

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

Form 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 1997

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 0-21467

FIRST PRIORITY GROUP, INC.

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

New York  
(State or other jurisdiction of  
incorporation or organization)

11-2750412  
(IRS Employer  
Identification No.)

51 East Bethpage Road  
Plainview, New York 11803  
(Address of principal executive offices)

(516) 694-1010  
(Issuer's telephone number)

Check whether the issuer (1) has filed all reports required to be filed by  
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such  
shorter period that the registrant was required to file such reports), and (2)  
has been subject to such filing requirements for the past 90 days. Yes  No

State the number of shares outstanding of each of the issuer's classes of  
common equity, as of November 14, 1997: 6,900,550 shares of common stock

Transitional Small Business Format (check one)  
Yes  No

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Part I Financial Information

ITEM 1. Financial Statements

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1997  
(UNAUDITED)

ASSETS

Current Assets

Cash and cash equivalents	\$1,144,116
Accounts receivable, less allowances for doubtful accounts of \$22,500	1,937,387
Inventories	178,118
Prepaid expenses and other current assets	46,062
Total current assets	3,305,683

Property and equipment, net of accumulated depreciation of \$236,984	463,312
Security deposits and other non-current assets	27,738
Total assets	\$3,796,733

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:

Current portion of long term debt	\$50,004
Accounts payable and accrued expenses	1,684,334
Total current liabilities	\$1,734,338

Long term debt less current portion 79,161

Total liabilities	1,813,499
Shareholders' equity:	
Common stock, \$.015 par value, authorized 20,000,000 shares, issued 7,167,217 shares	107,508
Additional paid-in capital	3,827,393
Accumulated deficit	(1,861,667)
	2,073,234
Less common stock held in treasury, at cost, 266,667 shares	(90,000)
Total shareholders' equity	1,983,234
Total liabilities and shareholders' equity	\$3,796,733

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)

<TABLE>  
<CAPTION>

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	September 30, 1997	September 30, 1996	September 30, 1997	September 30, 1996
<S>	<C>	<C>	<C>	<C>
Revenue	\$ 3,412,788	\$ 3,599,722	\$ 10,289,922	\$ 9,650,709
Cost of revenue	2,801,553	2,992,848	8,508,593	7,930,763
Gross profit	611,235	606,874	1,781,329	1,719,946
Operating expenses:				
Selling, general and administrative	730,718	475,024	2,011,747	1,422,635
Income (loss) from operations	(119,483)	131,850	(230,418)	297,311
Other income (expense):				
Interest and other income	11,047	6,502	31,985	22,287
Interest expense	(6,663)	--	(8,393)	--
Total other income	4,384	6,502	23,592	22,287
Income (loss) from continuing operations before income taxes	(115,099)	138,352	(206,826)	319,598
Provision for income taxes	--	1,500	--	3,000
Income (loss) from continuing operations	(115,099)	136,852	(206,826)	316,598
Discontinued operations (Note 3):				
Loss from operations of discontinued division (No income tax benefit)	(256,511)	--	(926,709)	--
Net income (loss)	\$ (370,610)	\$ 136,852	\$ (1,133,535)	\$ 316,598
Earnings (loss) per common share (continuing operations)	\$ (0.02)	\$ 0.02	\$ (0.03)	\$ 0.04
Earnings (loss) per common share (discontinued operations)	(0.04)	--	(0.15)	--
Net earnings (loss) per common share	\$ (0.06)	\$ 0.02	\$ (0.18)	\$ 0.04

</TABLE>

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW  
(Unaudited)

<TABLE>  
<CAPTION>

NINE MONTHS ENDED

	September 30, 1997	September 30, 1996
	-----	-----
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	(\$1,133,535)	\$316,598
	-----	-----
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities		
Depreciation and amortization	58,967	28,305
Provision for bad debt	11,000	
Changes in assets and liabilities		
Accounts receivable	68,248	(163,433)
Inventories	140,280	(6,521)
Prepaid expenses and other current assets	275,836	(4,374)
Security deposit and other non-current assets	19,575	(175)
Accounts payable and accrued expenses	(28,468)	118,195
	-----	-----
Total adjustments	545,438	(28,003)
	-----	-----
Net cash provided by (used in) operating activities	(588,097)	288,595
	-----	-----
Cash flows from investing activities, additions to property and equipment	(380,455)	(78,597)
	-----	-----
Cash flows from financing activities:		
Repayment under line of credit financing	(600,000)	
Proceeds from bank loan	150,000	
Principal payments on bank loan	(20,835)	(37,264)
Proceeds from issuance of common stock	1,900,000	
	-----	-----
Net cash provided by (used in) financing activities	1,429,165	(37,264)
	-----	-----
Net increase in cash and cash equivalents	460,613	172,734
Cash and cash equivalents at beginning of period	683,503	779,074
	-----	-----
Cash and cash equivalents at end of period	\$1,144,116	\$951,808
	=====	=====

</TABLE>

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

FIRST PRIORITY GROUP, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

1. UNAUDITED FINANCIAL STATEMENTS

The information contained in the condensed consolidated financial statements for the period ended September 30, 1997 is unaudited, but includes all adjustments, consisting of normal recurring adjustments, which First Priority Group (the "Company") considers necessary for a fair presentation of the company's financial position, results of operations, and cash flows.

The financial statements and notes are presented as permitted by Form 10-QSB, and may not contain certain information included in the Company's annual financial statements and notes. These interim financial statements should be read in conjunction with the Company's annual financial statements and notes which are included in the Company's Annual Report on Form 10-KSB for the year ended December 31, 1996. Interim results for the three months and nine months may not necessarily be indicative of the Company's annual results for fiscal year 1997.

2. BUSINESS OF THE COMPANY

The Company, a New York corporation formed on June 28, 1985, is engaged in automotive fleet management and administration of automotive repairs for businesses, insurance companies and members of affinity groups. The services provided by the Company include the computerized compilation and analysis of vehicle usage and maintenance data, and the repair and maintenance of vehicles through approximately 8,000 repair facilities nationwide.

The Company's office is located at 51 East Bethpage Road, Plainview, New York 11803 and its telephone number is (516) 694-1010.

3. DISCONTINUED OPERATIONS

In September 1996, the Company's FPG Direct division began to market consumer goods through direct mailing efforts to credit card customers of major oil companies and retail department stores. During the second quarter of 1997, the Company decided to discontinue its FPG Direct division. While the division has not participated in any new promotions since June 1997, it is continuing to fill orders (to reduce existing inventory), pay vendors, and collect

receivables. The Company does not expect to incur any additional losses during the remaining phase out period. Losses from this division are not expected to provide any income tax benefit during 1997, but such losses may be used to offset income in subsequent years.

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#### 4. LINES OF CREDIT

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 \$750,000 through June 30, 1998. As of September 30, 1997 the Company had no borrowings from the bank under the line of credit. Effective October 16, 1997, the Company canceled its line of credit.

#### 5. PRIVATE PLACEMENTS

In May 1997, the Company raised \$400,000 through the private placement issuance of 266,667 shares at \$1.50 per share. Several of the Company's executives and employees accounted for a majority of the shares issued in the private placement. In August 1997, the Company raised an additional \$1,500,000 through the private placement issuance of 750,000 units at \$2.00 per unit, consisting of one share of common stock and a warrant to purchase one share of common stock at \$2.00 per share. A private investment group and one executive participated in this placement.

#### 6. EARNINGS (LOSS) PER COMMON SHARE AND COMMON EQUIVALENT SHARE

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

The number of common and common equivalent shares utilized in the per share computations were 6,411,420 and 7,870,350 for the three months ended September 30, 1997 and 1996, respectively and 6,133,944 and 7,788,453 for the nine months ended September 30, 1997 and 1996, respectively.

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

#### Results of Operations

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

#### Automotive Management

For the three months ended September 30, 1997, revenues from services of the automotive management operations were \$3,412,788, as compared to \$3,599,722 for the three months ended September 30, 1996, representing a decrease of \$186,934, or 5.2%. For the nine months ended September 30, 1997 revenues from services were \$10,289,922 as compared to \$9,650,709 for the nine months ended September 30, 1996, representing an increase of \$639,213, or 6.6%. Although revenue increased for the nine month period, the Company experienced a decrease in revenue for the three month period as a result of a reduced number of claims received by its National Fleet Service subsidiary.

The direct cost of services related to such revenue (principally charges from automotive repair facilities) was \$2,801,553 and \$2,992,848 for the three month periods ended September 30, 1997 and 1996, respectively, resulting in a decrease of \$191,295 or 6.4%. The direct cost of services for the nine months ended September 30, 1997 and 1996, respectively, were \$8,508,593 and \$7,930,763 resulting in an increase of \$577,830 or 7.3%. Changes in cost of revenue for both reporting periods were directly proportional to the changes in revenue for the corresponding periods.

The gross profit percentage was 17.9% and 17.3% for the three and nine months ended September 30, 1997, respectively, as compared to 16.9% and 17.8% for the same periods of 1996. The increased three month gross profit percentage is mainly due to the restructuring of fees for new and renewing client contracts. The nine month decrease of gross profit is a result of fee-based programs offered previously to large companies at a reduced rate as an incentive to sign long term contracts. This business practice has reduced the Company's attrition rate.

Total operating expenses were \$730,718 for the three months ended September 30, 1997, as compared to \$475,024 for the three months ended September 30, 1996, representing an increase of \$255,694, or 53.8%. For the nine months ended September 30, 1997, total operating expenses were \$2,011,747, an increase of \$589,112 or 41.4% from total operating expenses of \$1,422,635 for the same period of 1996. The increases in operating expense are primarily attributable to increased payroll and related expenses specifically associated with hiring senior

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executives to head the Affinity and Direct Appraisal and Repair Programs (DARP) business groups as well as increases in other general and administrative expenses required to service the Company's group automotive management operations. Operating expenses were also adversely affected by non-recurring costs associated with the relocation of the Company's corporate offices.

As a result of the foregoing, the net loss from continuing operations for the three months ended September 30, 1997 was \$115,099 (\$.02 per share) as compared to net income of \$136,852 (\$.02 per share) for the comparable three months in 1996. For the nine months ended September 30, 1997, the net loss from continuing operations was \$206,826 (\$.03 per share) as compared to net income of \$316,598 (\$.04 per share) for the same period in 1996.

#### FPG Direct (Discontinued operations)

For the three and nine months ended September 30, 1997, FPG Direct had net sales of \$216,397 and \$2,511,186 and cost of goods sold of \$117,697 and \$1,187,782, resulting in a three month gross profit of \$98,700 (45.6%) and a nine month gross profit of \$1,323,404 (52.7%), respectively. For the three months ended September 30, 1997, FPG Direct incurred selling, general, and administrative expenses of \$355,211, resulting in a net loss of \$256,511 (\$.04 per share). For the nine months ended September 30, 1997, FPG direct incurred selling, general, and administrative expenses of \$2,217,114 and interest expense of \$32,999 resulting in a nine month net loss of \$926,709 (\$.15 per share). Sales related to the promotions completed and ongoing during this year did not meet expectations, resulting in losses for the division. As a result of these losses, management discontinued the operations of this division. FPG Direct has not participated in any new promotions since June 1997.

The Company had previously anticipated no further losses for this division, however, certain revenue did not materialize as a result of shipping delays caused by the Montgomery Ward petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code, therefore, unexpected losses resulted during the third quarter. The Company does not expect to incur any additional losses during the remaining phase out period.

#### Liquidity and Capital Resources

As of September 30, 1997, the Company had cash and cash equivalents of \$1,144,116. Working capital of the Company as of September 30, 1997, was \$1,571,345. The Company's operating activities used \$588,097 of cash in the first three quarters of 1997. The Company believes its existing capital resources and cash flow from operations will be sufficient to meet the Company's cash and capital requirements for at least the next twelve months.

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 \$750,000 through June 30, 1998. As of September 30, 1997 the Company had no borrowings from the bank under the

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line of credit. Effective October 16, 1997, the Company canceled its line of credit.

In April 1997 the Company relocated its corporate offices to a 12,000 square foot facility in Plainview, New York. The company incurred significant

expenditures representing moving costs, new furniture and equipment, and leasehold improvements. In April, 1997, the Company obtained a term loan of \$150,000 from its bank to finance some of these costs. On October 16, 1997, the Company repaid the balance of the loan. As of November 14, 1997, the Company has no outstanding debt with the bank.

In May 1997, the Company raised \$400,000 through the private placement issuance of 266,667 shares at \$1.50 per share. Several of the Company's executives and employees accounted for a majority of the shares issued in the private placement. In August 1997 the Company raised an additional \$1,500,000 through the private placement issuance of 750,000 units at \$2.00 per unit, consisting of one share of common stock and a warrant to purchase one share of common stock at \$2.00 per share. A private investment group and one executive participated in this placement.



Exhibit 10.1

Board of Directors  
First Priority Group, Inc.  
51 East Bethpage Road  
Plainview, New York 11803

Re: Subscription to Purchase Shares of First Priority Group, Inc.  
Common Stock and Warrant

Gentlemen:

(1) Subscription:

(A) The undersigned hereby subscribes to purchase \_\_\_\_\_ of units, or \_\_\_\_\_. Each unit shall consist of one (1) share of the \$.015 par value common stock ("Common Stock") of First Priority Group, Inc. (the "Company") and a warrant, as hereinafter described (the "Warrant") (the "Unit"). The per Unit offering price shall be \$2.00 and the undersigned hereby tenders payment in the amount of \_\_\_\_\_ for the subscribed for number of Units by certified check, bank draft or wire transfer made payable to Muenz & Meritz, P.C. for deposit into its Master Escrow Attorney Trust Account, into a segregated, non-interest bearing bank account.

Each Warrant entitles the holder to purchase one (1) share of Common Stock for \$2.00 during the two year period commencing on the date the Company issues the Common Stock purchased under this Subscription Agreement (the "Agreement"). The Warrant will contain the other terms and conditions set forth in the form of Warrant attached hereto as Exhibit A.

In connection with this subscription, the undersigned hereby executes this Agreement and acknowledges that the undersigned has received, read, understands and is familiar with:

- (i) the Company's Annual Report (Form 10-KSB) filed with the Securities and Exchange Commission (the "Commission") for the fiscal year ended December 31, 1996;
- (ii) Quarterly Reports (Form 10-QSB) filed with the Commission for the quarters ended March 31, 1997 and June 30, 1997;
- (iii) press releases and any other public information statements disseminated by

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the Company for the period since the Company's last Quarterly Report (Form 10-QSB);

- (iv) all responses either in writing or orally to the undersigned's Due Diligence Request List provided to the Company's counsel on July 22, 1997 by \_\_\_\_\_ and supplemented on August 1, 1997.
- (v) all responses either in writing or orally by:
  - (a) Barry Siegel and Michael Karpoff, officers of the Company;
  - (b) Barry Spiegel, an executive of the Company;
  - (c) Lawrence A. Muenz, member of Muenz & Meritz, P.C., the Company's outside counsel;

(d) Paul J. DiStefano, Harbor Capital Advisors, Inc., the Company's financial advisor; and

(e) Stephen Wolpov, member of Nussbaum Yates & Wolpov, P.C., the Company's independent accounting firm; to the undersigned's oral and/or written inquiries.

- (B) The undersigned further acknowledges that, except as set forth herein or contemplated by Section 10 and except as set forth in such reports and information made available to the undersigned by the Company or the parties set forth above, no representations or warranties have been made to the undersigned, or to the undersigned's advisors by the Company, or by any person acting on behalf of the Company, with respect to the offer or sale of the Units and/or the economic, tax or any other aspects or consequences of a purchase of the Units and/or the investment made thereby. Further, the undersigned has not relied upon any information concerning the Company, written or oral, other than that set forth herein, contemplated by Section 10, or contained in the aforementioned reports and information.
- (C) The undersigned hereby acknowledges that the undersigned has had an opportunity to ask questions of, and receive answers from persons acting on behalf of the Company to verify the accuracy and completeness of the information set forth in such reports prior to sale and the undersigned hereby acknowledges that the undersigned has not requested the Company to provide any additional information.
- (D) The undersigned hereby acknowledges that the undersigned has been informed of the Consolidated Merchandising, Inc. receivable owed to the Company related to the FPG Direct program with Montgomery Wards.

(2) Subscriber's Representations and Warranties:

The undersigned subscriber represents and warrants to the Company:

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- (A) The Units are being issued to the undersigned by the Company for investment only, for the undersigned's own account, and are not being purchased by the undersigned with a view to distribution of such Common Stock, or for the offer and/or sale in connection with any distribution thereof. The undersigned is not participating, directly or indirectly, in an underwriting of the Common Stock or in any similar undertaking. The undersigned has no present plans to enter into any contract, undertaking, agreement, or arrangement which would entail an underwriting of such Common Stock or any similar distribution thereof.
- (B) The undersigned is an "accredited investor" as that term is defined in Rule 501 of Regulation D promulgated by the Commission, which shall mean any person who comes within any of the following categories:
- (i) Any bank as defined in section 3(a)(2) of the Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of the Act whether acting in its individual or fiduciary capacity; any broker or dealer registered pursuant to section 15 of the Securities Exchange Act of 1934 (the "Exchange Act"); any insurance company as defined in section 2(13) of the Act; any investment company registered under the Investment Company Act of 1940 or a business development company as defined in section 2(a)(48) of that Act; Small Business Investment Company licensed by the U.S. Small Business Administration under section 301(c) or (d) of the Small Business Investment Act of 1958; any plan established and maintained by a state, its political subdivisions, or any agency or instrumentality of a state or its political subdivisions for the benefit of its employees, if such plan has total assets in excess of \$5,000,000;

employee benefit plan within the meaning of the Employee Retirement Income Security Act of 1974 if the investment decision is made by a plan fiduciary, as defined in section 3(21) of such Act, which is either a bank, savings and loan association, insurance company, or registered investment adviser, or if the employee benefit plan has total assets in excess of \$5,000,000 or, if a self-directed plan, with investment decisions made solely by persons that are accredited investors;

- (ii) Any private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940;
- (iii) Any organization described in Section 501(c)(3) of the Internal Revenue Code, corporation, Massachusetts or similar business trust, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of \$5,000,000;
- (iv) Any natural person whose individual net worth, or joint net worth with that person's spouse, at the time of his purchase exceeds \$1,000,000;
- (v) Any natural person who had an individual income in excess of \$200,000 in each of the

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two most recent years or joint income with that person's spouse in excess of \$300,000 in each of those years and has a reasonable expectation of reaching the same income level in the current year;

- (vi) Any trust, with total assets in excess of \$5,000,000, not formed for the specific purpose of acquiring the securities offered, whose purchase is directed by a sophisticated person as described in ss.230.506(b)(2)(ii); and
  - (vii) Any entity in which all of the equity owners are accredited investors.
- (C) All of the representations and information provided in the undersigned's Confidential Purchaser Questionnaire, and any additional information that the undersigned has furnished to the Company with respect to the undersigned's financial position are accurate and complete as of the date of this Agreement. If there should be any material adverse change in any such representations or information prior to the issuance of the Units to the undersigned, the undersigned will immediately furnish accurate and complete information concerning any such material change to the Company.
- (D) The undersigned has not been organized or reorganized for the specific purpose of acquiring the Units. If the undersigned is a corporation, it has enclosed with this Agreement copies of its Articles of Incorporation, Bylaws and the corporate resolution authorizing the individual executing the signature page so to act on behalf of the corporation, all of which have been certified by the Secretary or an Assistant Secretary of the corporation as being true and correct copies thereof and in full force and effect. If the undersigned is a partnership, trust, limited liability company or other entity, the undersigned has enclosed with this Agreement a copy of its Partnership Agreement or Certificate of Formation (or other governing agreement) or a copy of its Declaration of Trust (or other governing instrument), as the case may be and, in the case of a limited liability company, resolutions authorizing the individual executing the signature page so to act on behalf of the limited liability company. All such documentation is complete, current and correct as of the date hereof.

(E) The undersigned understands that there is no guarantee of profits or against loss as a result of purchasing the Units and the undersigned hereby states that the undersigned can afford a complete loss of the investment in such Units. The undersigned further warrants that the undersigned's present financial condition is such that the undersigned has no present or perceived future need to dispose of any portion of the Units to satisfy any existing or contemplated undertaking, obligation, need or indebtedness. Consequently, the undersigned represents that the undersigned has sufficient liquid assets to pay the full purchase price for the Units, has adequate means for providing for the undersigned's current needs and possible contingencies

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and has no current need to liquidate any of the undersigned's investment in the Company.

(F) The undersigned has been represented by such legal counsel and other advisors, each of whom has been personally selected by the undersigned, as the undersigned has found necessary to consult, concerning the purchase of the Units. The undersigned has such knowledge or experience in business and financial matters to evaluate the information set forth in the aforementioned reports, press releases and/or other information communicated by the Company to the undersigned and the risks associated with this investment, and to make an informed investment decision with respect hereto. To the extent that the undersigned has found it necessary to consult with any such counsel and/or advisors concerning the purchase of the Units, the undersigned has relied upon their advice and counsel in making such investment decision.

(G) The undersigned is a resident of the jurisdiction set forth below the undersigned's name on the signature page of this Agreement.

(3) Company's Representations and Warranties.

The Company, by accepting this subscription, represents and warrants to the undersigned subscriber as follows:

(A) the information contained in the reports, press releases, and other information distributed and/or communicated by the Company as described in paragraph (1) of this Agreement contain no untrue statements of material fact or omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(B) as of the date of the Agreement, there have been no material, adverse changes in the Company's operations or financial condition since the applicable dates of the aforementioned reports, press releases, and other information distributed and/or communicated by the Company.

(C) the Company is a corporation duly organized, validly existing and in good standing under the laws of the State of New York. The Company is duly qualified or registered and in good standing as a foreign corporation duly authorized to do business in each jurisdiction in which the failure to so qualify would have a material adverse effect on the Company's operations or financial condition. The Company has all requisite legal power and authority to own or lease and operate its properties and assets and to carry on its business as now conducted.

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(D) the execution and delivery of this Agreement and the Warrants by the

Company and the performance of the obligations of the Company contemplated hereby and thereby have been duly and validly authorized by all necessary corporate action. The Company has the right, power and authority to enter into and perform this Agreement and the Warrants. This Agreement and the Warrants have been duly executed and delivered by the Company. This Agreement and the Warrants constitute the valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms.

(E) the Common Stock to be issued hereunder and under the Warrants is duly authorized, and upon issuance pursuant to the terms of this Agreement, or the Warrant, as the case may be, will be duly and validly issued and will be fully paid and nonassessable, and the holders thereof will not be subject to personal liability by reason of being such holders, the Common Stock is not subject to preemptive rights of any holders of any security of the Company or similar contractual rights granted by the Company.

(F) the execution and delivery of this Agreement and the Warrants by the Company and the performance of the obligations of the Company contemplated hereby and thereby do not and will not, with or without the giving of notice or the lapse of time or both, (1) result in a breach of, conflict with any terms and provisions of, or constitute a default under, or result in the creation, modification, termination, or imposition of any lien, charge or encumbrance upon any property or assets of the Company pursuant to the terms of any material indenture, mortgage, deed of trust, loan or credit agreement, or any other material agreement or instrument evidencing an obligation for borrowed money, or any other material agreement or instrument to which the Company is a party or by which the Company may be bound or to which any of the material property or assets of the Company is subject; (2) result in any violation of any provision of the Certificate of Incorporation or the By-laws of the Company; (3) violate any existing applicable law, rule, regulation, judgement, order or decree of any

governmental agency or court, domestic or foreign, having jurisdiction over the Company or any of its properties or business; or (4) have a material adverse effect on any material permit, license, certificate, registration, approval, consent, license or franchise concerning the Company.

(G) as of the date of this Agreement, to the best knowledge of the Company, the Company does not have any liabilities that are reasonably likely to have, individually or in the aggregate, a material adverse effect on the Company, other than those liabilities which are accrued or reserved against in the balance sheets of the Company as of December 31, 1995 and 1996 and June 30, 1997. To the best knowledge of the Company, the Company has not incurred or paid any liability since June 30, 1997, except for such liabilities incurred or paid in the ordinary course of business consistent with past business practice.

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(H) as of the date of this Agreement, all of the agreements and contracts to which it or one of its subsidiaries is a party are valid, binding and fully enforceable against the respective parties thereto in accordance with their respective terms.

(I) as of the date of this Agreement, the Company is in material compliance with all requirements of law, Federal, state and local, and all requirements of governmental bodies or agencies having jurisdiction over it, the conduct of its business, the use of its properties and assets, and all premises occupied by it, and, without limiting the foregoing, the Company has paid all monies and obtained all material licenses, permits certificates, and authorizations needed or required for the conduct of its business and the use of its properties and the premises occupied by it. The Company has properly filed all material reports and other documents required to be filed with any Federal, state, local and foreign government or subdivision or agency thereof.

The Company has not received any notice that it has not heretofore complied with, from any Federal, state, or municipal authority or any insurance or inspection body that any of its properties, facilities, equipment, or business procedures or practices, fail to comply with any applicable law, ordinance, regulation, building, or zoning law, or requirement of any public authority or body, that should the Company not comply with, would have a material adverse effect upon the Company.

(4) Securities Law Restrictions on Transfers.

The undersigned understands that the offer and/or sale of the Units to the undersigned is not required to be registered under the Securities Act of 1933, as amended (the "Securities Act") by reason of a specific exemption for the offer and sale of the Units under the provisions of Regulation D promulgated by the Commission. The undersigned further understands that, except as provided

in paragraph (5) below, the Company has not agreed to register the Units for distribution and/or resale in accordance with the provisions of the Securities Act or the Securities Exchange Act of 1934 (the "Exchange Act"), or to register the Units for distribution and/or resale under any applicable state securities laws. Hence, it is the undersigned's understanding that by virtue of the provisions of certain rules respecting "restricted securities" promulgated under such federal and/or state laws, unless such secondary distribution and/or resale is registered as provided in paragraph (5) below, the Units which the undersigned is purchasing by virtue of this Agreement must be held indefinitely and may not be sold, transferred, pledged, hypothecated or otherwise encumbered for value, unless and until such secondary distribution and/or resale is subsequently registered under such federal and/or state securities laws or unless an exemption from registration is available, in which case the undersigned still may be limited as to the amount of the Common Stock that may be sold, transferred, pledged and/or encumbered for value.

The undersigned, therefore, agrees that any certificates evidencing the Common

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Stock received by the undersigned and the Common Stock issuable under the Warrant, by virtue of this Agreement, shall be stamped or otherwise imprinted with a conspicuous legend to give notice of the securities law transfer restrictions set forth herein and the undersigned acknowledges that the Company may cause stop transfer orders to be placed on the undersigned's account. The legend shall be in substantially the following form:

NO SALE, OFFER TO SELL, OR TRANSFER OF THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE SHALL BE MADE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT THE PROPOSED TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SAID ACT.

(5) Registration Rights.

(A) "Piggy-Back" Registration.

- (i) Grant of Right. The holders of these Units shall have the right for a period of seven years from the date this Agreement is accepted by the Company to include all or any part of these Units or the shares of Common Stock comprising the Units (collectively, the "Registrable Securities") as part of any registration of securities filed by the Company (other than on Form S-4, or pursuant to Form S-8 or any equivalent form); provided, however, that if, in the written opinion of the Company's managing underwriter or underwriters, if any, for such offering (the "Underwriter"), the inclusion of the

Registrable Securities, when added to the securities being registered by the Company or the selling stockholder(s), will exceed the maximum amount of the Company's securities which

can be marketed (a) at a price reasonably related to their then current market value, or (b) without materially and adversely affecting the entire offering, the Company shall nevertheless register all or any portion of the Registrable Securities required to be so registered but such Registrable Securities shall not be sold by the holders until 90 days after the registration statement for such offering has become effective or for such longer period as the managing underwriter may require; and provided further that, if any securities are registered for sale on behalf of other stockholders in such offering and such stockholders have not agreed to defer such sale until the expiration of such period, the number of securities to be sold by all stockholders in such public offering during such period shall be apportioned pro rata among all such selling stockholders, including all holders of the Registrable Securities, according to the total amount of securities of the Company owned by said selling stockholders, including all

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holders of the Registrable Securities.

(ii) Terms. In the event of such a proposed registration, the Company shall furnish the then holders of outstanding Registrable Securities with not less than thirty days written notice prior to the proposed date of filing of such registration statement. Such notice to the holders shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been sold by the holder. The holders of the Registrable Securities shall exercise the "piggy-back" rights provided for herein by giving written notice, within twenty days of the receipt of the Company's notice of its intention to file a registration statement.

(iii) Expenses. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities. The term "Registration Expenses" means all expenses incident to the Company's performance of or compliance with the provisions of this Section 5, including, without limitation, (i) all registration, filing and NASD fees, (ii) all fees and expenses of complying with securities or blue sky laws, (iii) all word processing, duplicating and printing expenses, (iv) messenger and delivery expenses, (v) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or "cold comfort" letters required by or incident to such performance and compliance, (vi) the reasonable fees and disbursements (not to exceed \$5,000) of any one counsel retained by the holders of Registrable Securities requesting inclusion of such securities in a registration statement, (vii) premiums and other costs of policies of insurance against liabilities arising out of the public offering of the Registrable Securities being registered (if the Company elects to obtain any such insurance), and (viii) any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but excluding (x) underwriting discounts and commissions applicable to sales of Registrable Securities and (x) the fees and disbursements in excess of \$5,000 of legal counsel retained by the holders.

(iv) Registration Procedures. If and whenever the Company is required to use its best efforts to effect the registration of any Registrable Securities under the Securities Act as provided in this Section 5, the Company will as expeditiously as possible:

(a) prepare and as soon thereafter as possible file with the Commission the requisite registration statement to effect such registration and thereafter use its best efforts to cause such registration statement to become effective, provided that before filing such registration statement or any amendments thereto, the Company

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will furnish to counsel selected by the holders whose Registrable Securities are to be included in such registration copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement continuously effective for a period of either (A) not less than nine months from the date that the holders of Registrable Securities are first given the opportunity to sell all Registrable Securities held by them, and to comply with the provisions of the Securities Act with

respect to the disposition of all securities covered by such registration statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Securities covered by such registration statement such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits, but only one copy thereof to each such seller), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other documents in order to facilitate the disposition of the Registrable Securities owned by such seller, as such seller may reasonably request;

(d) use its best efforts to register or qualify such Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each seller thereof shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such seller, provided that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction where it would not otherwise be required to qualify but for the requirements of this subdivision (d);

(e) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the seller or sellers thereof

to consummate the disposition of such Registrable Securities;

(f) notify each seller of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the discovery of the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of any such seller, promptly prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and

(g) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act, and will furnish to each such seller of Registrable Securities at least five business days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus and shall not file any such amendment or supplement to which any such seller or any Requesting Holder shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder; and

(h) in connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, to give the holders of Registrable Securities registered under such registration statement, and their counsel and accountants the opportunity to participate in the preparation of such registration

statement, each prospectus included therein or filed with the Commission, and each amendment thereof or

supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders' counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

(B) General Terms.

(i) Indemnification.

(a) The Company shall indemnify the holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such holders within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement. The holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such holders, or their successors or assigns, in writing, for specific inclusion in such registration statement, provided that in no event shall any holder of the Registrable Securities be required to indemnify the Company of any loss, claim, damage, expense or liability which exceeds the amount of the actual net proceeds received by such holder pursuant to the sale of Registrable Securities pursuant to such registration statement.

(b) If any action is brought against a party hereto, ("Indemnified Party") in respect of which indemnity may be sought against the other party ("Indemnifying Party"), such Indemnified Party shall promptly notify Indemnifying Party in writing of the institution of such action and Indemnifying Party shall assume the defense of such action, including the employment and fees of counsel reasonably satisfactory to the Indemnified Party, and the payment of actual expenses. Such Indemnified Party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of such counsel shall have been authorized in writing by Indemnifying Party in connection with the defense

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of such action, or (ii) Indemnifying Party shall not have employed counsel to defend such action, or (iii) such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which may result in a conflict between the Indemnified Party and Indemnifying Party (in which case Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), in any of which events, the reasonable fees and expenses of not more than one additional firm of attorneys and, to the extent required, one firm to act as local counsel in each jurisdiction in which an action is pending, designated in writing by the Indemnified Party shall be borne by Indemnifying Party. Notwithstanding anything to the contrary contained herein, if Indemnified Party shall assume the defense of such action as provided above, Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent.

(c) If the indemnification or reimbursement provided for hereunder is finally judicially determined by a court of competent jurisdiction to be unavailable to an Indemnified Party (other than as a consequence of a

final judicial determination of willful misconduct, bad faith or gross negligence of such Indemnified Party), then Indemnifying Party agrees, in lieu of indemnifying such Indemnified Party, to contribute to the amount paid or payable by such Indemnified Party (i) in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by Indemnifying Party on the one hand and by such Indemnified Party on the other or (ii) if (but only if) the allocation provided in clause (i) of this sentence is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of Indemnifying Party and of such Indemnified Party; provided, however, that in no event shall the aggregate amount contributed by a holder of Registrable Securities exceed the net proceeds, if any, earned by such holder pursuant to the sale of Registrable Securities pursuant to such registration statement.

(d) The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

(ii) Documents Delivered to Holders. The Company shall furnish to each holder participating in any of the foregoing offerings and to each Underwriter of any such offering, if any, a signed counterpart, addressed to such holder or Underwriter, of (a) an opinion of counsel to the Company, dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under any underwriting agreement related thereto), and (b) a "cold comfort" letter dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement) signed by the independent public accountants

who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement

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(and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities. The Company shall also deliver promptly to each holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to discussions with the Commission or its staff with respect to the registration statement and permit each holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the NASD. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as any such holder shall reasonably request. The cost for the opinion of counsel and the "cold comfort" letter referenced in this section shall be borne by the Company.

(iii) Rule 144. The Company will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, will upon the request of any holder of Registrable Securities, make publicly available other information, if such information is readily available by the Company and can be obtained by the Company without material expense) and will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 promulgated by the Commission under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request

of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

(iv) Rule 144A. The Company covenants that, except at such times as the Company is a reporting company under Section 13 or 15(d) of the Exchange Act, the Company shall upon written request from any holder of Registrable Securities, provide to any such holder and to any prospective institutional transferee of Registrable Securities designated by such holder, such financial and other information as is available to the Company or can be obtained by the Company without material expense and as such holder may reasonably determine is required to permit a transfer of such Registrable Securities to comply with the requirements of Rule 144A promulgated by the Commission under the Securities Act.

(v) Assignment. This provisions of this Section 5 shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective

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successors, and assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Agreement which are for the benefit of the holders of Registrable Securities as such shall be for the benefit of and enforceable by any subsequent holder of any Registrable Securities.

(vi) Nominees for Beneficial Owners. In the event that Registrable Securities are held by a nominee for the beneficial owner hereof, the beneficial owner thereof may, at its option and by written notice to the Company, be treated as the holder of such Registrable Securities for the purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Agreement ( or any determination of any percentage of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Agreement).

(6) Notices.

All notices, requests, consents and other communications under this Agreement shall be in writing and shall be deemed to have been duly made on the date of delivery if delivered personally or sent by overnight courier, with acknowledgment of receipt to the party to whom notice is given, or on the fifth day after mailing if mailed to the party to whom notice is to be given, by registered or certified mail, return receipt requested, postage prepaid and properly addressed as follows: (A) if to the registered holder of the Common Stock or the Warrant, to the address of such holder as shown on the books of the Company, or (B) if to the Company, to its principal executive office.

(7) Successors and Assigns.

This subscription for Units and Agreement shall be binding upon and shall inure to the benefit of the parties hereto and to the successors and assigns of the Company and the undersigned.

(8) Applicable Law.

Except when an interpretation of a federal and/or state securities laws is necessary or such law governs, this Agreement shall be governed by and construed in accordance with the laws of the State of New York.

(9) Certification with Respect to Federal Dividend and Interest Payments:  
Back-up Withholding

Under penalties of perjury, the undersigned, if he is a national or resident of the United States, hereby certifies to the Company as follows:

(A) The number shown below is the undersigned's Social Security or other taxpayer identification number and such number is the undersigned's correct taxpayer identification number; and

(B) the undersigned is not subject to back-up withholding either because the undersigned

has not been notified by the Internal Revenue Service that the undersigned is subject to back-up withholding as a result of failure to report all interest or dividends, or the Internal Revenue Service has notified the undersigned that the undersigned is no longer subject to back-up withholding.

(10) Delivery of Certain Documents by Company. By signing below to accept this subscription, the Company acknowledges that this subscription is conditioned upon the undersigned's receipt of, and Company agrees to deliver to the undersigned:

(A) A favorable opinion, dated the date of the Company's acceptance of this subscription and addressed to the undersigned, from Muenz & Meritz, P.C. counsel to the Company, in form and substance satisfactory to the undersigned, as to the following matters: (i) the due and valid authorization and issuance and the fully paid and nonassessable nature of the Units, the component parts thereof and the Securities issuable upon exercise of the Warrants (the "Securities"), (ii) the absence of any preemptive rights applicable to the issuance of the Securities, (iii) the absence of any required governmental consents in connection with the transactions contemplated by this Agreement and the Warrants, (iv) the absence of conflicts with laws, judicial orders, charter documents and material contracts in connection with the transactions contemplated by this Agreement and the Warrants, (v) the due incorporation, valid existence and good standing of the Company and each of its subsidiaries, (vi) the due authorization, execution and delivery by the Company of this Agreement and the Warrants and the binding nature thereof, and (vii) the valid and binding nature of certain fleet contracts.

(B) A copy of the Company's Certificate of Incorporation, as amended and certified within ten days preceding the date of the Company's acceptance of this Agreement by the Secretary of State of the state of the Company's incorporation.

(C) A copy of the Company's By-Laws, as amended, certified as of the date of the Company's acceptance of this Agreement, by the Secretary of the Company.

(D) A certificate of good standing, issued as of a date within ten days preceding the date of the Company's acceptance of this Agreement by the Secretary of State of the state of the Company's incorporation.

(E) A certificate asserting that the information contained in Parts A, B and C of an attached U.S. Small Business Administration ("SBA") Form 1031 (Portfolio Financing Report) and in Parts A and B of SBA Form 480 (Size Declaration Status), in the form attached to such certificate, is true and correct in all respects.

(11) Covenants.

(A) Use of proceeds. The Company will not use any portion of the proceeds from the

sale of the Securities for the purpose, whether immediate, incidental or ultimate, of purchasing or carrying, within the meaning of Regulation U of the Board of Governors of the Federal Reserve System (the "Board of Governors"), as amended from time to time, any "margin stock" as defined in said Regulation U, or any "margin stock" as defined in Regulation G of the Board of Governors, as amended from time to time, or for the purpose of purchasing, carrying or trading in securities within the meaning of Regulation T of the Board of Governors, as amended from time to time, or for the purpose of reducing or retiring any indebtedness which both (i) was originally incurred to purchase any such margin

stock or other securities and (ii) was directly or indirectly secured by such margin stock or other securities. None of the assets of the Company or any subsidiary of the Company has any present intention of acquiring any such "margin stock".

(12) Press Releases.

The undersigned and the Company agree to cooperate with respect to all press releases and other public disclosure regarding the existence of or the terms of this subscription agreement or the Warrants or the transactions contemplated hereby and thereby (or regarding any party in respect of any of the foregoing) (each a "Public Disclosure"), to provide the other parties advance copies thereof, and to consider in good faith any objection to any proposed Public Disclosure set forth by the other party. In the event any proposed Public Disclosure materially differs from any Public Disclosure previously made by any party hereto, such proposed Public Disclosure must be approved by the other party hereto, which approval shall not be unreasonably delayed or withheld. Nothing in this Section 12 shall be deemed to prohibit any party from making any disclosure which its disclosure counsel deems necessary or advisable in order to satisfy such party's disclosure obligations imposed by law or the requirements of any securities exchange on which such party's securities are traded.

IN WITNESS WHEREOF, the undersigned executes and agrees to be bound by this Agreement by executing the signature page attached hereon on the date thereon indicated.

THE INDIVIDUAL SUBSCRIBER SIGNATURE PAGE FOR  
FIRST PRIORITY GROUP, INC.  
SUBSCRIPTION AGREEMENT

Individual Subscribers Date: \_\_\_\_\_

Number of Units Subscribed for: \_\_\_\_\_

Amount of Subscription (at \$2.00 per share) \$ \_\_\_\_\_

-----  
Social Security No.

-----  
Print Name of Purchaser No. 1

-----  
Signature of Purchaser No. 1

-----  
Street Address

-----  
City, State, Zip Code

-----  
Social Security No.

-----  
Print Name of Purchaser No. 2

-----  
Signature of Purchaser No. 2

-----  
Street Address

-----  
City, State, Zip Code

Manner in which Units are to be held (check one):

\_\_\_\_\_ Individual Ownership

\_\_\_\_\_ Tenants-in-Common

\_\_\_\_\_ Joint Tenant with Right of Survivorship

\_\_\_\_\_ Community Property

\_\_\_\_\_ Separate Property

\_\_\_\_\_ Other (please indicate)

THE ENTITY SUBSCRIBER SIGNATURE PAGE FOR  
FIRST PRIORITY GROUP, INC.  
SUBSCRIPTION AGREEMENT

Corporate or other Entity

Date:\_\_\_\_\_

Number of Units Subscribed for:\_\_\_\_\_

Amount of Subscription (at \$2.00 per share) \$\_\_\_\_\_

-----  
Federal ID No.

-----  
Print Name of Entity

By:

-----  
Name:

Title:

-----  
Street Address

-----  
City, State, Zip Code

Manner in which Units are to be held (check one):

\_\_\_\_\_ Partnership

\_\_\_\_\_ Limited Partnership

\_\_\_\_\_ Corporation

\_\_\_\_\_ Trust

\_\_\_\_\_ Limited Liability Company

\_\_\_\_\_ Limited Liability Partnership

\_\_\_\_\_ Other (please specify)

BY SIGNING BELOW THE UNDERSIGNED ACCEPTS THE FOREGOING SUBSCRIPTION AND AGREES TO BE BOUND BY ITS TERMS.

FIRST PRIORITY GROUP, INC.

By:\_\_\_\_\_

Date of

Acceptance:\_\_\_\_\_

Barry Siegel, Chairman of the Board

THE REGISTERED HOLDER OF THIS WARRANT, BY ITS ACCEPTANCE HEREOF,  
AGREES THAT IT WILL NOT SELL, TRANSFER OR ASSIGN THIS WARRANT EXCEPT  
AS HEREIN PROVIDED.

VOID AFTER 5:00 P.M. EASTERN TIME, AUGUST 25, 1999

WARRANT

For the Purchase of

\_\_\_\_\_ Shares of Common Stock

of

FIRST PRIORITY GROUP, INC.

1. Warrant.

THIS CERTIFIES THAT, in consideration of \$2.00 per Unit purchased pursuant to a Subscription Agreement of the date hereof, and other good and valuable consideration, duly paid by or on behalf of \_\_\_\_\_ or its registered assigns ("Holder"), as registered owner of this Warrant, to First Priority Group, Inc. ("Company"), Holder is entitled, at any time from the date hereof (the "Commencement Date"), and at or before the earlier to occur of (i) 5:00 p.m., Eastern Time, August 25, 1999 ("Expiration Date"), or (ii) a stated Redemption Date (hereinafter defined in Section 8) to subscribe for, purchase and receive, in whole or in part, up to \_\_\_\_\_ shares of Common Stock, \$.015 par value, of the Company ("Common Stock"). If the Expiration Date or a stated Redemption Date is a day on which banking institutions are authorized by law to close in the State of New York, then this Warrant may be exercised on the next succeeding day which is not such a day in accordance with the terms herein. During the period ending on the Expiration Date, the Company agrees not to take any action that would terminate the Warrant, except as expressly provided below in Section 8. This Warrant is initially exercisable at a price of \$2.00 per share of Common Stock purchased; provided, however, that upon the occurrence of any of the events specified in Section 6 hereof, the rights granted by this Warrant, including the exercise price and the number of shares of Common Stock to be received upon such exercise, shall be adjusted as therein specified. The term "Exercise Price" shall mean the initial exercise price or the adjusted exercise price, depending on the context, of a share of Common Stock. The term "Securities" shall mean the shares of Common Stock issuable upon exercise of this Warrant.

2. Exercise.

- a. Exercise Form. In order to exercise this Warrant, the exercise form attached hereto must be duly executed and completed and delivered to the Company, together with this Warrant and payment of the Exercise Price for the Securities being purchased. If the subscription rights represented

hereby shall not be exercised at or before 5:00 p.m., Eastern time, on the Expiration Date, this Warrant shall become and be void without further force or effect, and all rights represented hereby shall cease and expire.

2.2 Effect of Exercise. Upon payment of the aggregate Exercise Price (rounded up to the nearest cent) for the Securities being purchased, the Company shall, as promptly as practicable thereafter, cause to be executed and deliver to the Holder, or the Holder's

nominee, a certificate or certificates representing the aggregate number of Securities specified in the exercise form. Each stock certificate so delivered shall be in such denomination as may be requested by the Holder, and shall be registered in the name of the Holder or such other name as shall be designated by the Holder. The Company shall pay all expenses, taxes and other charges payable in connection with the preparation, execution and delivery of such stock certificates.

2.3 Legend. Each certificate for Securities purchased under this Warrant shall bear a legend as follows, unless such Securities have been registered under the Securities Act of 1933, as amended ("Act"):

NO SALE, OFFER TO SELL, OR TRANSFER OF THE COMMON SHARES REPRESENTED BY THIS CERTIFICATE SHALL BE MADE IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND IN COMPLIANCE WITH ANY APPLICABLE STATE SECURITIES LAWS OR AN OPINION OF COUNSEL SATISFACTORY TO THE COMPANY THAT THE PROPOSED TRANSFER IS EXEMPT FROM THE REGISTRATION REQUIREMENTS OF SAID ACT.

3. Transfer.

a. General Restrictions. The registered Holder of this Warrant, by its acceptance hereof, agrees that it will not sell, transfer or assign or hypothecate this Warrant to anyone except upon compliance with, or pursuant to exemptions from, applicable securities laws. In order to make any permitted assignment, the Holder must deliver to the Company the assignment form attached hereto duly executed and completed, together with this Warrant and payment of all transfer taxes, if any, payable in connection therewith. The Company shall immediately transfer this Warrant on the books of the Company and shall execute and deliver a new Warrant or Warrants of like tenor to the appropriate assignee(s) expressly evidencing the right to purchase the aggregate number of shares of Common Stock purchasable hereunder or such portion of such number as shall be contemplated by any such assignment.

b. Restrictions Imposed by the Securities Act. This Warrant and the Securities underlying this Warrant shall not be transferred unless and until (i) the Company has received the opinion of counsel for the Holder that such securities may be sold pursuant to an exemption from registration under the Act, and applicable state law, the availability of which is established to the reasonable satisfaction of the Company, or (ii) a registration statement relating to such Securities has been filed by the Company and declared effective by the Securities and Exchange Commission and compliance with applicable state law.

4. New Warrants to be Issued.

a. Partial Exercise or Transfer. Subject to the restrictions in Section 3 hereof, this Warrant may be exercised or assigned in whole or in part. In the event of the exercise or assignment hereof in part only, upon surrender of this Warrant for cancellation, together with the duly executed exercise or assignment form and funds (or conversion equivalent) sufficient to pay any Exercise Price and/or transfer tax, the Company shall cause to be delivered to the Holder without charge a new Warrant of like tenor to this Warrant in the name of the Holder evidencing the right of the Holder to purchase the aggregate number of shares of Common Stock and Warrants purchasable hereunder as to which this Warrant has not been exercised or assigned.

b. Lost Certificate. Upon receipt by the Company of evidence satisfactory to it of the loss, theft, or destruction of this Warrant and of reasonably

satisfactory indemnification, or upon surrender of this Warrant if mutilated, the Company shall execute and deliver a new Warrant of like tenor and date. Any such new Warrant executed and delivered as a result of such loss, theft, mutilation or destruction shall constitute a substitute contractual obligation on the part of the Company.

5. Registration Rights.

a. "Piggy-Back" Registration.

i. Grant of Right. The Holders of this Warrant shall have the right for a period of seven years from

the Commencement Date to include all or any part of this Warrant and the Securities (collectively, the "Registrable Securities")s part of any registration of securities filed by the Company (other than on Form S-4, or pursuant to Form S-8 or any equivalent form); provided, however, that if, in the written opinion of the Company's managing underwriter or underwriters, if any, for such offering (the "Underwriter"), the inclusion of the Registrable Securities, when added to the securities being registered by the Company or the selling stockholder(s), will exceed the maximum amount of the Company's securities which can be marketed (a) at a price reasonably related to their then current market value, or (b) without materially and adversely affecting the entire offering, the Company shall nevertheless register all or any portion of the Registrable Securities required to be so registered but such Registrable Securities shall not be sold by the holders until 90 days after the registration statement for such offering has become effective or for such longer period as the managing underwriter may require; and provided further that, if any securities are registered for sale on behalf of other stockholders in such offering and such stockholders have not agreed to defer such sale until the expiration of such period, the number of securities to be sold by all stockholders in such public offering during such period shall be apportioned pro rata among all such selling stockholders, including all holders of the Registrable Securities, according to the total amount of securities of the Company owned by said selling stockholders, including all holders of the Registrable Securities.

5.1.2 Terms. In the event of such a proposed registration, the Company shall furnish the then holders of outstanding Registrable Securities with not less than thirty days written notice prior to the proposed date of filing of such registration statement. Such notice to the holders shall continue to be given for each registration statement filed by the Company until such time as all of the Registrable Securities have been sold by the holder. The holders of the Registrable Securities shall exercise the "piggy-back" rights provided for herein by giving written notice, within twenty days of the receipt of the Company's notice of its intention to file a registration statement.

5.1.3 Expenses. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities. The term "Registration Expenses" means all expenses incident to the Company's performance of or compliance with the provisions of this Section 5, including, without limitation, (i) all registration, filing and NASD fees, (ii) all fees and expenses of complying with securities or blue sky laws, (iii) all word processing, duplicating and printing expenses, (iv) messenger and delivery expenses, (v) the fees and disbursements of counsel for the Company and of its independent public accountants, including the expenses of any special audits or

"cold comfort" letters required by or incident to such performance and compliance, (vi) the reasonable fees and disbursements (not to exceed \$5,000) of any one counsel retained by the holders of Registrable Securities requesting inclusion of such securities in a registration statement, (vii) premiums and other costs of policies of insurance against liabilities arising out of the public offering of the Registrable Securities being registered (if the Company elects to obtain any such insurance),

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and (viii) any fees and disbursements of underwriters customarily paid by issuers or sellers of securities, but excluding (x) underwriting discounts and commissions applicable to sales of Registrable Securities and (x) the fees and disbursements in excess of \$5,000 of legal counsel retained by the holders.

5.1.4 Registration Procedures. If and whenever the Company is required to use its best efforts to effect the registration of any Registrable Securities under the Securities Act as provided in this Section 5, the Company will as expeditiously as possible:

(a) prepare and as soon thereafter as possible file with the Commission the requisite registration statement to effect such registration and thereafter use its best efforts to cause such registration statement to become effective, provided that before filing such registration statement or any amendments thereto, the Company will furnish to counsel selected by the holders whose Registrable Securities are to be included in such registration copies of all such documents proposed to be filed, which documents will be subject to the review of such counsel;

(b) prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection therewith as may be necessary to keep such registration statement continuously effective for a period of either (A) not less than nine months from the date that the holders of Registrable Securities are first given the opportunity to sell all Registrable Securities held by them, and to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement until such time as all of such securities have been disposed of in accordance with the intended methods of disposition by the seller or sellers thereof set forth in such registration statement;

(c) furnish to each seller of Registrable Securities covered by such registration statement such number of conformed copies of such registration statement and of each such amendment and supplement thereto (in each case including all exhibits, but only one copy thereof to each such seller), such number of copies of the prospectus contained in such registration statement (including each preliminary prospectus and any summary prospectus) and any other prospectus filed under Rule 424 under the Securities Act, in conformity with the requirements of the Securities Act, and such other

documents in order to facilitate the disposition of the Registrable Securities owned by such seller, as such seller may reasonably request;

(d) use its best efforts to register or qualify such Registrable Securities and other securities covered by such registration statement under such other securities or blue sky laws of such jurisdictions as each seller thereof shall reasonably request, to keep such registration or qualification in effect for so long as such registration statement remains in effect, and to take any other action which may be reasonably necessary or advisable to enable such seller to consummate the disposition in such jurisdictions of the securities owned by such seller, provided that the Company shall not for any such purpose be required to (A) qualify generally to do business as a foreign corporation in any jurisdiction where it would not otherwise be required to qualify but for the requirements of this subdivision (d);

(e) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered

with or approved by such other governmental agencies or authorities as may be necessary by virtue of the business and operations of the Company to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(f) notify each seller of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the Securities Act, upon discovery that, or upon the discovery of the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state

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any material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made, and at the request of any such seller, promptly prepare and furnish to such seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and

(g) otherwise use its best efforts to comply with all applicable rules and regulations of the Commission, and make available to its security holders, as soon as reasonably practicable, an earnings statement satisfying the provisions of Section 11(a) of the Securities Act, and will furnish to each such seller of Registrable Securities at least five business days prior to the filing thereof a copy of any amendment or supplement to such registration statement or prospectus and shall not file any such

amendment or supplement to which any such seller or any Requesting Holder shall have reasonably objected on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the Securities Act or of the rules or regulations thereunder; and

(h) in connection with the preparation and filing of each registration statement under the Securities Act pursuant to this Agreement, to give the holders of Registrable Securities registered under such registration statement, and their counsel and accountants the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the Commission, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers and the independent public accountants who have certified its financial statements as shall be necessary, in the opinion of such holders' counsel, to conduct a reasonable investigation within the meaning of the Securities Act.

b. General Terms.

i. Indemnification.

(a) The Company shall indemnify the holder(s) of the Registrable Securities to be sold pursuant to any registration statement hereunder and each person, if any, who controls such holders within the meaning of Section 15 of the Act or Section 20(a) of the Securities Exchange Act of 1934, as amended ("Exchange Act"), against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which any of them may become subject under the Act, the Exchange Act or otherwise, arising from such registration statement. The holder(s) of the Registrable Securities to be sold pursuant to such registration statement, and their successors and assigns, shall severally, and not jointly, indemnify the Company, against all loss, claim, damage, expense or liability (including all reasonable attorneys' fees and other expenses reasonably incurred in investigating, preparing or defending against any claim whatsoever) to which they may become subject under the Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such holders, or their successors

or assigns, in writing, for specific inclusion in such registration statement, provided that in no event shall any holder of the Registrable Securities be required to indemnify the Company of any loss, claim, damage, expense or liability which exceeds the amount of the actual net proceeds received by such holder pursuant to the sale of Registrable Securities pursuant to such registration statement.

(b) If any action is brought against a party hereto, ("Indemnified Party") in respect of which indemnity may be sought against the other party ("Indemnifying Party"), such Indemnified Party shall promptly notify Indemnifying Party in writing of the institution of such action and Indemnifying Party shall assume the defense of such action,

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including the employment and fees of counsel reasonably satisfactory to the Indemnified Party, and the payment of actual expenses. Such Indemnified Party shall have the right to employ its or their own counsel in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party unless (i) the employment of such counsel shall have been authorized in writing by Indemnifying Party in connection with the defense of such action, or (ii) Indemnifying Party shall not have employed counsel to defend such action, or (iii) such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which may result in a conflict between the Indemnified Party and Indemnifying Party (in which case Indemnifying Party shall not have the right to direct the defense of such action on behalf of the Indemnified Party), in any of which events, the reasonable fees and expenses of not more than one additional firm of attorneys and, to the extent required, one firm to act as local counsel in each jurisdiction in which an action is pending, designated in writing by the Indemnified Party shall be borne by Indemnifying Party. Notwithstanding anything to the contrary contained herein, if Indemnified Party shall assume the defense of such action as provided above, Indemnifying Party shall not be liable for any settlement of any such action effected without its written consent.

(c) If the indemnification or reimbursement provided for hereunder is finally judicially determined by a court of competent jurisdiction to be unavailable to an Indemnified Party (other than as a consequence of a final judicial determination of willful misconduct, bad faith or gross negligence of such Indemnified Party), then Indemnifying Party agrees, in lieu of indemnifying such Indemnified Party, to contribute to the amount paid or payable by such Indemnified Party (i) in such proportion as is appropriate to reflect the relative benefits received, or sought to be received, by Indemnifying Party on the one hand and by such Indemnified Party on the other or (ii) if (but only if) the allocation provided in clause (i) of this sentence is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of Indemnifying Party and of such Indemnified Party; provided, however, that in no event shall the aggregate amount contributed by a holder of Registrable Securities exceed the net proceeds, if any, earned by such holder pursuant to the sale of Registrable Securities pursuant to such registration statement.

(d) The rights accorded to Indemnified Parties hereunder shall be in addition to any rights that any Indemnified Party may have at common law, by separate agreement or otherwise.

ii. Exercise of Warrants. Nothing contained in this Warrant shall be construed as requiring the Holder(s) to exercise their Warrants prior to or after the initial filing of any registration statement or the effectiveness thereof.

5.2.3 Documents Delivered to Holders. The Company shall furnish to each holder participating in any of the foregoing offerings and to each Underwriter of any such offering, if any, a signed counterpart, addressed to such holder or Underwriter, of (a) an opinion of counsel to the Company,

dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, an opinion dated the date of the closing under any underwriting agreement related thereto), and (b) a "cold comfort" letter dated the effective date of such registration statement (and, if such registration includes an underwritten public offering, a letter dated the date of the closing under the underwriting agreement) signed by the independent public accountants who have issued a report on the Company's financial statements included in such registration statement, in each case covering substantially the same matters with respect to such registration statement (and the prospectus included therein) and, in the case of such accountants' letter, with respect to events subsequent to the date of such financial statements, as are customarily covered in opinions of issuer's counsel and in accountants' letters delivered to underwriters in underwritten public offerings of securities. The Company shall also deliver promptly to each holder participating in the offering requesting the correspondence and memoranda described below and to the managing underwriter copies of all correspondence between the Commission and the Company, its counsel or auditors and all memoranda relating to

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discussions with the Commission or its staff with respect to the registration statement and permit each holder and underwriter to do such investigation, upon reasonable advance notice, with respect to information contained in or omitted from the registration statement as it deems reasonably necessary to comply with applicable securities laws or rules of the NASD. Such investigation shall include access to books, records and properties and opportunities to discuss the business of the Company with its officers and independent auditors, all to such reasonable extent and at such reasonable times and as often as any such holder shall reasonably request. The cost for the opinion of counsel and the "cold comfort" letter referenced in this section shall be borne by the Company.

5.2.4 Rule 144. The Company will file the reports required to be filed by it under the Securities Act and the Exchange Act and the rules and regulations adopted by the Commission thereunder (or, if the Company is not required to file such reports, will upon the request of any holder of Registrable Securities, make publicly available other information, if such information is readily available by the Company and can be obtained by the Company without material expense) and will take such further action as any holder of Registrable Securities may reasonably request, all to the extent required from time to time to enable such holder to sell Registrable Securities without registration under the Securities Act within the limitation of the exemptions provided by (a) Rule 144 promulgated by the Commission under the Securities Act, as such Rule may be amended from time to time, or (b) any similar rule or regulation hereafter adopted by the Commission. Upon the request of any holder of Registrable Securities, the Company will deliver to such holder a written statement as to whether it has complied with such requirements.

5.2.5 Rule 144A. The Company covenants that, except at such times as the Company is a reporting company under Section 13 or 15(d) of the Exchange Act, the Company shall upon written request from any holder of Registrable Securities, provide to any such holder and to any prospective institutional transferee of Registrable Securities designated by such holder, such financial and other information as is available to the Company or can be obtained by the Company without material expense and as such holder may reasonably determine is required to permit a transfer of such Registrable Securities to comply with the requirements of Rule 144A promulgated by the Commission under the Securities Act.

5.2.6 Assignment. This provisions of this Section 5 shall be binding upon and inure to the benefit of and be enforceable by the parties hereto and their respective successors, ans assigns. In addition, and whether or not any express assignment shall have been made, the provisions of this Warrant which are for the benefit of the holders of Registrable Securities as such shall be for the benefit of and enforceable by any subsequent holder of any Registrable Securities.

5.2.7 Nominees for Beneficial Owners. In the event that

Registrable Securities are held by a nominee for the beneficial owner hereof, the beneficial owner thereof may, at its option and by written notice to the Company, be treated as the holder of such Registrable Securities for the purposes of any request or other action by any holder or holders of Registrable Securities pursuant to this Warrant ( or any determination of any percentage of Registrable Securities held by any holder or holders of Registrable Securities contemplated by this Warrant).

5.3 Evidence of Rights. The Company shall execute and deliver to any Holder who surrenders this Warrant for exercise a separate agreement or instrument evidencing the registration rights set forth herein applicable to the Securities purchased pursuant to such exercise.

6. Adjustments.

6.1 Stock Dividends, Subdivisions and Combinations. If at any time the Company shall

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(i) establish a record date for the determination of holders of record of its Common Stock for the purpose of entitling them to receive a dividend payable in, or other distribution of, Additional Shares of Common Stock (defined in Section 6.12)

(ii) subdivide its outstanding shares of Common Stock into a larger number of shares of Common Stock, or

(iii) combine its outstanding shares of Common Stock into a smaller number of shares of Common Stock.

then (I) the Securities for which this Warrant is exercisable immediately after the occurrence of any such event shall be adjusted to equal the number of shares of Common Stock which a record holder of the same number of shares of Common Stock for which this Warrant is exercisable immediately prior to the occurrence of such event would own or be entitled to receive after the happening of such an event, and (II) the Exercise Price shall be adjusted to equal (x) the Exercise Price multiplied by the Securities for which this Warrant is exercisable immediately prior to the adjustment divided by (y) the Securities for which this Warrant is exercisable immediately after such adjustment.

6.2 Certain Other Distributions. (a) Except as provided in Section 6.2(b), if at any time the Company shall establish a record date for the determination of the holders of record of its Common Stock for the purpose of entitling them to receive any dividend or other distribution of

(i) cash,

(ii) any evidence of its indebtedness, any shares of its Common Stock or any other securities or property of any nature whatsoever (other than cash or Additional Shares of Common Stock), or

(iii) any warrants or other rights to subscribe for or purchase any evidences of its indebtedness, any shares of its Common Stock or any other securities or property of any nature whatsoever (other than cash or Additional Shares of Common Stock),

then (I) the Securities for which this Warrant is exercisable shall be adjusted to equal the product of the Securities for which this Warrant is exercisable immediately prior to such adjustment by a fraction (x) the numerator of which shall be the Market Price per share of Common Stock at the date of taking such record and (y) the denominator of which shall be such Market Price per share of Common Stock minus the amount allocable to one share of Common Stock of any such cash so distributable and of the fair value (as determined in good faith by the Board of Directors of the Company) of any and all such evidences of indebtedness, shares of stock, other securities or property or warrants or other subscription or purchase rights so distributable, and (II) the Exercise Price shall be adjusted to equal (x) the Exercise Price multiplied by the Securities

for which this Warrant is exercisable immediately prior to the adjustment divided by (y) the Securities for which this Warrant is exercisable immediately after such adjustment. A reclassification of the Common Stock (other than a change in par value, or from par value to no par value or from no par value to par value) into shares of Common Stock and shares of any other class of stock shall be deemed a distribution by the Company to the holders of its Common Stock of such shares of such other class of stock within the meaning of this Section 6.2 and, if the outstanding shares of the Common Stock shall be changed into a larger or smaller number of shares of the Common Stock as part of such reclassification, such change shall be deemed a subdivision or combination, as the case may be, of the outstanding shares of the Common Stock within the meaning of Section 6.1.

(b) If at any time the Company shall establish a record date for the determination of the holders of record of the Common Stock for the purposes of

entitling them to receive any cash dividend or other distribution of property of any nature whatsoever (other than Additional

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Shares of Common Stock), and the amount of such cash dividend and the fair market value of any property so distributed, when added to the amount of cash dividends paid and the fair market value of any property so distributed during the twelve (12) months prior to the date of such dividend or distribution, exceeds five percent (5%) of the aggregate Market Price of all of the Common Stock then outstanding on the Business Day immediately preceding the record date for such dividend or distribution, each Holder of this Warrant shall be entitled to participate in such dividend or distribution as if the Holder had already exercised this Warrant in full, and the Holder shall receive, at the time such dividend is paid or such property is distributed, for each share of Common Stock into which this Warrant is then exercisable, the same kind and per-share amount of cash or other property as is distributed to the holders of Common Stock.

6.3 Issuance of Additional Shares of Common Stock. If at any time the Company shall (except as hereinafter provided) issue or sell any Additional Shares of Common Stock either (A) in exchange for consideration in an amount per Additional Share of Common Stock less than the Exercise Price in effect immediately prior to such issuance or sale of Additional Shares of Common Stock or (B) in exchange for consideration in an amount per Additional Share of Common Stock less than the Market Price in effect immediately prior to such issuance or sale of Additional Shares of Common Stock, then (I) the Securities for which this Warrant is exercisable shall be adjusted to equal the number determined by multiplying the Securities for which this Warrant is exercisable immediately prior to such adjustment by a fraction (the "Adjustment Fraction"), of which

(x) the numerator shall be the number of shares of Common Stock outstanding immediately after such issuance or sale of Additional Shares of Common Stock, and

(y) the denominator shall be (1) the number of shares of Common Stock outstanding immediately prior to such issuance or sale of Additional Shares of Common Stock plus (2) the number of shares of Common Stock which the aggregate amount of consideration, if any, received by the Company for the total number of such Additional Shares of Common Stock so issued or sold would purchase at the greater of (I) the Market Price in effect immediately prior to such issuance or sale of Additional Shares of Common Stock or (II) the Exercise Price in effect immediately prior to such issuance or sale of Additional Shares of Common Stock;

and (II) the Exercise Price shall be adjusted to equal the price obtained by dividing the Exercise Price immediately prior to such adjustment by the Adjustment Fraction, provided, that such adjustments shall be made only if the number of Securities for which this Warrant is exercisable determined from such

adjustment shall be greater than the number of Securities for which this Warrant is exercisable in effect immediately prior to the issuance of such Additional Shares of Common Stock. The provisions of this Section 6.3 shall not apply to

any issuance of Additional Shares of Common Stock for which an adjustment is provided under Section 6.1 or 6.2. The provisions of this Section 6.3 shall not apply to any issuance of Additional Shares of Common Stock to any individual who or entity which, prior to the date of such issuance or pursuant to such issuance, purchased directly from the Company an amount of shares of Common Stock which, immediately after such issuance, constituted 10% or more of the outstanding shares of Common Stock. The provisions of this Section 6.3 shall also not apply to any issuance of Additional Shares of Common Stock to a person or entity who, at the time of the issuance, is not (i) other than as set forth in the immediately preceding sentence, an affiliate of the Company (as that term is defined under the Securities Act), (ii) an officer or director of the Company, (iii) an individual related by blood or marriage to a person referred to in clauses (i) or (ii), or (iv) any entity in which any person referred to in clauses (i), (ii) or (iii) are the beneficial owners of 10% or more of any class of securities of or other equity interests in such entity.

6.4 Issuance of Warrants or Other Rights. If at any time the Company shall establish a record date for the determination of the holders of record of its Common Stock for the purpose of entitling them to receive a distribution of, or shall in any manner (whether

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directly or by assumption in a merger in which the Company is the surviving corporation) issue or sell, any options, warrants or other rights to subscribe for or purchase any Additional Share of Common Stock, whether or not the rights to exchange or convert thereunder are immediately exercisable, and the consideration received for such options, warrants or other rights shall be less than the Exercise Price or the Market Price in effect immediately prior to the time of such issue or sale, then the number of Securities and Exercise Price shall be adjusted as provided in Section 6.3. No further adjustment of the number of Securities or Exercise Price shall be made upon the actual issue of such Common Stock upon exercise of such options, warrants or other rights.

6.5 Other Provisions Applicable to Adjustments Under this Section. The following provisions shall be applicable to the making of adjustments to the Securities for which this Warrant is exercisable and the Exercise Price at which such Warrant Shares may be purchased upon exercise of this Warrant provided for in this Section 6:

(a) Computation of Consideration. To the extent that any Additional Shares of Common Stock or any options, warrants or other rights to subscribe for or purchase any Additional Shares of Common Stock shall be issued for cash consideration, the consideration received by the Company therefor shall be the amount of the cash received by the Company therefor, or, if such Additional Shares of

Common Stock are offered by the Company for subscription, the subscription price, or, if such Additional Shares of Common Stock are sold to underwriters or dealers for public offering without a subscription offering, the public offering price (in any such case subtracting any amounts paid or receivable for accrued interest or accrued dividends and any compensation, discounts or expenses paid or incurred by the Company for and in the underwriting of, or otherwise in connection with the issuance thereof). To the extent that such issuance shall be for a consideration other than cash, then except as herein otherwise expressly provided, the amount of such consideration shall be deemed to be the fair value of such consideration at the time of such issuance as determined in good faith by the Board of Directors of the Company. In case any Additional Shares of Common Stock or any options, warrants or other rights to subscribe for or purchase such Additional Shares of Common Stock shall be issued in connection with any merger in which the Company issues any securities, the amount of consideration therefor shall be deemed to be the fair value, as determined in good faith by the Board of Directors of the Company, of such portion of the assets and business of the non-surviving corporation as such Board in good faith shall determine to be attributable to such Additional Shares of Common Stock, options, warrants or other rights, as the case may be. The consideration for any Additional Shares of Common Stock issuable

pursuant to any options, warrants or other rights to subscribe for or purchase the same shall be the consideration received by the Company for issuing such options, warrants or other rights plus the additional consideration payable to the Company upon exercise of such options, warrants or other rights. In case of the issuance at any time of any Additional Shares of Common Stock in payment or satisfaction of any dividends upon any class of stock other than Common Stock, the Company shall be deemed to have received for such Additional Shares of Common Stock a consideration equal to the amount of such dividend so paid or satisfied.

(b) When Adjustments to Be Made. The adjustments required by this Section 6 shall be made whenever and as often as any event requiring an adjustment shall occur, except that any adjustment of the Securities for which this Warrant is exercisable that would otherwise be required may be postponed (except in the case of a subdivision or combination of shares of the Common Stock, as provided for in Section 6.1) up to, but not beyond the date of exercise of this Warrant if such adjustment by itself and with other adjustments not previously made adds or subtracts less than 1% of the Securities for which this Warrant is exercisable immediately prior to the making of such adjustment. Any adjustment representing a change of less than such minimum amount (except as aforesaid) which is postponed shall be carried forward and made on the earlier of the date of exercise or the date on which such

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adjustment, together with other adjustments required by this Section 6 and not previously made, would result in a minimum adjustment. For the purpose of any adjustment, any event shall be deemed to have occurred at the close of business on the date of its occurrence.

(c) Fractional Interest. In computing adjustments under this Section 6, fractional interests in the Common Stock shall be taken into account to the nearest 1/10th of a share.

(d) When Adjustment Not Required. If the Company shall establish a record date for the determination of the holders of record of the Common Stock for the purpose of entitling them to receive a dividend or distribution or subscription or purchase rights and shall, thereafter and before the distribution to stockholders thereof, legally abandon its plan to pay or deliver such dividend, distribution, subscription or purchase rights, then thereafter no adjustment shall be required by reason of the establishment of such record date and any such adjustment previously made in respect thereof shall be rescinded and annulled.

(e) Challenge to Good Faith Determination. Whenever the Board of Directors of the Company shall be required to make a determination in good faith of the fair value of any item under this Warrant, such determination may be challenged in good faith by the Holder and any dispute shall be resolved by a business valuation or appraisal firm of recognized national standing selected by the Company and acceptable to the Holder (and if not acceptable to the Holder, an investment banking firm of recognized national standing selected by the Company and acceptable to the Holder). The fees of such valuation or appraisal firm (or investment banker) shall be borne by such Holder if the Company's calculation is determined to be correct and otherwise shall be borne by the Company.

(f) Escrow of Property. If the Company shall establish a record date for the determination of the holders of record of its Common Stock for the purpose of entitling them to receive any distribution of any kind of property whatsoever, but prior to the payment of such distribution the Holder exercises this Warrant, upon payment of the Exercise Price, such property shall be held in escrow for the Holder by the Company to be issued to the Holder upon the occurrence of such distribution and to the extent such distribution

actually takes place. Notwithstanding any other provision to the contrary herein, if the distribution for which such record date was established fails to occur or is rescinded, then such escrowed property shall be returned to the Company.

6.6 Reorganization, Reclassification, Merger or Consolidation. If the Company shall at any time reorganize or reclassify the outstanding shares of Common Stock (other than a change in par value, or from no par value to par value, or from par value to no par value, or as a result of a subdivision or combination) or consolidate with or merge into another corporation (where the Company is not the continuing corporation after such merger or consolidation), the Holder shall thereafter be entitled to receive upon exercise of this Warrant in whole or in part, the same kind and number of shares of stock and other

securities, cash or other property (and upon the same terms and with the same rights) as would have been distributed to the Holder upon such reorganization, reclassification, consolidation or merger had the Holder exercised this Warrant immediately prior to such reorganization, reclassification, consolidation or merger (subject to subsequent adjustments under this Section 6). The Holder shall pay upon such exercise the Exercise Price that otherwise would have been payable pursuant to the terms of this Warrant. If any such reorganization, reclassification, consolidation or merger results in a cash distribution in excess of the Exercise Price provided by this Warrant, the Holder may, at the Holder's option, exercise this Warrant without making payment of the Exercise Price, and in such case the Company shall, upon distribution to such Holder, consider the Exercise Price to have been paid in full, and in making settlement to such Holder, shall deduct an amount equal to the Exercise Price from the amount payable to such Holder. Notwithstanding anything herein to the contrary, the

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Company will not effect any such reorganization, reclassification, merger or consolidation unless prior to the consummation thereof, the corporation which may be required to deliver any stock, securities or other assets upon the exercise of this Warrant shall agree by an instrument in writing to deliver such stock, cash, securities or other assets to the Holder. A sale, transfer or lease of all or substantially all of the assets of the Company to another person shall be deemed a reorganization, reclassification, consolidation or merger for the foregoing purposes.

6.7 Exceptions to Adjustment of Exercise Price and Securities. Anything herein to the contrary notwithstanding, the Company shall not make any adjustment of the Exercise Price or the number of Securities in the case of the issuance of this Warrant, any adjustment in the number of shares issuable upon exercise of this Warrant or the exercise price therefor, or the issuance of shares of Common Stock upon exercise of this Warrant.

6.8 Chief Financial Officer's Opinion. Upon each adjustment of the Exercise Price and upon each change in the Securities issuable upon the exercise of this Warrant, and in the event of any change in the rights of the Holder by reason of other events herein set forth, then and in each such case, the Company will promptly obtain an opinion of the chief financial officer of the Company, stating the adjusted Exercise Price and the new number of Securities so issuable, or specifying the other shares of the Common Stock, securities or assets and the amount thereof receivable as a result of such change in rights, and setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based. The Company will promptly mail a copy of such opinion to the Holder. If the Holder disagrees with such calculation, the Company agrees to obtain within thirty (30) business days an opinion of a firm of independent certified public accountants selected by the Company's Board of Directors and acceptable to the Holder to review such calculation and the opinion of such firm of independent certified public accountants shall be final

and binding on the parties and shall be conclusive evidence of the correctness of the computation with respect to any such adjustment of the Exercise Price and any such change in the number of Securities so issuable. The fees of such accountants shall be borne by such Holder if the Company's calculation is determined by such accountants to be correct and otherwise shall be borne by the

Company.

6.9 Company to Prevent Dilution. In case at any time or from time to time conditions arise by reason of action taken by the Company, which in the good faith opinion of its Board of Directors or the Holder are not adequately covered by the provisions of this Section 6, and which might materially and adversely affect the exercise rights of the Holder, the Board of Directors of the Company shall appoint such firm of independent certified public accountants acceptable to the Holder, which shall give such firm's opinion upon the adjustment, if any, on a basis consistent with the standards established in the other provisions of this Section 6, necessary with respect to the number of Securities or the Exercise Price so as to preserve, without dilution (other than as specifically contemplated by this Warrant), the exercise rights of the Holder. Upon receipt of such opinion, the Board of Directors of the Company shall forthwith make the adjustments described therein.

6.10 Notice of Certain Proposed Actions. In the event the Company shall propose to take any action of the types described in Sections 6.1, 6.4 or 6.6, the Company shall forward, at the same time and in the same manner, to the Holder such notice, if any, that the Company shall give to the holders of any class or series of capital stock of the Company. Failure to give such notice, or any defect therein, shall not affect the legality or validity of any such action.

6.11 Treasury Shares. The sale or other disposition of any Common Stock theretofore held in the treasury of the Company shall be deemed to be an issuance thereof.

6.12 Definitions. As used in this Section 6, the following capitalized terms have the following meanings:

"Additional Shares of Common Stock" means all shares of Common Stock

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(including options to purchase or rights to subscribe for Common Stock, securities by their terms convertible into or exchangeable for Common Stock, or options to purchase or rights to subscribe for such convertible or exchangeable securities, with or without payment of additional consideration in cash or property, either immediately or upon the occurrence of a specified date or a specified event) issued by the Company after the date hereof.

"Market Price" means the average of the daily closing prices of one share of Common Stock for the fifteen (15) consecutive business day period ending the day before the day in question and such average will be adjusted for any stock dividend, split, combination or reclassification that took effect during such fifteen (15) business day period. The "closing price" for each day shall be determined pursuant to Section 8.1.

6.2 Elimination of Fractional Interests. The Company shall not be required to issue certificates representing fractions of shares of Common Stock upon the exercise of this Warrant, nor shall it be required to issue scrip or pay cash in lieu of any fractional interests, it being the intent of the parties that all fractional interests shall be eliminated by rounding any fraction up or down to the nearest whole number of shares of Common Stock or other securities, properties or rights.

7. Reservation and Listing. The Company shall at all times reserve and keep available out of its authorized shares of Common Stock, solely for the purpose of issuance upon exercise of this Warrant, such number of shares of Common Stock or other securities, properties or rights as shall be issuable upon the exercise thereof. The Company covenants and agrees that, upon exercise of the Warrants and payment of the Exercise Price therefor, all shares of Common Stock and other securities issuable upon such exercise shall be duly and validly issued, fully paid and non-assessable and not subject to preemptive rights of any stockholder. As long as the Warrants shall be outstanding, the Company shall use its best efforts to cause all shares of Common Stock issuable upon exercise

of the Warrants to be listed (subject to official notice of issuance) on all the securities exchanges (or, if applicable on Nasdaq) on which the Common Stock is then listed and/or quoted.

8. Redemption.

8.1 Commencing on the date hereof, the Company may, subject to the conditions set forth herein, redeem all, but not less than all of this Warrant then outstanding at a redemption price of \$.01 for each share of the Common Stock of the Company to which the Holder would then be entitled to purchase upon exercise of the Warrant being redeemed upon not less than thirty (30) days prior written notice (the "Redemption Notice") to the holder thereof that the average closing price of the Common Stock for the 20 consecutive trading days ending three (3) days prior to the date of the Redemption Notice is at least \$6.00, subject to adjustment for stock dividends, stock splits and other anti-dilution provisions as provided for under Section 6 herein. For purposes of this Section 8.1, "closing price" at any date shall be deemed to be: (i) the last sale price regular way as reported on the principal national securities exchange on which the Common Stock is listed or admitted to trading, or (ii) if the Common Stock is not listed or admitted to trading on any national securities exchange, the average of the closing bid and asked prices regular way for the Common Stock as reported by the Nasdaq National Market or Nasdaq Small Cap Market of the Nasdaq Stock Market, Inc. ("NASDAQ") or (iii) if the Common Stock is not listed or admitted for trading on any national securities exchange, and is not reported by NASDAQ, the average of the closing bid and asked prices in the over-the-counter market as furnished by the National Quotation Bureau, Inc. or if no such quotation is available, the fair market value of the Common Stock as determined in good faith by the Board of Directors of the Company. The Redemption Notice shall be deemed effective upon mailing and the time of mailing is the "Effective Date of The Notice". The Redemption Notice shall state a redemption date not

less than thirty (30) days from the Effective Date of the Notice (the "Redemption Date"). No Redemption Notice shall be

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mailed unless all funds necessary to pay for redemption of all Warrants then outstanding shall have first been set aside by the Company so as to be and continue to be available therefor. The redemption price to be paid to the Holders will be \$.01 for each share of the Common Stock of the Company to which the Holder would then be entitled to purchase upon exercise of the Warrant being redeemed, as adjusted from time to time as provided herein (the "Redemption Price"). In the event the number of shares of Common Stock issuable upon exercise of the Warrant being redeemed are adjusted pursuant to Section 6 hereof, then upon each such adjustment the Redemption Price will be adjusted by multiplying the Redemption Price in effect immediately prior to such adjustment by a fraction, the numerator of which is the number of shares of Common Stock issuable upon exercise of the Warrant being redeemed immediately prior to such adjustment and the denominator of which is the number of shares of Common Stock issuable upon exercise of such Warrant being redeemed immediately after such adjustment. The Holder may exercise this Warrant between the Effective Date of The Notice and the Redemption Date, such exercise being effective if done in accordance with Section 2 and if the Warrant Exercise Form, with form of election to purchase duly executed and the Warrant Price, as applicable for this Warrant subject to redemption for the Securities to be purchased is actually received by the Company at its office located at 51 East Bethpage Road, Plainview, New York 11803, or its current executive offices at the time of exercise, no later than 5:00 P.M. New York Time on the Redemption Date.

8.2 If the Holder does not wish to exercise this Warrant prior to the Redemption Date, the Holder should mail such Warrant to the Company at its office located at 51 East Bethpage Road, Plainview, New York 11803, or its current executive offices at the time of redemption, after receiving the Redemption Notice required by this Section, then, on and after said Redemption Date, notwithstanding that any Warrant subject to redemption shall not have been surrendered for redemption, the obligation evidenced by all Warrants not surrendered for redemption or effectively exercised shall be deemed no longer outstanding, and all rights with respect thereto shall forthwith cease and terminate, except only the right of the holder of each Warrant subject to

redemption to receive the Redemption Price for each share of Common Stock to which he would be entitled if he exercised the Warrant upon receiving the Redemption Notice of the Warrant subject to redemption held by the Holder hereof.

9. Certain Notice Requirements.

9.1 Holder's Right to Receive Notice. Nothing herein shall be construed as conferring upon the Holder the right to vote or consent or to receive notice as a stockholder for the election of directors or any other matter, or as having any rights whatsoever as a stockholder of the Company. If,

however, at any time prior to the expiration of the Warrants and their exercise, any of the events described in Section 9.2 shall occur, then, in one or more of said events, the Company shall give written notice of such event at least fifteen days prior to the date fixed as a record date or the date of closing the transfer books for the determination of the stockholders entitled to such dividend, distribution, conversion or exchange of securities or subscription rights, or entitled to vote on such proposed dissolution, liquidation, winding up or sale. Such notice shall specify such record date or the date of the closing of the transfer books, as the case may be.

9.2 Events Requiring Notice. The Company shall be required to give the notice described in this Section 9 upon one or more of the following events: (i) if the Company shall take a record of the holders of its shares of Common Stock for the purpose of entitling them to receive a dividend or distribution payable otherwise than in cash, or a cash dividend or distribution payable otherwise than out of retained earnings, as indicated by the accounting treatment of such dividend or distribution on the books of the Company, or (ii) the Company shall offer to all the holders of its Common Stock any additional shares of capital stock of the Company or securities convertible into or exchangeable for shares of capital stock of the Company, or any option, right or warrant to subscribe therefor, or (iii) a dissolution, liquidation or winding up of the Company (other than in connection with a consolidation or merger) or a sale of all or substantially all of its property, assets and business shall be proposed.

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9.3 Transmittal of Notices. All notices, requests, consents and other communications under this Warrant shall be in writing and shall be deemed to have been duly made on the date of delivery if delivered personally or sent by overnight courier, with acknowledgment of receipt to the party to which notice is given, or on the fifth day after mailing if mailed to the party to whom notice is to be given, by registered or certified mail, return receipt requested, postage prepaid and properly addressed as follows: (i) if to the registered Holder of this Warrant, to the address of such Holder as shown on the books of the Company, or (ii) if to the Company, to its principal executive office.

10. Miscellaneous.

10.1 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Warrant.

10.2 Entire Agreement. This Warrant (together with the other agreements and documents being delivered pursuant to or in connection with this Warrant) constitutes the entire agreement of the parties hereto with respect to the subject matter hereof, and supersedes all prior agreements and understandings of the parties, oral and written, with respect to the subject matter hereof.

10.3 Binding Effect. This Warrant shall inure solely to the benefit of and shall be binding upon, the Holder and the Company and their respective successors, legal representatives and assigns, and no other person shall have or be construed to have any legal or equitable right, remedy or claim under or in respect of or by virtue of this Warrant or any provisions herein contained.

10.4 Governing Law; Submission to Jurisdiction. This Warrant shall be governed by and construed and enforced in accordance with the law of the State of New York, without giving effect to conflict of laws. The Company hereby agrees that any action, proceeding or claim against it arising out of, or relating in any way to this Warrant shall be brought and enforced in the courts of the State of New York or of the United States of America for the Eastern District of New York, and irrevocably submits to such jurisdiction, which jurisdiction shall be exclusive. The Company hereby waives any objection to such exclusive jurisdiction and that such courts represent an inconvenient forum. Any process or summons to be served upon the Company may be served by transmitting a copy thereof by registered or certified mail, return receipt requested, postage prepaid, addressed to it at the address set forth in Section 8 hereof. Such mailing shall be deemed personal service and shall be legal and binding upon the Company in any action, proceeding or claim. The Company agrees that the prevailing party(ies) in any such action shall be entitled to recover from the other party(ies) all of its reasonable attorneys' fees and expenses relating to such action or proceeding and/or incurred in connection with the preparation therefor.

10.5 Waiver, Etc. The failure of the Company or the Holder to at any time enforce any of the provisions of this Warrant shall not be deemed or construed to be a waiver of any such provision, nor to in any way affect the validity of this Warrant or any provision hereof or the right of the Company or any Holder to thereafter enforce each and every provision of this Warrant. No waiver of any breach, non-compliance or non-fulfillment of any of the provisions of this Warrant shall be effective unless set forth in a written instrument executed by the party or parties against whom or which enforcement of such waiver is sought; and no waiver of any such breach, non-compliance or non-fulfillment shall be construed or deemed to be a waiver of any other or subsequent breach, non-compliance or non-fulfillment.

10.6 Avoidance of Certain Actions. The Company will not, by amendment of its articles of incorporation or through any reorganization, transfer of assets, consolidation, merger, share exchange, issue or sale of securities, or otherwise, avoid or take any action which would have the effect of avoiding the observance or performance of any of the terms to be observed or performed hereunder by the Company, but will at all times in good faith in carrying out all of the provisions of this Warrant and in the taking of all such actions as may be

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necessary or appropriate in order to protect the rights of the Holder against impairment and in particular, will not cause the par value, if any, of any share of Common Stock to be or become greater than the then effective Exercise Price.

IN WITNESS WHEREOF, the Company has caused this Warrant to be signed by its duly authorized officer as of the 26st day of August, 1997.

FIRST PRIORITY GROUP, INC.

By:

-----  
Name: Barry Siegel  
Title: Chairman

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WARRANT EXERCISE FORM

Date: \_\_\_\_\_

The undersigned hereby elects irrevocably to exercise the within Warrant and to purchase \_\_\_\_\_ shares of Common Stock of First Priority Group, Inc. and hereby makes payment of \$\_\_\_\_\_ (at the rate of \$\_\_\_\_\_ per share of Common Stock) in payment of the Exercise Price pursuant thereto. Please issue the Common Stock as to which this Warrant is exercised in accordance with the instructions given below.

-----  
Signature

-----  
Signature Guaranteed

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Warrant in every particular without alteration or enlargement or any change whatsoever, and must be guaranteed by a bank, other than a savings bank, or by a trust company or by a firm having membership on a registered national securities exchange.

INSTRUCTIONS FOR REGISTRATION OF SECURITIES

Name \_\_\_\_\_  
(Print in Block Letters)

Address \_\_\_\_\_

Form to be used to assign Warrant:

ASSIGNMENT

(To be executed by the registered Holder to effect a transfer of the within Warrant):

FOR VALUE RECEIVED, \_\_\_\_\_ does hereby sell, assign and transfer unto \_\_\_\_\_ the right to purchase \_\_\_\_\_ shares of Common Stock of \_\_\_\_\_ ("Company") evidenced by the within Warrant and does hereby authorize the Company to transfer such right on the books of the Company.

Dated: \_\_\_\_\_, 199\_

-----  
Signature

NOTICE: The signature to this form must correspond with the name as written upon the face of the within Warrant in every particular without alteration or enlargement or any change whatsoever.

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