(Individual Borrower)

First Priority Group, Inc.
(Name of Corporate or Partnership Borrower)

ATTEST: /s/ Barry Siegel
(for corporate Borrowers only - to be signed by Secretary

BY: /s/ Barry Siegel Co-chairman, Secretary
(Name and Title)

or Assistant Secretary) BY:

(Name and Title)

(AFFIX CORPORATE SEAL HERE)

Exhibit 10.12
The Chase Manhattan Bank

SECURITY AGREEMENT
(General Purpose)

This Agreement made this 29 day of July, 1996, between The Chase Manhattan Bank (herein called "Bank") and First Priority Group, Inc. (herein called "Borrower").

1. DEFINITIONS OF TERMS USED HEREIN. (a) "Borrower" includes all individuals executing this agreement as parties hereto and all members of a partnership when Borrower is a partnership, each of whom shall be jointly and severally liable individually and as partners hereunder. (b) "Liability" or "liabilities" includes all liabilities (primary, secondary, direct, contingent, sole, joint or several) due or to become due, or that may be hereafter contracted or acquired, of Borrower (including Borrower and any other person) to Bank, including without limitation all liabilities arising under or from any note, loan or credit agreement, letter of credit, guaranty, draft, acceptance, interest rate or foreign exchange agreement or any other instrument or agreement of (or the responsibility of) the Borrower or any loan, advance or other extension of credit or financial accommodation to Borrower by Bank. (c) "Proceeds" means whatever is received when Collateral is sold, exchanged, leased, collected or otherwise disposed of and includes the account arising when the right to payment is earned under a contract. (d) "Security interest" means a lien or other interest in Collateral which secures payment of a liability or performance of an obligation. (e) "Collateral" means the property described in Section 2 hereof and the following described property of the Borrower:

All present and future accounts, contract rights, general intangibles, instruments, documents, and chattel paper, all returned and repossessed goods relating thereto, all proceeds thereof, and all books, records and other property relating to any of the foregoing.

All terms used herein which are also defined in the New York or any other applicable Uniform Commercial Code shall also have at least the meanings herein as therein defined.

2. SECURITY INTEREST. As security for the payment of all loans and other extensions of credit or other financial accommodations now or in the future made by Bank to Borrower and all other liabilities of Borrower to Bank, Borrower hereby grants to Bank a security interest in the above described Collateral and all and any Proceeds arising therefrom and all and any products of the Collateral.

The proceeds of the loan hereby obtained by the Borrower will be used to purchase the Collateral.

Borrower represents and warrants that it is the sole lawful owner of the Collateral, free and clear of any liens and encumbrances, and has the right and power to pledge, sell, assign and transfer absolute title thereto to Bank and that no financing statement covering the Collateral, other than the Bank's, is on file in any public office.

To further secure the Liabilities, the Borrower hereby grants, pledges and assigns to the Bank a continuing lien, security interest and right of set-off in and to all money, securities and all other property of the Borrower, and the proceeds thereof, now or hereafter actually or constructively held or received by or for the Bank, Chemical Securities, Inc. or any other affiliate of the Bank for any purpose, including safekeeping, custody, pledge, transmission and collection, and in and to all of the Borrower's deposits (general and special) and credits with the Bank, Chemical Securities, Inc. or any other affiliate of the Bank. Borrower authorizes Bank to deliver to others a copy of this Agreement as written notification of the Borrower's transfer of a security interest in the foregoing property. The Bank is hereby authorized at any time and from time to time, without notice, to apply all or part of such money, securities, property, proceeds, deposits or credits to any of the Liabilities in such amounts as the Bank may elect in its sole and absolute discretion, although the Liabilities may then be contingent or unmatured and whether or not the collateral security may be deemed adequate.

3. USE OF COLLATERAL. Until default, Borrower may use the Collateral in any lawful manner. If the Collateral is or is about to become affixed to realty, Borrower will, at Bank's request, furnish the Bank a writing executed by the mortgagee of the realty whereby the mortgagee subordinates its rights and priorities to the Bank's security interest in the Collateral. If the Collateral is or may become subject to a landlord's lien, the Borrower will at Bank's request, furnish the Bank with a landlord's waiver satisfactory in form to the Bank.

If goods, the Collateral will be used primarily as _________________
(Equipment in business, Inventory for sale or lease, Farming, Personal, Family or Hosuehold.)

4. INSURANCE. Borrower will have and maintain insurance on the Collateral until this Agreement is terminated against all expected risks to which it is exposed, including fire, theft and collision, and those which the Bank may designate, such insurance to be payable to Bank and Borrower as their interest may appear; all policies shall provide for thirty (30) days' written minimum cancellation notice to the Bank. Bank may act as attorney for Borrower in obtaining, adjusting, settling and cancelling such insurance.

5. DEFAULT. Default shall exist hereunder (1) if the Borrower shall fail to pay any amount of the Liabilities when due or if the Borrower shall fail to keep, observe or perform any provision of this Agreement or of any note, or other instrument or agreement between Borrower and Bank relating to any

Liabilities or if any default or Event of Default specified or defined in any such note, instrument or agreement shall occur, (2) if the Borrower shall or shall attempt to (a) remove or allow removal of the Collateral from the county where the Borrower now resides or change the location of its chief executive office or principal place of business, (b) sell, encumber or otherwise dispose of the Collateral or any interest therein or permit any lien or security interest (other than the Bank's) to exist thereon or therein, (c) conceal, hire out or let the Collateral, (d) misuse or abuse the Collateral, or (e) use or allow the use of the Collateral in connection with any undertaking prohibited by law; (3) if bankruptcy or insolvency proceedings shall be instituted by or against the Borrower, or (4) if the Collateral shall be attached, levied upon, seized in any legal proceedings, or held by virtue of any lien or distress, or (5) if the Borrower shall make any assignment for the benefit of creditors, or (6) if the Borrower shall fail to pay promptly all taxes and assessments upon the Collateral or the use thereof, or (7) if the Borrower shall die, or (8) if the Bank with reasonable cause determines that its interest in the Collateral is in jeopardy, or (9) if Borrower should fail to keep the Collateral suitably insured. In the event of default or the breach of any undertaking of or conditions to be performed by the Borrower (1) all liabilities shall become immediately due and payable, and (2) the Borrower agrees upon demand to deliver the Collateral to the Bank, or the Bank may, with or without legal process, and with or without previous notice or demand for performance, enter any premises wherein the Collateral may be, and take possession of the same, together with anything therein; and the Bank may make disposition of the Collateral subject to any and all applicable provisions of the law. If the Collateral is sold at public sale, Bank may purchase the Collateral at such sale. The Bank, provided it has sent the statutory notice of default, may retain from the proceeds of such sale all reasonable costs incurred in the said taking and sale and also, all sums then owing by the Borrower, and any surplus of any such sale shall be paid to the Borrower.

6. GENERAL AGREEMENTS. (a) Borrower agrees to pay the costs of filing financing statements and of conducting searches in connection with this Agreement. (b) Borrower agrees to allow the Bank through any of its officers or agents, at all reasonable times, to examine or inspect any of the Collateral and to examine, inspect and make extracts from the Borrower's books and records relating to the Collateral. (c) Borrower will promptly pay when due all taxes and assessments upon the Collateral or for its use of operation or upon the proceeds thereof or upon this Agreement or upon any note or other instrument or

agreement evidencing any of the liabilities. (d) At its option, the Bank may discharge taxes, liens or security interests or other encumbrances at any time levied or placed on the Collateral, and may pay for the maintenance and preservation of the Collateral, and the Borrower agrees to reimburse the Bank on demand for any payment made or any expense incurred by the Bank pursuant to the foregoing authorization, including outside or in-house counsel fees and disbursements incurred or expended by the Bank in connection with this Agreement. (e) Borrower hereby authorizes the Bank to file financing statements and any amendments thereto without the signature of Borrower. Such authorization is limited to the security interest granted by this Agreement. (f) Borrower agrees that the Bank has the right to notify (on invoices or otherwise) account debtors and other obligors or payors on any Collateral of its assignment to the Bank and that all payments thereon should be made directly to the Bank and that the Bank has full power and authority to collect, compromise, endorse, sell or otherwise deal with the Collateral on its own name or that of the Borrower at

any time. (g) The Borrower agrees to pay or reimburse the Bank on demand for all costs and expenses incurred by it in connection with the administration and enforcement of this Agreement and the administration, preservation, protection, collection or realization of any Collateral (including outside or in-house attorneys' fees and expenses). (h) The Bank shall not be deemed to have waived any of its rights hereunder or under any other agreement, instrument or paper signed by the Borrower unless such waiver is in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver thereof or of any other right. A waiver upon any one occasion shall not be construed as a bar or a waiver of any right or remedy on any future occasion. All of the rights and remedies of the Bank, whether evidenced hereby or by any other Agreement, instrument or paper, shall be cumulative and may be exercised singly or concurrently. (i) This Agreement shall be governed by and construed in accordance with the laws of the State of New York. (j) This Agreement, and the security interests, obligations, rights and remedies created hereby, shall inure to the benefit of the Bank and its successors and assigns and be binding upon the Borrower and its heirs, executors, administrators, legal representatives, successors and assigns.

7. EXECUTION BY BANK. This Agreement shall take effect immediately upon execution by the Borrower, and the execution hereof by the Bank shall not be required as a condition to the effectiveness of this Agreement. The provision for execution of this Agreement by the Bank is only for purposes of filing this Agreement as a Security Agreement under the Uniform Commercial Code, if execution hereof by the Bank is required for purposes of such filing.

First Priority Group, Inc.

(Borrower)

By /s/ Barry Siegel Co-chairman, Secretary
----
270 Duffy Avenue

(Number and Street)

Hicksville, New York 11801

(City, County, State)

Places of business in counties other than above.

The Chase Manhattan Bank______________________
Bank Designation

By /s/ Barbara A. Lerman, V.P.

(Name and Title)

Address 50 Charles Lindbergh Boulevard
Mitchell Field, N.Y. 11553

(Number, Street, City)

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