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

FORM 10-KSB

(Mark One)

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

For the fiscal year ended December 31, 1997

or

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

For the transition period from to

Commission File Number 0-21467

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

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

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

Registrant's telephone number: (516) 694-1010

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

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

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

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

State the issuer's revenues for its most recent fiscal year $13,558,640

The aggregate market value of the issuer's voting stock held by non-affiliates of the issuer as of March 6, 1998, based upon the average bid and asked prices was $36,700,492.

(APPLICABLE ONLY TO CORPORATE REGISTRANTS)

As of March 11, 1998, the issuer had outstanding a total of 8,231,800 common shares.

DOCUMENTS INCORPORATED BY REFERENCE:
Part III of this Form 10-KSB is hereby incorporated by reference to the Information Statement issued by the Issuer for the Notice of the Annual Meeting of Shareholders for the Annual Meeting to be held on March 23, 1998.

Transitional Small Business Disclosure Format (check one):

Yes No X

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Part I

Item 1. DESCRIPTION OF BUSINESS

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

Nature of Services

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

The Company's wholly-owned subsidiary, National Fleet Service, Inc., ("NFS") conducts the Company's fleet management business. The Company itself provides the various affinity programs for all types of businesses and administers the automotive collision repair referral services for insurance companies through its Direct Appraisal and Repair Program, Affinity Division and Recovery Services Division.

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

Affinity Group Programs. These programs are a series of comprehensive vehicle-related services for consumers sold through affinity groups, financial institutions, corporations and

organizations. These programs may be used as re-enrollment incentives and/or membership premiums, or resold at a profit, and may be sold individually, or a variety of services can be bundled together as a high-value package.

Driver's Shield(TM). - This is the premium program consisting of components which may be sold individually. This package consists of the Collision Damage Repair Program, Driver Discount Program and the Auto Service Hotline. Also offered, are an auto buying service, legal defense reimbursement, and custom trip routing services.

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

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

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

Direct Appraisal and Repair Program (DARP). In 1992 the Company began developing the business of providing automotive appraisal and collision repair services for insurance companies. The automobile insurance industry is experiencing massive changes as it moves in the direction of a "PPO" or "HMO" type environment, similar to that of the health industry. The Company believes that it's presence in this market and provision of such services to insurance companies will be an important source of revenue for the Company because of the high volume of collision repair referrals that insurance companies can provide.

The Company believes it is uniquely positioned to take advantage of the need for such services by insurance companies. The Company has entered into agreements with insurance companies whereby such insurance companies have agreed to utilize the Company for appraisal and repair services. The Company proposes to try to expand its insurance company referral business, and has increased its' sales force in order to rapidly expand its market share in Direct Appraisal and Repair Programs. [See Forward-Looking Statements and Cautionary Factors]

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. The division has not participated in any new promotions since June 1997, it continued to fill orders (to reduce inventory) through October 1997, pay vendors, collect receivables, and receive returns. The Company does not expect to incur any additional losses during the remaining phase out period. Losses from this division did not provide any income tax benefit during 1997.

Recent Developments.

The Company has been attempting to increase the number of insurance companies participating in the insurance company referral program and has recently signed a contract with an insurance company, new to the Company's program. Additionally, the Company has been marketing consumer oriented auto club programs and has recently entered into several agreements with banks, marketing agencies, and affinity groups. The Company has direct mail pieces en route to the customers of banks, affinity groups, utilities and mortgage companies as of this report. The Company anticipates significant growth in revenues in 1998. [See Forward-Looking Statements and Cautionary Factors]

New Business Opportunities

The Company plans on forming a new business group entitled the Collision Repair Management Division that will provide claims and collision repair management for insurers by linking insurance companies, vehicle claims management and collision repair shops on a nationwide basis. During 1998, the Company plans on acquiring auto collision repair facilities throughout the nation to establish a vertically integrated system which will include relationships with insurance companies participating in the DARP, NFS' vehicle claims management business, or self insured corporations and consumers. [See Forward-Looking Statements and Cautionary Factors]

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

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

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

In 1997, one customer accounted for 10% of the Company's revenue, and in 1996, none of the Company's customers accounted for more than 10 percent of the Company's revenues.

Employees

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

Competition

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

companies that, like the Company, offer fleet management services independent of a fleet leasing arrangement.

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

Insurance Company Referral Business. The Company is aware of two other companies that offer automotive collision repair services to insurance companies. One of such companies is, like the Company, in the fleet management

business, while the other is in the vehicle software valuation business. The Company believes that its services for insurance companies are superior to those offered by such other companies.

Item 2. DESCRIPTION OF PROPERTY

In December 1996, the Company entered into a lease for new office space at 51 East Bethpage Road, Plainview, New York 11803. The space consists of approximately 12,000 square feet of office space. The Company relocated to this new space during April 1997. The lease is for five years and expires on March 31, 2002.

Item 3. LEGAL PROCEEDINGS

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

PART II

Item 5. MARKET FOR COMMON EQUITY AND RELATED SHAREHOLDER MATTERS

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

	Bid Price($)	
	High	Low
1997		
First Quarter	$2.25	$1.50
Second Quarter	$2.167	$1.375
Third Quarter	$3.375	$1.44
Fourth Quarter	$6.875	$3.00

1996		
First Quarter	$1.03125	$.5625
Second Quarter	$.84375	$.53125
Third Quarter	$1.75	$.40625
Fourth Quarter	$2.1875	$1.50

The number of record holders of the Company's common shares as of March 5, 1998 was 430.

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

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

Results of Operations

The Company, prior to September 1996, conducted business in only one segment, automotive fleet management and related operations, such as the DARP and Affinity programs ("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

Revenues from services of the automotive management operations were $13,558,640 in 1997, as compared to $13,338,678 in 1996, representing an increase of $219,962, or 1.6%. The direct costs of services related to such revenue (principally charges from automotive repair facilities) were $11,262,698 in 1997, as compared to $11,010,836 in 1996, representing an increase of $251,862, or 2.3%. Gross Profit decreased .6% to 16.9% in 1997 from 17.5% in 1996. Revenues from services showed little growth in 1997. Revenues from

Automotive Management are sensitive to the vehicle accident rate. The vehicle accident rate decreased in 1997, due to several factors such as increased safety conditions on both roads and in vehicles, drivers' safety awareness and defensive driving and moderate weather conditions experienced in 1997. The auto insurance industry has experienced less claims per capita. As a result, the Company is currently exploring new opportunities in new, but related businesses in order to continue its growth.

Total operating expenses were $2,946,232 for 1997, as compared to $1,980,521 for 1996, representing an increase of $965,711 or 48.8%. The increases in operating expense are primarily attributable to increased payroll and related expenses specifically associated with hiring senior executives to head the Affinity and Direct Appraisal and Repair Programs ("DARP") business groups, the development of an information technology department, as well as increases in other general and administrative expenses required to service the Company's group automotive management

operations. The Company relocated its corporate headquarters in April 1997, more than doubling the Company's office space. As a result, rent and utility expenses more than doubled. These expenditures have positioned the Company for rapid growth in new business areas. Operating expenses were also adversely affected by non-recurring costs associated with the relocation of the Company's corporate offices.

Interest and other income were $41,781 in 1997, as compared to $29,443 in 1996, representing an increase of $12,338. The increase is primarily attributable to larger average cash balances available during 1997 which were invested in short-term cash equivalents.

Interest expense was $9,532 in 1997, as compared to $1,039 in 1996, representing an increase of $8,493. The increase is attributable to the interest paid on the equipment loan taken during the relocation of the corporate offices and the use of the Company's line of credit financing. The equipment loan and line of credit were paid off and terminated in 1997.

FPG Direct (Discontinued operations)

For the years ended December 31, 1997 and 1996, FPG Direct had net sales of $2,500,097 and $727,570, respectively, and cost of goods sold of $1,301,077 and $332,708, respectively, resulting in a gross profit of $1,199,020 (48.0%)and $394,862 (54.3%), respectively. FPG Direct incurred selling, general, and administrative expenses of $2,277,156 and $445,763, in 1997 and 1996, respectively, and interest expense of $32,934 and $6,101, in 1997 and 1996, respectively, resulting in a net loss of $1,111,070 ($.17 per share) and $57,002 ($.01), in 1997 and 1996, respectively. 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.

Liquidity and Capital Resources

As of December 31, 1997, the Company had cash and cash equivalents of $3,453,864 as compared to $683,503 as of December 31, 1996. Working capital of the Company as of December 31, 1997, was $3,717,452 as compared to $1,027,632 as of December 31, 1996. The Company's operating activities used $861,894 of cash in 1997 as compared to 1996, when the Company's operating activities used $592,417 of cash. As discussed above, the Company experienced large increases in its operating costs in order to accommodate the growth of the company as it explores and enters into new business.

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 terminated 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.

In April 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 redeemable common stock purchase warrant at $2.00 per share. A private investment group and one executive participated in this placement.

In December 1997, the company raised an additional $2,330,813 through the private placement issuance of 581,250 units at $4.01 per unit, consisting of one share of common stock and a redeemable common stock purchase warrant at $5.75 per share. Additionally, in December, the Company issued a Notice of Redemption to the holders of the warrants issued as part of the August 1997 private placement. Thereafter, one holder, an executive in the Company, exercised his right to purchase 250,000 additional shares of common stock at $2.00, permitting the Company to raise an additional $400,000 in cash and a note from the executive for a $100,000. This note was paid, in full, on March 6, 1998.

Subsequently, in January 1998 the other warrant holder also exercised its right to purchase 500,000 additional shares of common stock at $2.00, permitting the Company to raise an additional $1,000,000.

The Company believes that its present cash position will enable the Company to continue to support its operations for the short and longer term.

Forward Looking Statements - Cautionary Factors

Except for the historical information and statements contained in this Report, the matters and items set forth in this Report are forward looking statements that involve uncertainties and risks some of which are discussed at appropriate points in the Report and are also summarized as follows:

1. The Company has been able to assemble a network of independently owned and operated repair shops throughout the United States. These collision repair shops must maintain the high quality repairs standard that has enabled the Company to continue to retain and attract new clients. The Company's inability to retain these quality repair shops and maintain their individually high repair standards could have a material adverse impact upon all of the Company's vehicle collision repair programs.

2. The Company, under the DARP, or NFS, under its fleet management business, or the Affinity Division, have clients that either individually control a large number of insureds, control large fleets, or a large number of participant in FPG programs such as Driver's Shield(TM). The loss of any one insurance company, large fleet operator, or affinity group, terminating its relationship with the Company or NFS, could have an adverse impact on the continued growth of that business. The Company and NFS have attempted to address the issue of customer retention by implementing a policy of entering into long term contracts with its customers. In the past several years, this has materially improved the customer retention rate.

3. As the Company's proprietary programs gain more success, it is possible that the competition will attempt to copy these programs and incorporate them into their programs. This could lead to increased competitive pressures on those programs that

are the most successful. The competition could result in decreased profit margins and/or the loss of certain customers.

4. The DARP concept is to enter into contractual commitments with auto insurers that will permit the Company to manage the insurer's claim management process. During this contractual period, the insurer may terminate the agreement during the trial period, and/or not offer for processing a substantial number of claims of its entire claims experience. This situation could result in individual insurer's relationship not becoming contributing to FPG's growth and profitability as originally expected.

5. The Company plans on forming a new business group entitled the Collision Repair Management Division that will provide claims and collision repair management for insurers by linking insurance companies, vehicle claims management and collision repair shops on a nationwide basis. This is a totally new concept not yet offered by any one entity nationwide. Therefore, the future success and profitability of this business is uncertain. Additionally, it is anticipated that this new business will require the Company to raise substantial sums of capital for the nationwide purchase of collision repair facilities and the building and growing of the infrastructure required for this business to succeed. There can be no guarantee that the Company will be able to successfully raise the capital necessary for the success of this business.

Item 7. FINANCIAL STATEMENTS

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

Part III

[Items 9 through 12 have been incorporated by reference to the Company's Information Statement for the Annual Shareholders Meeting to be held on March 23, 1998 filed with the Securities and Exchange Commission]

Item 13. EXHIBITS AND REPORTS ON FORM 8-K

(a) List of Exhibits

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

3.2 Amendment to the Certificate of Incorporation incorporated by reference

to Exhibit 3.1 of the Company's Form 10-QSB for the period ended September 30, 1996.

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

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

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

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

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

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

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

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

10.8 Employment Agreement between the Company and Douglas Konetzni dated December 16, 1996 incorporated by reference to Exhibit 10.10 of the Company's Form 10-KSB for the year ended December 31, 1996.

10.9 General Loan and Collateral Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank incorporated by reference to Exhibit 10.11 of the Company's Form 10-KSB for the year ended December 31, 1996.

10.10 Security Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank incorporated by reference to Exhibit 10.12 of the Company's Form 10-KSB for the year ended December 31, 1996..

10.11 Short Term Loan Agreement dated April 15, 1997 between the Company and The Chase Manhattan Bank incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended June 30, 1997.

10.12 Promissory Note dated April 15, 1997 payable to The Chase Manhattan Bank incorporated by reference to Exhibit 10.2 of the Company's Form 10-QSB for the period ended June 30, 1997.

10.13 Lease Agreement dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation for lease of the Company's facilities in Plainview, New York incorporated by reference to Exhibit 10.3 of the

Company's Form 10-QSB for the period ended June 30, 1997.

10.14 First Amendment to Lease Agreement dated July 14, 1997 amending the lease dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation incorporated by reference to Exhibit 10.4 of the Company's Form 10-QSB for the

period ended June 30, 1997.

10.15 Form of subscription agreement executed by subscribers to the Company's private placement dated August 26, 1997 incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended September 30, 1997.

10.16 Form of warrant granted to subscribers to the Company's private placement dated August 26, 1997 incorporated by reference to Exhibit 10.2 of the Company's Form 10-QSB for the period ended September 30, 1997.

10.17 Form of subscription agreement executed by subscribers to the Company's private placement dated December 19, 1997 filed herein.

10.18 Form of warrant executed by the Company's pursuant to the subscription agreement dated December 19, 1997 filed herein.

10.19 Employment agreement between the Company and Philip M. Panzera dated

November 14, 1997 filed herein.

10.20 Amendment to employment agreement dated November 26, 1997 between the Company and Michael Karpoff filed herein.

10.21 Amendment to employment agreement dated November 26, 1997 between the Company and Barry Siegel filed herein.

10.22 Termination Agreement dated July 16, 1997 between the Company and Douglas Konetzni filed herein.

10.23 Termination Agreement dated May 20, 1997 between the Company and Paul Zucker filed herein.

10.24 Amendment to Termination Agreement dated August 22, 1997 between the Company and Paul Zucker filed herein.

10.25 Termination Agreement dated May 20, 1997 between the Company and Steven Zucker filed herein.

10.26 Amendment to Termination Agreement dated August 22, 1997 between the Company and Steven Zucker filed herein.

13.1 Form 10-QSB for the quarter ending March 31,1997 incorporated by

reference dated and previously filed.

13.2 Form 10-QSB for the quarter ending June 30, 1997 incorporated by reference and previously filed with the Commission..

13.3 Form 10-QSB for the quarter ending September 30, 1997 incorporated by reference and previously filed with the Commission..

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

27 Financial Data Schedule.

(b) Reports on Form 8-K

None

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

YEARS ENDED DECEMBER 31, 1997 AND 1996

CONSOLIDATED FINANCIAL STATEMENTS AND
REPORT OF INDEPENDENT

CERTIFIED PUBLIC ACCOUNTANTS

[LOGO]
NUSSBAUM YATES & WOLPOW, P.C.
Certified Public Accountants 445 Broad Hollow Road, Melville, NY 11747
(516) 845-5252 Fax (516) 845-5279

Report of Independent Certified Public Accountants

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

We have audited the accompanying consolidated balance sheets of First Priority Group, Inc. and subsidiaries as of December 31, 1997 and 1996, and the related

consolidated statements of operations, shareholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of First Priority Group, Inc. and subsidiaries as of December 31, 1997 and 1996, and the consolidated results of their operations and cash flows for the years then ended, in conformity with generally accepted accounting principles.

Melville, New York
February 20, 1998
(except for Note 15, as to which the date is March 8, 1998)

Nussbaum Yates & Wolpow, P.C.

/s/ Nussbaum Yates & Wolpow, P.C.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 1997 AND 1996

ASSETS

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Current assets:		
Cash and cash equivalents	$3,453,864	$ 683,503
Accounts receivable, less allowance for doubtful accounts of $22,500 in 1997 and $11,500 in 1996	1,604,266	2,016,635
Note receivable, shareholder	100,000	-
Inventories	61,642	318,398
Prepaid expenses and other current assets	139,276	321,898
Total current assets	5,359,048	3,340,434
Property and equipment, net	457,310	141,824
Security deposits and other assets	41,328	47,313
Total assets	$5,857,686	$3,529,571
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Line of credit financing		$ 600,000
Accounts payable	$1,254,628	1,403,143
Accrued expenses and other current liabilities	386,968	309,659
Total current liabilities	1,641,596	2,312,802
Shareholders' equity:		
Common stock, $.015 par value, authorized 20,000,000 shares; issued 7,998,467 shares in 1997 and 6,150,550 shares in 1996	119,977	92,258
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued or outstanding	-	-
Additional paid-in capital	6,645,737	1,942,643
Deficit	(2,459,624)	(728,132)
	4,306,090	1,306,769
Less common stock held in treasury, at cost, 266,667 shares	90,000	90,000
Total shareholders' equity	4,216,090	1,216,769
Total liabilities and shareholders' equity	$5,857,686	$3,529,571

</TABLE>

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1997 AND 1996

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Revenue	13,558,640	$13,338,678
Cost of revenue (principally charges incurred at repair facilities for services)	11,262,698	11,010,836
Gross profit	2,295,942	2,327,842
Operating expenses:		
Selling	972,407	603,466
General and administrative	1,973,825	1,377,055
Total operating expenses	2,946,232	1,980,521
	(650,290)	347,321
Other income (expense):		
Interest and other income	41,781	29,443
Interest expense	(9,532)	(1,039)
Total other income	32,249	28,404
Income (loss) from continuing operations before income taxes	(618,041)	375,725
Income taxes, all current	2,381	5,149
Income (loss) from continuing operations	(620,422)	370,576
Discontinued operations:		
Loss from operations of discontinued direct response marketing division, no income tax benefit	(670,198)	(57,002)
Loss on disposal of direct response marketing division, no income tax benefit	(440,872)	-
	(1,111,070)	(57,002)
Net income (loss)	($ 1,731,492)	$ 313,574
Basic earnings (loss) per share:		
Continuing operations	($ .10)	$ .06
Discontinued operations	(.17)	(.01)
Net income (loss)	($ .27)	$ .05
Diluted earnings (loss) per share:		
Continuing operations	($ .10)	$ .05
Discontinued operations	(.17)	(.01)
Net income (loss)	($ .27)	$ .04

</TABLE>

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

YEARS ENDED DECEMBER 31, 1997 AND 1996

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-in		Treasury Stock		Total Share-holders'
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance, January 1, 1996	6,150,550	$92,258	$1,929,310	($1,041,706)	266,667	($90,000)	$ 889,862
Issuance of stock options for services	-	-	13,333	-	-	-	13,333

Net income	-	-	-	313,574	-	-	313,574
Balance, January 1, 1997	6,150,550	92,258	1,942,643	(728,132)	266,667	(90,000)	1,216,769
Issuance of common stock in private placements	1,597,917	23,969	4,206,844	-	-	-	4,230,813
Exercise of warrants	250,000	3,750	496,250	-	-	-	500,000
Net loss	-	-	-	(1,731,492)	-	-	(1,731,492)
Balance, December 31, 1997	7,998,467	$119,977	$6,645,737	($2,459,624)	266,667	($90,000)	$4,216,090

</TABLE>

See notes to consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED DECEMBER 31, 1997 AND 1996

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Cash flows used in operating activities:		
Net income (loss)	($1,731,492)	$313,574
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	83,072	42,105
Provision for bad debts	39,000	-
Changes in assets and liabilities:		
Accounts receivable	373,369	(946,849)
Inventories	256,756	(318,398)
Prepaid expenses and other current assets	182,622	(299,625)
Security deposit and other assets	5,985	(36,738)
Accounts payable	(148,515)	682,768
Accrued expenses and other current liabilities	77,309	(29,254)
Total adjustments	869,598	(905,991)
Net cash used in operating activities	(861,894)	(592,417)
Net purchase of property and equipment and net cash used in investing activities	(398,558)	(65,890)
Cash flows provided by financing activities:		
Net proceeds from (repayments of) borrowings under line of credit	(600,000)	600,000
Borrowing on equipment note	150,000	-
Principal payments on equipment note	(150,000)	(37,264)
Proceeds from issuance of common stock	4,630,813	-
Net cash provided by financing activities	4,030,813	562,736
Net increase (decrease) in cash and cash equivalents	2,770,361	(95,571)
Cash and cash equivalents at beginning of year	683,503	779,074
Cash and cash equivalents at end of year	$3,453,864	$683,503
Supplemental disclosure of cash flow information:		
Cash paid during the year for income taxes	$ 3,762	$ 5,350
Cash paid during the year for interest	$ 48,152	$ 1,453

</TABLE>

Supplemental disclosure of non-cash investing and financing activities:
During 1997, the Company received $400,000 and a note of $100,000 from a shareholder in connection with the exercise of 250,000 warrants for $500,000.
During 1996, the Company granted 100,000 stock options valued at $13,333 for

services.

See notes to consolidated financial statements.

1. Summary of Significant Accounting Policies

Principles of Consolidation

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

Inventories

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

Property and Equipment

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

Cash

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

Direct-Response Advertising (Discontinued Operation)

The Company expenses the costs of advertising the first time the advertising takes place, except for direct-response advertising (see Note 13), which in 1996 was capitalized and amortized over its expected period of future benefits. Direct-response advertising consists primarily of advertising inserts mailed to customers that include order coupons for the Company's products. The capitalized costs of the advertising were generally amortized over a three or four-month period following the mail distribution date.

1. Summary of Significant Accounting Policies (Continued)

Direct-Response Advertising (Discontinued Operation) (Continued)

At December 31, 1996, $266,767 was reported as assets included under the caption prepaid expenses and other current assets. Advertising expense was $1,629,680 and $242,967 in 1997 and 1996.

Use of Estimates

In preparing financial statements in conformity with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates are used in accounting for income taxes and in 1996 direct-response advertising costs.

New Accounting Standards

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting (SFAS) No. 130, "Reporting Comprehensive Income," and SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." These statements, which are effective for fiscal years beginning after December 15, 1997, expand or modify disclosures and will have no impact on our consolidated financial position, results of operations or cash flows.

We adopted SFAS No. 128, "Earnings Per Share," in 1997. In accordance with SFAS No. 128, we have presented both basic net income per share and diluted net income per share in our financial statements.

1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

- Cash and cash equivalents and note receivable, shareholder

  The carrying amounts approximate fair value because of the short maturity of those instruments.

- Short-term borrowings

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

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

- Automotive management

  The Company is engaged in automotive management services, including fleet management, for major corporate clients throughout the United States. The Company offers computerized collision estimates and provides its clients with a cost-effective method for repairing their vehicle. The Company also arranges for repair of the vehicles through a nationwide network of independently owned contracted facilities.

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

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

  Sales to one customer accounted for 10% of revenue in 1997.

  The Company has no instruments with significant off-balance-sheet risk or concentration of credit risk.

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

- Direct-response marketing (discontinued operation)

  Effective September 1, 1996, the Company commenced marketing consumer goods through oil companies and retail department stores ("client") through direct mailing efforts throughout the United States, to customers who regularly use a credit card issued by the client companies. In the second quarter of 1997, the Company decided to discontinue this segment (see Note 13).

3. Due From Shareholder

In December 1997, the Company received $400,000 and a note of $100,000 from a shareholder in connection with the exercise of warrants (see Note 8). The note, which was paid in full after December 31, 1997, bore interest at 6% per annum and was secured by 250,000 shares of Company stock.

4. Property and Equipment

At December 31, property and equipment consists of:

	1997	1996
Machinery and equipment	$468,266	$206,907
Furniture and fixtures	246,933	112,934
	715,199	319,841
Less accumulated depreciation	257,889	178,017
	$457,310	$141,824

5. Bank Debt

Line of Credit Financing

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

Equipment Notes

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

In 1997, the Company borrowed $150,000 under a note from a bank used to purchase equipment, furniture, fixtures and for relocation costs. The note was collateralized by substantially all assets of the Company. The note was interest bearing at a rate of 1/2% above prime. The note was repaid in October, 1997.

6. Earnings Per Share

In 1997, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 128, "Earnings Per Share" ("EPS"). Statement No. 128 replaced the previously reported primary and fully diluted earnings per share with basic earnings per share and diluted earnings per share. Basic earnings per share is computed by dividing earnings by the weighted average number of common shares outstanding during the period. Diluted earnings per share reflects the potential dilution that could occur if common stock equivalents, such as stock options and warrants, were exercised. All earnings per share amounts for all periods have been restated to conform to the Statement No. 128 requirement.

<TABLE>
<CAPTION>

6. Earnings Per Share (Continued)

	For The Year Ended 1997		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
<S>	<C>	<C>	<C>
Basic EPS			
Loss from continuing operations	($620,422)	6,364,768	($.10)

<CAPTION>

	For The Year Ended 1996		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount
<S>	<C>	<C>	<C>
Basic EPS			
Income from continuing operations	$370,576	5,883,883	$.06
			====
Effect of dilutive securities			
Stock options		1,063,419	
Warrants		592,724	
	--------	---------	
Diluted EPS			
Income available from continuing operations and assumed conversions	$370,576	7,540,026	$.05
	========	=========	====

</TABLE>

All options and warrants outstanding during 1996 were included in the computation of diluted earnings per share. In 1997, options and warrants were anti-dilutive.

7. Stock Options

Stock Compensation Plan

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

For disclosure purposes, the fair value of each stock option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted average assumptions used for stock options granted in 1997 and 1996, respectively: annual dividends of $0.00 for both years, expected volatility of 93% and 118%, risk-free interest rate of 6.08% and 6.68%, and expected life of five years for all grants. The weighted-average fair value of stock options granted in 1997 and 1996 was $2.43 and $.63, respectively.

7. Stock Options

Under the above model, the total value of stock options granted in 1997 and 1996 was $766,784 and $78,908, respectively, which would be amortized ratably on a pro forma basis over the related vesting periods, which range from twenty-eight months to five years (not including performance-based stock options granted in 1997 and 1996, see below). Had compensation cost been determined based upon the fair value of the stock options at grant date consistent with the method of SFAS No. 123, the Company's income (loss) from continuing operations and earnings (loss) per share from continuing operations would have been reduced to the pro forma amounts indicated below:

	1997	1996
Income (loss) from continuing operations:		
As reported	($620,422)	$370,576
Pro forma	($761,261)	$288,043
Basic earnings (loss) per share from continuing operations:		
As reported	($ .10)	$ .06
Pro forma	($ .12)	$ .05
Diluted earnings (loss) per share from continuing operations:		
As reported	($ .10)	$ .05
Pro forma	($ .12)	$ .04

The SFAS No. 123 method of accounting does not apply to options granted prior to January 1, 1995, and accordingly, the resulting pro forma compensation cost may not be representative of that to be expected in future years.

7. Stock Options (Continued)

Performance-Based Stock Options

Under its 1995 Stock Incentive Plan, during 1997 and 1996, the Company granted 150,000 and 1,975,000 options, respectively, to certain key executives hired in 1997 and 1996 whose vesting, is entirely contingent upon the future profits (as defined) for the division or subsidiary or commissions earned under the management of the related key executive. During 1997, the Company terminated three executives hired in 1996 who had been granted 1,000,000 of the above options. Generally, for each $10,000 of future profits of the related division or subsidiary, the key executive becomes vested and may exercise options equal to defined amounts of shares, ranging from 500 shares to 1,500 shares based upon the aggregate amount of future profit attained.

The Company believes that it is not possible to estimate any profits for the related divisions and subsidiaries, all of which have incurred losses through December 31, 1997, and therefore, cannot estimate as of December

31, 1997 the outcome of the performance condition. Accordingly, the pro forma amounts of net income and earnings per share described above do not include any pro forma compensation expense related to the performance-based stock options granted in 1997 and 1996.

For disclosure purposes, the fair value of each performance-based stock option grant is estimated on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions for 1997 and 1996: annual dividends of $0.00, expected volatility of 93% and 118%, risk-free interest rate of 6.08% and 6.42% and expected life of five years for all grants. The weighted-average fair value of the performance-based stock options granted in 1997 and 1996 was $1.50 and $.90.

Non-Incentive Stock Option Agreements

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

7. Stock Options (Continued)

Summary

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

<TABLE>
<CAPTION>

	Number	Exercise	Weighted-Average

	of Shares	Price Range	Exercise Price
<S>	<C>	<C>	<C>
Options outstanding, January 1, 1996	1,800,000	$.06 - 1.50	$ .49
Options granted	2,215,000	.70 - 2.00	1.03
Options expired	(100,000)	.07	.07
Options outstanding, December 31, 1996	3,915,000	.06 - 2.00	.81
Options granted	850,000	2.00 - 6.84	3.07
Options expired/canceled	(1,000,000)	.75 - 2.00	1.38
Options outstanding, December 31, 1997	3,765,000	.06 - 6.84	1.17
Options exercisable, December 31, 1996	1,099,167	.06 - 1.50	.34
Options exercisable, December 31, 1997	1,566,667	.06 - 2.75	.55

</TABLE>

The following table summarizes information about the options outstanding at December 31, 1997 other than performance-based stock options:

<TABLE>
<CAPTION>

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Outstanding	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
$.06 - .22	1,100,000	1.45	$ .11	925,000	$ .10
.70 - 1.00	1,405,000	3.49	.78	366,667	.87
1.25 - 2.00	560,000	3.28	1.54	210,000	1.26
2.75 - 6.84	700,000	4.73	3.31	65,000	2.75

</TABLE>

8. Common Stock and Stock Warrants

In April 1997, the Company raised $400,000 through the private placement issuance of 266,667 shares of common stock at $1.50 per share. Several of the Company's executives and employees accounted for a majority of the shares issued. In June 1997, the agreement was amended to provide for additional shares to the subscribers to bring the value of their investment to $2.00 per share if the closing price on the anniversary date, April 1998, was less than $2.00 per share.

In August 1997, the Company raised $1,500,000 through the private placement issuance of 750,000 units at $2.00 per unit. Each unit consists of one share of common stock and a redeemable common stock purchase warrant at $2.00 per share for a period of two years. The units were issued to an executive of the Company and a private investment group. In response to the Notice of Redemption issued by the Company, the executive exercised 250,000 shares of the warrants in December 1997 (see Note 3). Thereafter, in January 1998, the private investment group exercised 500,000 shares of the warrants.

In December, 1997, the Company raised $2,330,813 through the private placement issuance of 581,250 units at $4.01 per unit. Each unit consists of one share of common stock and a redeemable common stock purchase warrant at $5.75 per share for a period of five years. Should the price of the Company's stock exceed $11.50 per share for 20 consecutive trading days, the Company may request redemption of the warrants at a price of $.01 per share. The warrant holders would then have 30 days in which to either exercise the warrant or accept the redemption offer. The Company has provided the investors with certain price protection, subject to certain

conditions being met, which may require the Company to issue additional shares and warrants to these investors without receiving additional consideration. Subsequent to December 31, 1997, the price protection element of the above expired.

In connection with the 1995 issuance of 1,000,000 shares of its common stock, the Company issued warrants to purchase 850,000 shares of the Company's common stock. The warrants are all presently exercisable at prices ranging from $.125 to $.50 per share. These warrants expire in 2000. During the fiscal year ended December 31, 1997 and 1996, none of these warrants were exercised. In lieu of the payment of the exercise price in cash, the holders of these warrants have the right (but not the obligation) to convert the warrants, in whole or in part, into common stock as follows; upon exercise of the conversion rights of the warrant, the Company shall deliver to the holder that number of shares of common stock equal to the quotient obtained by dividing the remainder derived from subtracting (a) the exercise price multiplied by the number of shares of common stock being converted from (b) the market price of the common stock multiplied by the number of shares of common stock being converted, by the market price of the stock.

9. Employee Benefit Plan

The Company has a 401(k) profit sharing plan for the benefit of all eligible employees as defined in the plan documents. The plan provides for voluntary employee salary contributions from 1% to 15% not to exceed the statutory limitation provided by the Internal Revenue Code. The Company may, at its discretion, match within prescribed limits, the contributions of the employees. Employer contributions to the plan amounted to $7,727 and $4,918 in 1997 and 1996.

10. Commitments and Contingency

Leases

The Company leases its executive office, expiring in March 2002 under a noncancelable operating lease. The lease requires minimum annual rentals and certain other expenses including real estate taxes. Rent expense including real estate taxes for the years ended December 31, 1997 and 1996 aggregated $152,268 and $80,469, respectively.

As of December 31, 1997, the Company's future minimum rental commitments are as follows:

1998	$170,300
1999	177,100
2000	184,300
2001	191,600
2002	48,400
	$771,700

10. Commitments and Contingency

Employment Contracts

The Company has employment contracts with its two principal officers expiring on December 31, 1998. The agreements provide minimum annual salaries of approximately $290,000 to the Chairman and $212,000 to the President. The agreements also provide for additional incentive compensation of 4% each of the Corporation's pre-tax income. Incentive compensation for the year ended December 31, 1996 was waived by the two principal officers of the Company.

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

deductible by the Company under the provisions of the Internal Revenue Code.

11. Income Taxes

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

At December 31, 1997, the Company has an operating loss carryforward of approximately $2,040,000 which is available to offset future taxable income. A valuation allowance has been recognized to offset the full amount of the related deferred tax asset of approximately $770,000 at December 31, 1997, and $130,000 at December 31, 1996 due to the uncertainty of realizing the benefit of the loss carryforwards.

11. Income Taxes

At December 31, 1997, the Company's net operating loss carryforwards are scheduled to expire as follows:

Year ended December 31,	
2002	$ 232,000
2003	24,000
2005	50,000
2008	34,000
2012	1,700,000
	$2,040,000

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

<TABLE>
<CAPTION>

	1997	1996
<S>	<C>	<C>
Federal statutory rate	34.0%	34.0%
Utilization of net operating loss carryforwards	(34.0)	(34.0)
State income taxes	.1	1.6
	.1%	1.6%

</TABLE>

12. Advertising Expense

Advertising expense (other than from discontinued operations) amounted to $116,759 and $46,616 in 1997 and 1996.

13. Discontinued Operations

At June 30, 1997, the Company decided to discontinue its direct-response

marketing division. Accordingly, the operating results of the division have been segregated from continuing operations and reported separately on the statement of operations. Net sales for discontinued operations were $2,500,097 and $727,570 for 1997 and 1996.

At the measurement date, the Company did not provide for any loss on

disposal or anticipate any continuing losses form this division. Subsequent to the measurement date, the division reflected losses of $440,872 which are reflected as a disposal loss in the accompanying financial statements.

At December 31, 1997, the Company is in the process of liquidating its remaining inventory of $61,642 and collecting the outstanding accounts receivable and other claims of approximately $225,000. The Company has various related accrued liabilities of approximately $25,000. The Company anticipates completing the disposal of this segment by June 30, 1998.

14. Contingency

On January 29, 1998, the Company terminated the employment of its chief financial and accounting officer, who had been employed by the Company since November 17, 1997 pursuant to an employment contract. The employment contract provided for a base salary of $145,000 during the first year of the contract, $152,250 during the next year of the contract and $160,000 during the third year of the contract. The employment contract also provided for the employee to receive incentive compensation equal to 2% of annual pre-tax earnings of the Company, and health and other fringe benefits. Further, the employee was granted options to purchase 120,000 shares of common stock of the Company. Such options were cancelled upon the termination of employment. The employee has asserted a claim against the Company for an unspecified amount, including, but not limited to the remaining unpaid portion of the employment contract, and other losses sustained.

14. Contingency (Continued)

While any litigation contains an element of uncertainty, management, based upon the opinion of the Company's counsel, presently believes that the employee's potential claim against the Company is without merit, and will be successfully defended by the Company, and that the outcome of this matter will not have a material adverse effect on the Company's results of operations or financial position. Accordingly, the Company has not provided for any loss on this matter in the accompanying financial statements.

15. Subsequent Events

On March 8, 1998, the Company signed a letter of intent to acquire substantially all of the assets owned by an individual doing business as Body Shop Video's Business Development Group for $1,000,000 cash and $1,000,000 worth of the Company's common stock. The completion of this potential acquisition is subject to, among other things, satisfactory due diligence, and approval by the Board of Directors of the Company.

SIGNATURES

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

FIRST PRIORITY GROUP, INC.

By: s/ Barry Siegel

Barry Siegel
Chairman of the Board of Directors,
Treasurer, Secretary,
Chief Executive Officer,
Principal Accounting Officer

Date: March 16, 1998

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

By: s/ Barry Siegel

Barry Siegel
Chairman of the Board of Directors,
Treasurer, Secretary,
Chief Executive Officer,
Principal Accounting Officer

Date: March 16, 1998

By: s/ Michael Karpoff

Michael Karpoff
President and Director

Date: March 16, 1998

By: /s/ Leonard Giarraputo

Leonard Giarraputo
Director

Date: March 16, 1998

By: s/ Paul Di Stefano

Paul Di Stefano
Director

Date:

By:

Philip M. Panzera
Director

INDEX OF EXHIBITS

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

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

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

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

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

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

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

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

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

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

10.8 Employment Agreement between the Company and Douglas Konetzni dated December 16, 1996 incorporated by reference to Exhibit 10.10 of the Company's Form 10-KSB for the year ended December 31, 1996.

10.9 General Loan and Collateral Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank incorporated by reference to Exhibit 10.11 of the Company's Form 10- KSB for the year ended December 31, 1996.

10.10 Security Agreement dated July 29, 1996 between the Company and Chase Manhattan Bank incorporated by reference to Exhibit 10.12 of the Company's Form 10-KSB for the year ended December 31, 1996..

10.11 Short Term Loan Agreement dated April 15, 1997 between the Company and The Chase Manhattan Bank incorporated by reference to Exhibit 10.1 of the Company's Form 10-QSB for the period ended June 30, 1997.

10.12 Promissory Note dated April 15, 1997 payable to The Chase Manhattan Bank incorporated by reference to Exhibit 10.2 of the Company's Form 10-QSB for the period ended June 30, 1997.

10.13 Lease Agreement dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation for lease of the Company's facilities in Plainview, New York incorporated by reference to Exhibit 10.3 of the Company's Form 10-QSB for the period ended June 30, 1997.

10.14 First Amendment to Lease Agreement dated July 14, 1997 amending the lease dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation incorporated by reference to Exhibit 10.4 of the Company's Form 10-QSB for the period ended June 30, 1997.

10.15 Form of subscription agreement executed by subscribers to the Company's private placement dated August 26, 1997 incorporated by reference to Exhibit 10.1 of the Company's Form 10- QSB for the period ended September 30, 1997.

10.16 Form of warrant granted to subscribers to the Company's private placement dated August 26, 1997 incorporated by reference to Exhibit 10.2 of the Company's Form 10-QSB for the period ended September 30, 1997.

10.17 Form of subscription agreement executed by subscribers to the Company's private placement dated December 19, 1997 filed herein.

10.18 Form of warrant executed by the Company's pursuant to the subscription agreement dated December 19, 1997 filed herein.

10.19 Employment agreement between the Company and Philip M. Panzera dated November 14, 1997 filed herein.

10.20 Amendment to employment agreement dated November 26, 1997 between the Company and Michael Karpoff filed herein.

10.21 Amendment to employment agreement dated November 26, 1997 between the Company and Barry Siegel filed herein.

10.22 Termination Agreement dated July 16, 1997 between the Company and Douglas

Konetzni filed herein.

10.23 Termination Agreement dated May 20, 1997 between the Company and Paul Zucker filed herein.

10.24 Amendment to Termination Agreement dated August 22, 1997 between the Company and Paul Zucker filed herein.

10.25 Termination Agreement dated May 20, 1997 between the Company and Steven Zucker filed herein.

10.26 Amendment to Termination Agreement dated August 22, 1997 between the Company and Steven Zucker filed herein.

13.1 Form 10-QSB for the quarter ending March 31,1997 incorporated by reference dated and previously filed.

13.2 Form 10-QSB for the quarter ending June 30, 1997 incorporated by reference and previously filed with the Commission..

13.3 Form 10-QSB for the quarter ending September 30, 1997 incorporated by reference and previously filed with the Commission..

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

27 Financial Data Schedule.

Exhibit 10.17

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 _____ units. 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") (collectively the "Unit"). The per Unit offering price shall be $4.01, of which $4.00 shall be for each share of Common Stock purchased (the "Share Price") and $.01 for each Warrant purchased (the "Warrant Price"), 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 $5.75 during the five year period commencing on the date this Subscription Agreement (the "Agreement") is accepted by the Company. 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, June 30, 1997 and September 30, 1997;

(iii) press releases and any other public information statements disseminated by the Company for the period since the Company's last Quarterly Report (Form 10-QSB);

(iv) the Due Diligence package provided by the Company;

(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.

(2) Subscriber's Representations and Warranties:

The undersigned subscriber represents and warrants to the Company:

(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 Securities Act, or any savings and loan association or other institution as defined in section 3(a)(5)(A) of Securities 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 Securities 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 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 Section 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 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 Section (1)(A) 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.

(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 September 30, 1997. To the best knowledge of the Company, the Company has not incurred or paid any liability since September 30, 1997, except for such liabilities incurred or paid in the ordinary course of business consistent with past business practice.

(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.

(J) the Subscription Agreement hereby offered to the undersigned contains substantially the same terms and conditions as those other Subscription Agreements offered to other investors on or about on the date hereof.

(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 Section (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 Section (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 Stock and Warrants 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 SECURITIES 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) Registration

(i) Grant of Right. The Company shall have the obligation to use its best efforts to register the shares of Common Stock and Warrants comprising the Units and the shares of Common Stock issuable upon the exercise of the Warrants comprising the Units (collectively, the "Registrable Securities"), as soon practicable under the Securities Act within the six month period commencing on the day that the Common Stock of the Company is first traded on the NASDAQ National Market System or the NASDAQ Small Cap Market of The Nasdaq Stock Market, Inc. ("Nasdaq").

(ii) Expenses. The Company will pay all Registration Expenses in connection with the 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 or filing fees imposed by the Commission or the

National Association of Securities Dealers, Inc. ("NASD"), (ii) all fees and expenses of complying with state 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 or legal opinions required by or incident to such performance and compliance, (vi) 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 (vii) 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.

(iii) Registration Procedures. When 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 promptly after the Common Stock is first traded on Nasdaq 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 until all of the Registrable Securities are sold (or all are eligible for resale without restriction under Rule 144(k), 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 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 or the intended method of resale thereof 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 or the intended method of resale of Registrable Securities 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;

(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) "Piggy-Back" Registration.

(i) Grant of Right. Additionally, 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 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, but not exceeding 180 days; 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.

(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.

(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(B), 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 until all of the

Registrable Securities are sold (or all are eligible for resale without restriction under Rule 144(k), 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 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 or the intended method of resale thereof to be registered with or approved such other governmental agencies or authorities

as may be necessary by virtue of the business and operations of the Company or the intended method of resale of Registrable Securities 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.

(C) 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 Securities 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 Securities Act, the Exchange Act or otherwise, arising or related to from such registration statement or any filings made with any state securities regulatory agency or the NASD. 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 Securities Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such holders, with respect to 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 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 profit, if any, earned by such holder pursuant to the re-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 (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 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 or third party 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 and enforceable nature thereof.

(B) A copy of the Company's Certificate of Incorporation, as amended and certified 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.

(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. Any 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.

(13) Recalculation of Units.

(A) Should the Citi Growth Funds and American Re-Insurance Company not have completed their purchase of Units of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the closing price (as defined below) of the Company's Common Stock on the next trading day following the expiration of the Purchase Period (the "Recalculation Price"), be less than $6.00, the Company will issue additional shares of Common Stock to the undersigned ("Additional Subscription Shares"), with an equal number of Warrants ("Additional Warrants"), calculated by dividing the difference between $6.00 and the Recalculation Price by the Recalculation Price and then multiplying this quotient by the number of Common Stock shares originally purchased pursuant to this Agreement. For purposes of this Section 13, "closing price" 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.

For example: The Citi Growth Funds and American Re-Insurance Company have not completed their purchase of Units of the Company within the Purchase Period. The subscriber originally purchased 100,000 shares of Common Stock. The closing price of the Common Stock on the day after the Purchase Period was $5.00. The difference between $6.00 and the Recalculation Price is $1.00. The

difference, $1.00, divided by the Recalculation Price equals .20. By multiplying .20 times the original number of shares, (100,000), 20,000 Additional Subscription Shares, and an equal number of Additional Warrants, would be issued.

$6.00 - $5.00 = $1.00
$1.00 divided by $5.00 = .20
.20 x 100,000 = 20,000 of Additional Subscription Shares + Additional Warrants

(B) Should the conditions described in Section 13(A) be met resulting in Additional Subscription Shares and Additional Warrants being issued to the undersigned and/or the Holder of the Warrant, then the Exercise Price of the Warrant shall be adjusted and calculated by multiplying the present Exercise Price of the Warrant times the quotient that resulted by dividing the Recalculation Price by $6.00.

For example: The closing price of the Common Stock on the day after the Purchase Period was $5.00. The present Exercise Price, $5.75, will be multiplied by the quotient, .8333, that resulted by dividing the Recalculation Price, $5.00, by $6.00, resulting in an adjusted Exercise Price of $4.79.

$5.75 x ($5.00 divided by $6.00) = $4.79

(C) Should the Citi Growth Funds and American Re-Insurance Company have completed their purchase of Units of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the Share Price that was offered to Citi Growth Funds and American Re-Insurance Company in the Subscription Agreement (the "Recalculation Price") be less than the Share Price in this Agreement, then the Company will issue additional shares of Common Stock to the undersigned ("Additional Subscription Shares"), with an equal number of Warrants ("Additional Warrants"), calculated by dividing the difference between $4.00 and the Recalculation Price by the Recalculation Price and then multiplying this quotient by the number of Common Stock shares originally purchased pursuant to this Agreement.

For example: The Citi Growth Funds and American Re-Insurance Company have completed their purchase of Units of the Company within the Purchase Period at a Share Price of $3.00. The subscriber originally purchased 100,000 shares of Common Stock. The difference between $4.00 and the Recalculation Price is $1.00. The difference, $1.00, divided by the Recalculation Price equals .3333. By multiplying .3333 times the original number of shares, (100,000), 33,333 Additional Subscription Shares, and an equal number of Additional Warrants, would be issued.

$4.00 - $3.00 = $1.00
$1.00 divided by $3.00 = .3333
.3333 x 100,000 = 33,333 of Additional Subscription Shares + Additional Warrants

(14) Adjustment to Warrant Price

Should the Citi Growth Funds and American Re-Insurance Company have completed their purchase of Units of the Company pursuant to a Subscription

Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the Warrant Exercise Price that was offered to Citi Growth Funds and American Re-Insurance Company in the Subscription Agreement (the "Recalculation Price") be less than the Warrant Exercise Price in this Agreement, then the Warrant Exercise Price for the Warrant issued

pursuant to this Agreement shall be revised to be equal to the Warrant Exercise Price offered to Citi Growth Funds and American Re-Insurance Company.

(15) Other Revisions.

Should the Citi Growth Funds and American Re-Insurance Company have completed their purchase of Units of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the terms of Subscription Agreement offered to Citi Growth Funds and American Re-Insurance Company and accepted by the Company include in the definition of Registration Expenses the payment of legal fees and/or costs or disbursements of the undersigned and the Holder of the Warrant for the purpose of registering the Registrable Securities, then this Subscription Agreement and the Warrant granted on the date hereof, shall be amended to revise the definition of Registration Expenses as set forth in the Citi Growth Funds and American Re-Insurance Company Subscription Agreement and Warrant.

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 $4.01 per Unit) $ _____

_____ _____
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 $4.01 per Unit) $ _____

- _____ _____
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 and
Chief Executive Officer

Exhibit 10.18

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.

NO SALE, OFFER TO SELL, OR TRANSFER OF THE SECURITIES 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.

VOID AFTER 5:00 P.M. EASTERN TIME, DECEMBER 18, 2002

WARRANT

For the Purchase of

Shares of Common Stock

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of

FIRST PRIORITY GROUP, INC.

1. Warrant.

THIS CERTIFIES THAT, in consideration of $.01 of the $4.01 cost 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 of (i) 5:00 p.m., Eastern Time, December 18, 2002 ("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 $5.75 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 (the "Securities 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 SECURITIES ACT.

2.4 Conversion Right.

2.4.1 Determination of Amount. In lieu of the payment of the Exercise Price in cash, the Holder shall have the right (but not the obligation) to convert this Warrant, in whole or in part, into Common Stock ("Conversion Right"), as follows: upon exercise of the Conversion Right, the Company shall deliver to the Holder (without payment by the Holder of any of the Exercise Price) that number of shares of Common Stock equal to the quotient obtained by dividing (x) the "Value" (as defined below) of the portion of the Warrant being converted at the time the Conversion Right is exercised by (y) the Market Price. The "Value" of the portion of the Warrant being converted shall equal the remainder derived from subtracting (a) the Exercise Price multiplied by the number of shares of Common Stock underlying the portion of the Warrant being converted from (b) the Market Price of the Common Stock multiplied by the number of shares of Common Stock underlying the portion of the Warrant being converted.

As used herein, the term "Market Price" at any date shall be deemed to be the last reported sale price of the Common Stock on such date, or, in case no such reported sale takes place on such day, the average of the last reported sale prices for the immediately preceding three trading days, in either case as officially reported by the principal securities exchange on which the Common Stock is listed or admitted to trading, or, if the Common Stock is not listed or admitted to trading on any national securities exchange or if any such exchange on which the Common Stock is listed is not its principal trading market, the last reported sale price as furnished by the National Association of Securities Dealers, Inc. ("NASD") through the Nasdaq National Market or SmallCap Market, or, if applicable, the OTC Bulletin Board, or if the Common Stock is not listed or admitted to trading on any of the foregoing markets, or similar organization, as determined in good faith by resolution of the Board of Directors of the Company, based on the best information available to it.

2.4.2 Exercise of Conversion Right. The Conversion Right may be exercised by the Holder on any business day on or after the Commencement Date and not later than the Expiration Date by: (a) delivering the Warrant with a duly executed exercise form attached hereto with the conversion section completed to the Company, exercising the Conversion Right and specifying the total number of shares of Common Stock the Holder will purchase pursuant to such conversion, and (b) receiving the consent of the Company to such conversion which shall be evidenced by a duly authorized officer of the Company executing the exercise form that had been executed by the Holder.

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 Securities 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

5.1 Registration

5.1.1 Grant of Right. The Company shall have the obligation to use its best efforts to register this Warrant and the shares of Common Stock issuable upon the exercise of the Warrant (collectively, the "Registrable Securities"), as soon practicable under the Securities Act within the six month period commencing on the day that the Common Stock of the Company is first traded on the NASDAQ National Market System or the NASDAQ Small Cap Market of The Nasdaq Stock Market, Inc. ("Nasdaq").

5.1.2 Expenses. The Company will pay all Registration Expenses in connection with the 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 or filing fees imposed by the Commission or the National Association of Securities Dealers, Inc. ("NASD"), (ii) all fees and expenses of complying with state 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 or legal opinions required by or incident to such performance and

compliance, (vi) 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 (vii) 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.

Should the Citi Growth Funds and American Re-Insurance Company have completed their purchase of Warrants of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the terms of Subscription Agreement offered to Citi Growth Funds and American Re-Insurance Company and accepted by the Company include in the definition of Registration Expenses the payment of legal fees and/or costs or disbursements of the Holder of the Warrant for the purpose of registering the Registrable Securities, then this Warrant shall be amended to revise the definition of Registration Expenses as set forth in the Citi Growth Funds and American Re-Insurance Company Warrant.

5.1.3. Registration Procedures. When 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 5.1, the Company will as expeditiously as possible:

(a) prepare and promptly after the Common Stock is first traded on Nasdaq 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 until all of the Registrable Securities are sold (or all are eligible for resale without restriction under Rule 144(k), 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 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 or the intended method of resale thereof 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 or the intended method of resale of Registrable Securities 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.

5.2 "Piggy-Back" Registration.

5.2.1 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 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, but not exceeding 180 days; 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.

5.2.2 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.

5.2.3 Expenses. The Company will pay all Registration Expenses in connection with each registration of Registrable Securities.

5.2.4 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 5.2, 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 until all of the Registrable Securities are sold (or all are eligible for resale without restriction under Rule 144(k), 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 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 or the intended method of resale thereof 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 or the intended method of resale of Registrable Securities 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.

5.3 General Terms.

5.3.1 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 Securities 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 Securities Act, the Exchange Act or otherwise, arising from or related to such registration statement, or any filings made with any state securities regulatory agency or the NASD. 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 Securities Act, the Exchange Act or otherwise, arising from information furnished by or on behalf of such holders, with respect to 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 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 profit, if any, earned by such holder pursuant to the resale 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.

5.3.2 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.

5.3.3 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 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.

5.3.4 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.

5.3.5 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.

5.3.6 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, and 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.

5.3.7 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).

5.4 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

(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 shall be adjusted immediately after the occurrence of any such event 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 multiplied 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 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 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 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 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 (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.

6.13 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.

6.14 Issuance of Additional Warrants. Should the Citi Growth Funds and American Re-Insurance Company not have completed their purchase of Units of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the closing price (as defined below) of the Company's Common Stock on the next trading day following the expiration of the Purchase Period (the "Recalculation Price"), be less than $6.00, the Company will issue additional shares of Common Stock to the undersigned ("Additional Subscription Shares"), with an equal number of Warrants ("Additional Warrants"), calculated by dividing the difference between $6.00 and the Recalculation Price by the Recalculation Price and then multiplying this quotient by the number of Common Stock shares originally

purchased pursuant to this Agreement. For purposes of this Section 13, "closing price" 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.

For example: The Citi Growth Funds and American Re-Insurance Company have not completed their purchase of Units of the Company within the Purchase Period. The subscriber originally purchased 100,000 Warrants. The closing price of the Common Stock on the day after the Purchase Period was $5.00. The difference between $6.00 and the Recalculation Price is $1.00. The difference, $1.00, divided by the Recalculation Price equals .20. By multiplying .20 times the original number of shares, (100,000), 20,000 Additional Warrants would be issued.

$6.00 - $5.00 = $1.00
$1.00 divided by $5.00 = .20
.20 x 100,000 = 20,000 of Additional Warrants

Additionally, should the conditions described above be met resulting in Additional Warrants being issued to the Holder, then the Exercise Price of the Warrant shall be adjusted and calculated by multiplying the present Exercise Price of the Warrant times the quotient that resulted by dividing the Recalculation Price by $6.00.

For example: The closing price of the Common Stock on the day after the Purchase Period was $5.00. The present Exercise Price, $5.75, will be multiplied by the quotient, .8333, that resulted by dividing the Recalculation Price, $5.00, by $6.00, resulting in an adjusted Exercise Price of $4.79.

$5.75 x ($5.00 divided by $6.00) = $4.79

Should the Citi Growth Funds and American Re-Insurance Company have completed their purchase of Units of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the Share Price that was offered to Citi Growth Funds and American Re-Insurance Company in the Subscription Agreement (the "Recalculation Price") be less than the Share Price in this Agreement, then the Company will issue additional shares of Common Stock to the undersigned ("Additional Subscription Shares"), with an equal number of Warrants ("Additional Warrants"), calculated by dividing the difference between $4.00 and the Recalculation Price by the Recalculation Price and then multiplying this quotient by the number of Common Stock shares originally purchased pursuant to this Agreement.

For example: The Citi Growth Funds and American Re-Insurance Company have completed their purchase of Units of the Company within the Purchase Period at a Share Price of $3.00. The subscriber originally purchased 100,000 Warrants. The difference between $4.00 and the Recalculation Price is $1.00. The difference, $1.00, divided by the Recalculation Price equals .3333. By multiplying .3333 times the original number of shares, (100,000), 33,333 Additional Warrants would be issued.

$4.00 - $3.00 = $1.00
$1.00 divided by $3.00 = .3333
.3333 x 100,000 = 33,333 of Additional Warrants

Should the Citi Growth Funds and American Re-Insurance Company have completed their purchase of Warrants of the Company pursuant to a Subscription Agreement within ninety (90) days following December 10, 1997 (the "Purchase Period"), and should the Warrant Exercise Price that was offered to Citi Growth Funds and American Re-Insurance Company in the Subscription Agreement be less than the Warrant Exercise Price in this Agreement, then the Warrant Exercise Price for this Warrant shall be revised to be equal to the Warrant Exercise Price in the Warrant offered to Citi Growth Funds and American Re-Insurance Company.

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 Provided that the Company shall have registered, under the Securities Act, the Warrant and the Securities, then during the period commencing on the date that a registration statement is declared effective that registers, under the Securities Act, this Warrant and the Securities, and terminating three years from 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 and public announcement by the Company distributed in the manner in which it usually

disseminates its press releases 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 two times the Exercise Price, as defined in Section 1 of this Warrant. 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 later of the time of mailing and the public announcement referred to above 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 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. No redemption shall be enforceable against the Holder unless, during the entire

period of time between the Effective Date of Notice and the Redemption Date, the registration statement referred to above remains effective and the prospectus related thereto remains current.

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.

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, County of Nassau, 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 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 _____day of December, 1997.

FIRST PRIORITY GROUP, INC.

By: _____

Name: Barry Siegel
Title: Chairman of the Board and
Chief Executive Officer

WARRANT EXERCISE FORM

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

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.

or

The undersigned hereby elects irrevocably to convert its right to purchase _____ shares of Common Stock purchasable under the within Warrant into _____ shares of Common Stock of _____ (based on a "Market Price" of $_____ per share of Common Stock). Please issue the Common Stock in accordance with the instructions given below.

Consent of Company to Conversion

- ----------
Signature of Holder

By:

Name:

- ----------
Signature Guaranteed

Title:

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.

Exhibit 10.19

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated November 14, 1997 by and between First Priority Group, Inc., a New York corporation with an address at 51 East Bethpage Road, Plainview, New York 11803 (the "Company"), and Philip M. Panzera, an individual residing at 20520 Caitlan Lane, Saugus, California 91350 (the "Employee").

W I T N E S S E T H

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

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

1. Employment

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

2. Term

Employee's term of employment under this Agreement shall commence on November 17, 1997 (the "Commencement Date") and shall continue for a period of thirty-six months (36) months plus one day thereafter, terminating on November 17, 2000 (the "Expiration Date"), unless earlier terminated under the terms and conditions herein (the "Employment Term").

3. Duties

(a) Employee's responsibilities shall be to manage and direct the financial affairs of the Company as shall from time to time be designated by the Board of Directors or the Co-Chief Executive Officers ("CCEO") of the Company, or such other executives or employees of the Company as may be designated by the Board of Directors or the CCEO, as the case may be. Employee shall be based in Nassau or Suffolk counties during the Employment Term and shall have the title of Senior Vice President, Treasurer, and Chief Financial and Accounting Officer.

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

4. Exclusive-Services and Best Efforts

Employee shall devote his entire working time, attention, best efforts and ability exclusively to the service of the Company, its affiliates and

subsidiaries during the term of this Agreement.

5. Compensation

(a) Base Salary. Commencing on the Commencement Date, the Employee shall receive an annual salary, payable pursuant to the Company's normal payroll procedures in place from time to time, during the Employment Term, in the amount of One Hundred and Forty-Five Thousand Dollars ($145,000), subject to all required federal, state and local payroll deductions. Effective upon the one year anniversary of the Commencement Date, the Employee's Base Salary shall be increased to One Hundred and Fifty-two Thousand and Two Hundred and Fifty Dollars ($152,250) and effective upon the second anniversary of the

Commencement Date, the Employee's Base Salary shall be increased to One Hundred and Sixty Thousand Dollars ($160,000).

(b) Incentive Compensation. The Employee shall receive Incentive Compensation equal to Two Percent (2%) of the net pre-tax earnings of the Company as calculated and reported in the Company's Annual Report on Form 10-KSB, and payable no later than upon the date that the Company's Form 10-KSB is filed with the Securities and Exchange Commission. The Board of the Directors of the Company may, at its sole discretion, award the Employee additional Incentive Compensation should the Board believe that the Employee's performance has not been adequately compensated.

(c) The Employee shall be granted a stock option under the Company's 1995 Incentive Stock Plan (the "Plan") with the right to purchase up to 120,000 shares of the Company's common stock (the "Stock Option"). The Stock Option shall be granted at a price equal to the price of the Company's common stock as quoted on the Nasdaq OTC Bulletin Board on the date on which the Employee commences employment with the Company. The Stock Option shall become exercisable in one-third increments upon the first, second and third anniversary of the Stock Option grant. Should the Employee be terminated Without Cause, then this Stock Option shall become fully exercisable, to the extent not previously exercised, and may thereafter be exercised by the Employee for a period not to exceed three (3) months from the date of termination of employment. The Company will provide the Employee a Stock Option Contract for his signature which will set out the terms of the option. This Stock Option shall be subject to the terms of the Plan.

6. Business Expenses

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

7. Employee Benefits

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

The Company shall reimburse the Employee for the actual cost of moving his family and personal effects to the New York metropolitan area in an amount not to exceed Twelve Thousand Dollars ($12,000) ("Moving Expenses"). The Company shall reimburse the Employee for such Moving Expenses upon the Employee submitting verifiable actual paid receipts for such expenses.

8. Vacation and Sick Leave

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

9. Death and Disability

(a) The Employment Term shall terminate on the date of Employee's death, in which event Employee's salary payable pursuant to Paragraph 5 and any accrued vacation, through the date of Employee's death, shall be paid to his

estate. Employee's estate will not be entitled to any other compensation upon termination of this Agreement pursuant to this Paragraph 9(a).

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

10. Termination

(a) The Company may terminate the employment of Employee For Cause (as hereinafter defined). Upon such termination, the Company shall be

released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee the unpaid prorated salary pursuant to Paragraph 5 earned or accrued up through the day on which Employee is terminated.

(b) The Company may terminate the employment of Employee Without Cause (as hereinafter defined). Upon such termination, the Company shall be released from any and all further obligations under this Agreement, except that the Company shall be obligated to pay Employee the unpaid prorated salary pursuant to Paragraph 5 earned or accrued up through the day on which Employee is terminated, in addition to Fifty Percent (50%) of the Base Salary ("Termination Payment") that would have been paid the Employee from the date employment is terminated through the Expiration Date, but in no case shall the Termination Payment be less than a sum equal the Base Salary for a period of six (6) months. Additionally, should the Employee be terminated Without Cause, then the Employee shall receive Incentive Compensation for the fiscal year in which the Termination Without Cause occurred, as calculated in Paragraph 5(b), multiplied by the fraction where the numerator shall be the number of months of the current fiscal year that have elapsed, and the denominator shall be twelve.

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

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

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

(iii) any material act, or material failure to act, by Employee in bad faith and to the material detriment of the Company; or

(iv) commission by Employee of a material act involving moral turpitude, dishonesty, unethical business conduct, or any other conduct which significantly impairs the reputation of the Company, its subsidiaries or affiliates.

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

(d) As used herein, the term "Without Cause" shall mean:

(i) Termination by the Company of the Employee's employment for any reason other than For Cause, Death or Disability.

(e) Should this Agreement expire on the Expiration Date and the Employee no longer remains in the employment of the Company or any of its subsidiaries and/or affiliated companies, than the Employee shall receive a severance payment equal to three (3) months of his Base Salary on the Expiration Date.

11. Disclosure of Information and Restrictive Covenant

(a) Employee acknowledges that, by his employment, he has been and will be in a confidential relationship with the Company and will have access to confidential information and trade secrets of the Company, its subsidiaries and affiliates, including, but not limited to, confidential information or trade secrets belonging or relating to the Company, its subsidiaries, affiliates, customers and/or clients or proprietary processes or procedures of the Company, its subsidiaries, affiliates, customers and/or clients. Proprietary processes and procedures shall include, but shall not be limited to, all information which is known only to employees of the Company, its respective subsidiaries and affiliates or others in a confidential relationship with the Company or its respective subsidiaries and affiliates which relates to business matters. Confidential information and trade secrets include, but are not limited to, customer and client lists, price lists, marketing and sales strategies and procedures, operational and equipment techniques, business plans and systems, quality control procedures and systems, special projects and technological research, including projects, research and reports for any entity or client or any project, research, report or the like concerning sales or manufacturing or new technology, employee compensation plans and any other information relating thereto, and any other records, files, drawings, inventions, discoveries, applications or processes which are not in the public domain (all the foregoing shall be referred to herein as the "Confidential Information"). Employee agrees that in consideration of the execution of this Agreement by the Company, he will not use, or disclose to any third party, any of the Confidential Information, other than as required to perform his services hereunder or as directed or authorized by the Company's Board of Directors or President.

(b)

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

(ii) Any time during his employment by the Company or after the Employee ceases to be employed by the Company, divulge to any persons, firms or corporations, other than the Company (hereinafter referred to

collectively as "third parties"), or use or allow or cause or authorize any third parties to use, any such Confidential Information; and

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

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

(v) At any time during his employment by the Company

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

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

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

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

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

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

remedies available at law or in equity, including, but not limited to, injunctive relief.

12. Company Property

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

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

13. Remedy

It is mutually understood and agreed that Employee's services are special, unique, unusual, extraordinary and of an intellectual character giving them a peculiar value, the loss of which cannot be reasonably or adequately compensated in damages in an action at law. Accordingly, in the event of any breach of this Agreement by Employee, including, but not limited to, the breach

of the nondisclosure, non-solicitation and non-compete clauses under Paragraphs 11 and 12 hereof, the Company shall be entitled to equitable relief by way of injunction or otherwise in addition to damages the Company may be entitled to recover. Nothing herein shall be deemed to restrict any remedy available to Employee for breach of the Agreement by the Company.

14. Representations and Warranties of Employee and the Company

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

arrangement or other understanding with any person (other than the Company) requiring or restricting the use or disclosure of any confidential information or the provision of any employment, consulting or other services.

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

15. Notices

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

16. Entire Agreement

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

17. Severability

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

18. Waivers, Modifications, Etc.

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

19. Assignment

Neither this Agreement. nor any of Employee's rights, powers, duties or obligations hereunder, may be assigned by Employee. This Agreement shall be

binding upon and inure to the benefit of Employee and his heirs and legal

representatives and the Company and its successors and assigns. Successors of the Company shall include, without limitation, any corporation or corporations acquiring, directly or indirectly, all or substantially all of the assets of the Company, whether by merger, consolidation, purchase, lease or otherwise, and such successor shall thereafter be deemed "the Company" for the purpose hereof.

20. Applicable Law

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

21. Jurisdiction and Venue

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

22. Full Understanding

Employee represents and agrees that he fully understands his right to discuss all aspects of this Agreement with his private attorney, that to the extent, if any, that he desired, he availed himself of this right, that he has carefully read and fully understands all of the provisions of this Agreement, that he is competent to execute this Agreement. that his agreement to execute this Agreement has not been obtained by any duress and that he freely and voluntarily enters into it, and that he has read this document in its entirety and fully understands the meaning, intent and consequences of this document which is that it constitutes an agreement of employment.

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

FIRST PRIORITY GROUP, INC.	PHILIP M. PANZERA
By: _____	By: _____
Title: _____	Dated: _____
Dated: _____	

Exhibit 10.20

AMENDMENT TO EMPLOYMENT AGREEMENT

Amendment to the Employment Agreement originally dated January 18, 1996 (the "Agreement") by and between First Priority Group, Inc., a New York corporation, with offices at 51 East Bethpage Road, Plainview, New York 11803 (the "Company") and Michael Karpoff, an individual residing at 32 Gramercy Park South, New York, New York 10010 (the "Executive").

WHEREAS, the Company and the Executive mutually wish to amend the Agreement;

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

1. Section 1 of the Agreement is hereby deleted and replaced in its entirety with the following:

1. Employment. The Company hereby employs the Executive as President and Chief Operating Officer of the Corporation, and the Executive hereby accepts such employment, subject to the terms and conditions hereinafter set forth.

2. Section 3 of the Agreement is hereby deleted and replaced in its entirety with the following:

3. Duties. The Executive agrees that the Executive will serve the Company on a full-time basis faithfully and to the best of his ability as the President and Chief Operating Officer of the Company, subject to the general supervision of the Board of Directors of the Company. The Executive agrees that the Executive will not, during the term of this Agreement, engage in any other business activity which interferes with the performance of his obligations under this Agreement. The Executive further agrees to serve as a director of the Company and/or of any parent, subsidiary or affiliate of the Company if the Executive is elected to such directorship.

Upon the Date of Termination, the Executive shall resign as an officer and director of the Company and any of its subsidiaries.

3. Section 4(c) is hereby deleted and replaced in its entirety with the following:

4(c) The Executive will receive an incentive stock option of Three Hundred Thousand (300,000) at an exercise price of $1.00 for 100,000 shares that are exercisable on October 1, 1996, at an exercise of $1.25 for 100,000 shares that are exercisable on October 1, 1997, and at an exercise price of $1.50 for 100,000 shares that are exercisable on October 1, 1998. Additionally, the Executive will receive an incentive stock option of One Hundred Thousand (100,000) shares at an exercise price of $2.75 that are exercisable in full on October 1, 1998. Both option grants shall be subject to the terms of the 1995 Incentive Stock Plan.

4. Section 4(e) is hereby deleted and replaced in its entirety with the following:

(e) The Executive shall receive additional compensation (hereinafter called "Incentive Compensation") as calculated by the formula as set forth below: The Executive shall receive throughout the Term of this Agreement Incentive Compensation equal to Four percent (4%) of the Company's net pre-tax income for each fiscal year that shall end during the Term of this Agreement. Should this Agreement be terminated for any reason, other than Termination for Cause, the Executive shall receive such Incentive Compensation pro-rated by multiplying the total Incentive Compensation, that would have been earned had the Agreement not been terminated prior to the completion of the current fiscal

year, by that fraction using as the numerator the total number of quarters that were completed for the fiscal year just prior to the Executive's termination, and as denominator the number four.

The Executive shall not receive any Incentive Compensation should the Executive be terminated for Termination for Cause.

5. All other terms and conditions of the Agreement shall remain unchanged.

Acknowledged and Agreed:

First Priority Group, Inc.

By: _____

Name: _____

Title: _____

Date: _____

Michael Karpoff

By: _____

Date: _____

Exhibit 10.21

AMENDMENT TO EMPLOYMENT AGREEMENT

Amendment to the Employment Agreement originally dated January 18, 1996 (the "Agreement") by and between First Priority Group, Inc., a New York corporation, with offices at 51 East Bethpage Road, Plainview, New York 11803 (the "Company") and Barry Siegel, an individual residing at 8 Indian Well Court, Huntington, NY. 11743 (the "Executive").

WHEREAS, the Company and the Executive mutually wish to amend the Agreement;

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

1. Section 1 of the Agreement is hereby deleted and replaced in its entirety with the following:

1. Employment. The Company hereby employs the Executive as Chairman of the Board, Secretary and Chief Executive Officer of the Company, and the Executive hereby accepts such employment, subject to the terms and conditions hereinafter set forth.

2. Section 3 of the Agreement is hereby deleted and replaced in its entirety with the following:

3. Duties. The Executive agrees that the Executive will serve the Company on a full-time basis faithfully and to the best of his ability as the Chairman of the Board, Secretary and Chief Executive Officer of the Company, subject to the general supervision of the Board of Directors of the Company. The Executive agrees that the Executive will not, during the term of this Agreement, engage in any other business activity which interferes with the performance of his obligations under this Agreement. The Executive further agrees to serve as a director of the Company and/or of any parent, subsidiary or affiliate of the Company if the Executive is elected to such directorship.

Upon the Date of Termination, the Executive shall resign as an officer and director of the Company and any of its subsidiaries.

3. Section 4(a)(iii) and (iv) is hereby deleted and replaced in its entirety with the following:

4(a) (iii) Effective January 1, 1997 at the rate of One Hundred Ninety-Two Thousand and Five Hundred Dollars ($192,500) per annum. Effective December 1, 1997 at the rate of Two Hundred and Seventy-five Thousand Dollars ($275,000) per annum.

(iv) Effective June 1, 1998 at the rate of Three Hundred Thousand Dollars ($300,000) per annum.

4. Section 4(c) is hereby deleted and replaced in its entirety with the following:

4(c) The Executive will receive an incentive stock option of Three Hundred Thousand (300,000) shares at an exercise price of $1.00 for 100,000 shares that are exercisable on October 1, 1996, at an exercise of $1.25 for 100,000 shares that are exercisable on October 1, 1997, and at an exercise price of $1.50 for 100,000 shares that are exercisable on October 1, 1998. Additionally, the Executive will receive an incentive stock option of One Hundred Thousand (100,000) shares at an exercise price of $2.75 that are exercisable in full on October 1, 1998. Both option grants shall be subject to the terms of the 1995 Incentive Stock Plan.

4. Section 4(e) is hereby deleted and replaced in its entirety with the following:

(e) The Executive shall receive additional compensation (hereinafter called "Incentive Compensation") as calculated by the formula as set forth below: The Executive shall receive throughout the Term of this Agreement Incentive Compensation equal to Four percent (4%) of the Company's net pre-tax income for each fiscal year that shall end during the Term of this Agreement. Should this Agreement be terminated for any reason, other than Termination for Cause, the Executive shall receive such Incentive Compensation pro-rated by multiplying the total Incentive Compensation, that would have been earned had the Agreement not been terminated prior to the completion of the current fiscal year, by that fraction using as the numerator the total number of quarters that were completed for the fiscal year just prior to the Executive's termination, and as denominator the number four.

The Executive shall not receive any Incentive Compensation should the Executive be terminated for Termination for Cause.

5. All other terms and conditions of the Agreement shall remain unchanged.

Acknowledged and Agreed:

First Priority Group, Inc.	Barry Siegel
By: _____	By: _____
Name: _____	Date: _____
Title: _____	
Date: _____	

Exhibit 10.22

CONSULT WITH A LAWYER BEFORE SIGNING THIS AGREEMENT. BY SIGNING THIS AGREEMENT YOU GIVE UP AND WAIVE IMPORTANT LEGAL RIGHTS.

Severance Agreement

This Severance Agreement (the "Severance Agreement) dated July 16, 1997 between First Priority Group, Inc., a New York corporation with offices at 51 East Bethpage Road, Plainview, New York 11803 (the "Company") and DOUGLAS KONETZNI, an individual residing at 7 Pinnacle Point, Randolph, New Jersey 07869 (the "Employee").

W I T N E S S E T H

WHEREAS, the Company wishes to terminate the employment of the Employee; and

WHEREAS, the Company wishes to reward the Employee for his/her service to the Company by making a severance payment to the Employee; and

WHEREAS, the Employee wishes to accept the severance payment;

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

1. Effective July 11, 1997, the Employee's employment with the Company shall terminate (the "Termination Date"). The Employee will be paid the Employee's normal salary through the Termination Date. While the Company has no established policy with regard to severance and the Employee acknowledges that the payment of any severance is at the Company's discretion, the Company will provide the Employee with a payment of FIFTEEN THOUSAND DOLLARS ($15,000) (the "Severance Payment")

2. The Severance Payment will be paid to the Employee, subject to normal payroll withholdings, in two installments, the first being equal to one-half of the Severance Payment, or Seven Thousand and Five Hundred Dollars ($7,500), eight (8) days following the expiration of the Consideration Period after the Employee has executed two copies of this Agreement and delivered the executed agreements to the address appearing below, and the second payment equal to one-half of the Severance Payment, or Seven Thousand and Five Hundred Dollars ($7,500), payable fourteen days after the first installment. This Severance Payment will be paid irrespective of whether the Employee has accepted employment with another company before that date. This offer of the Severance Payment will remain open for twenty-eight (28) days following the Employee's receipt of this Agreement for the Employee's consideration and is contingent on the Employee executing this Agreement.

3. Effective as of the Termination Date, the Company and the Employee mutually agree to terminate the Employment Agreement dated December 16, 1997, with all rights and obligations of both parties terminating on the date thereof, except for Paragraphs 11, 12, 13, 20, and 21, which shall survive the termination of the Employment Agreement.

4. The Employee confirms that the Severance Payment constitutes good and valuable consideration. In consideration of the Severance Payment, the Employee hereby releases the Company, any subsidiaries or affiliated companies, and their respective past and present officers, directors, agents and employees ("Released Parties") from all claims (other than claims for payments provided for under this Agreement), causes of action or liabilities of any kind and nature whatsoever that may have arisen up through the date of this Agreement, including but not limited to all claims, causes of action or liabilities arising from the Employee's employment with the Company; Worker's Compensation or disability claims under state of local law; claims of discrimination under Title VII of the Civil Rights Act of 1991, including the Equal Employment Opportunity Act of

1972; the Age Discrimination in Employment Act of 1967, as amended ("ADEA"); the Americans with Disabilities Act of 1990; the National Labor Relations Act, as amended; the Employee Retirement Income Security Act of 1974, as amended; the Worker Adjustment and Retraining Notification Act of 1988; 42 U.S.C. ss.1981; and state or local law, rules or regulations, claims relating to wages and hours under the Fair Labor Standards Act, and regulations or equivalent state or local wage and hour laws and regulations, and claims under any express or implied contract, tortious conduct, libel, slander or defamation, wage and hour laws and regulations, and claims under any express or implied contract, tortious conduct, libel, slander or defamation.

The Company will not contest your application for unemployment insurance benefits.

5. The Company agrees not to make any disparaging statements concerning the Employee.

6. This Agreement provides for the waiver by the Employee of his/her rights or claims under the ADEA, and the waiver of these rights or claims are in exchange for consideration that was not due the Employee by law and/or contract.

7. The Employee will not at any time (i) talk about or otherwise publicize: (a) the terms or existence of this Agreement, or (b) any fact concerning its negotiation, execution or implementation, or (ii) testify or give evidence in any forum concerning the Employee's employment with the Company, unless the Employee is: (i) required by law to do so, or (ii) requested to do so in writing by an authorized official of the Company.

The Employee agrees that the Employee will keep the terms, amount and facts of this Agreement completely confidential, and that Employee will not hereafter disclose any information concerning this Agreement to anyone including, but not limited to, any past, present, or prospective future employees or applicants for employment with the Company, its subsidiaries or affiliated companies, except to the Employee's spouse, the Employee's attorney or in connection with preparation of tax returns or other financial planning. The Employee agrees to return forthwith to the Company all Company property in the Employee's possession, including but not limited to, any and all account records, checks, credit cards, papers, presentations, plans, documents, files,

price lists, product information, drawings, financial statements, notes, whatsoever, including all photocopies thereof, at the time of executing this Agreement. The Employee also agrees not to make any disparaging statements concerning the Released Parties.

8. Any notice, request, or other communication given hereunder shall be in writing and if given by the Employee to the Company shall be sent by certified or registered mail, postage prepaid, addressed to the Company and if given by the Company to the Employee, shall be sent by certified or registered mail, postage prepaid, addressed to the Employee. In each instance, the proper mailing address shall be to: (i) the Company, at 51 East Bethpage Road, Plainview, New York 11803, Attention: Barry Siegel, with a copy to Lawrence A. Muenz, Esq., Muenz & Meritz, P.C., 3

Hughes Place, Dix Hills, New York 11746, and (ii) the Employee, at 7 Pinnacle Point, Randolph, New Jersey 07869.

9. The Employee was given a copy of this Agreement on July 16, 1997 The Employee has had an opportunity to consult with an attorney before signing this Agreement and was given a period of at least twenty-one (21) days, or until August 6, 1997 to consider the Agreement (the "Consideration Period").

The Employee has seven (7) days to revoke this Agreement after the Employee signs it. This Agreement will not become effective or enforceable until seven (7) days after the Company has received the Employee's signed copy of this Agreement.

10. The Employee represents that the Employee has not filed any complaints or charges against the Released Parties with any local, state or federal agency or court, and that Employee will not at any time hereafter file any complaints or charges arising from the Employee's termination, nor, has the

Employee or will the Employee contact any local, state or federal agency regarding the activities of the Company in operating its business. Should any such agency or court assume jurisdiction of any such complaint or charge, or commence any investigation or inquiry concerning the business practices of the Company, the Employee will immediately request such agency or court not to exercise such jurisdiction and will in no event participate personally or otherwise in any such proceeding, nor voluntarily respond to any agency inquiries without being compelled to respond under applicable law.

11. This Agreement sets forth the entire agreement between the Employee and the Company concerning the above subject matter and supersedes any and all other agreements between us, whether written or oral, on the subject matter. The terms of this Agreement may not be changed or modified except by an instrument in writing duly signed by the Employee and by an authorized representative of the Company.

12. This Agreement shall be governed by and construed under the laws of the State of New York.

13. If any portion of this Agreement is held invalid or unenforceable by a court of competent jurisdiction or any governmental agency, that portion only shall be deemed deleted as though it had never been included herein, but the remainder of this Agreement shall remain in full force and effect. However, if the release portion of the Agreement is held invalid or unenforceable by a court of competent jurisdiction or any governmental agency, any payments accepted and retained by the Employee under this Agreement shall be returned immediately to the Company.

14. Both copies of this Agreement should be executed below and returned to: Lawrence A. Muenz, Esquire

Muenz & Meritz, P.C.
Three Hughes Place
Dix Hills, New York 11746

Please write the following in the space provided below, if it is true and correct:

The Employee has read this Agreement and the Employee understands all of its terms. The Employee hereby enters into and signs this Agreement knowingly and voluntarily, with full knowledge of what it means.

- ---

- ---

- ---

Agreed and Accepted:

First Priority Group, Inc.

By: _____

Name: _____

Title: _____

Date: _____

Douglas Konetzni

By: _____

Date: _____

Exhibit 10.23

Termination Agreement

This Termination Agreement dated May 30, 1997 (the "Termination Agreement") hereby amends and terminates the Employment Agreement dated September 3, 1996 by and between First Priority Group, Inc. (the "Company") and Paul Zucker (the "Employee").

W I T N E S S E T H

WHEREAS, the Company wishes to amend and terminate the Agreement due to the poor performance of the FPG Direct Division of the Company;

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

1. Forecast.

The Employee hereby acknowledges that the Division has not attained for three (3) consecutive months, at least fifty percent (50%) of the pre-tax net income projections as set forth in the "Direct Marketing Forecast & Projections Summary" attached to the Agreement as Exhibit 1 (the "Forecast") and has not attained at least fifty percent (50%) of the pre-tax net income projections as set forth in the Forecast for the aggregate period commencing in September, 1996 through the date of such termination notice.

2. Notice.

Pursuant to Paragraph 10(d) of the Agreement, the Company hereby provides the Employee notice of termination, and the Employee hereby acknowledges receipt of such notice. Additionally, in consideration of the Company providing the Employee the benefits provided herein, the Employee hereby waives the notice provision as set forth in Paragraph 10(d) of the Agreement, and agrees that the Termination Date of the Agreement shall be May 31, 1997.

3. Termination Date.

The parties hereby agree that the Agreement and the Employee's employment shall terminate on May 31, 1997 (the "Termination Date").

4. Base Salary.

Effective May 12, 1997 through May 31, 1997, the Base Salary of the Employee shall be reduced to become One Thousand ($1,000) per week. Effective on the Termination Date, all compensation, employee benefits, vacation and sick leave payable to the Employee shall cease and terminate. Notwithstanding the above, the Employee's health insurance shall terminate on June 30,

1997. The Employee shall be eligible for continuing his health insurance as permitted under COBRA.

5. Authority.

Effective immediately, the Employee shall have no authority to bind the Company in any manner, and agrees to cease any activity that may incur additional expenses and/or liability.

6. Survival of Agreement.

Upon the Termination Date all rights and obligations of the Company and the Employee under the Agreement shall cease and terminate except for Paragraphs 11,12, 13 14, 20, and 21 which shall survive the termination of the Agreement.

7. Consulting Arrangement.

Effective on June 1, 1997 through August 31, 1997 (the "Consulting Term"), the Employee shall become a consultant to the Company on a full-time basis for the sole purpose of winding down the operations of the Division and to complete the various programs that were committed by the Division prior to the date hereof and mailed no later than June 30, 1997. During the Consulting Term, the Employee shall be an independent contractor to the Company and not receive any benefits of an employee, including but not limited to employee benefits, health insurance, stock options, vacation or sick leave. During the Consulting Term, the Employee shall receive a monthly fee of Five Thousand Dollars ($5,000) payable semi-monthly as set forth in the memorandum dated May 20, 1997 appearing as Attachment 1. During the Consulting Term, the Employee shall have the use of his office and telephone as was available prior to the Termination Date. Additionally, the Employee shall be reimbursed for all expenses that have been approved by either Barry Siegel or Michael Karpoff. Upon the expiration of the Consulting Term, all payments to the Employee shall cease.

The Employee shall be compensated, as mutually agreed between the Employee and the Company, for any assistance given, sales made, brokered and/or consummated on behalf of any division of the Company, other than FPG Direct, during the Consulting Term.

8. Terms.

All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

9. Notices

All notices given hereunder shall be in writing and shall be deemed effectively given when mailed, if sent by registered or certified mail, return receipt requested, addressed to Employee at:

62 Buttonwood Drive
Dix Hills, New York 11746

addressed to the Company at:

51 East Bethpage Road
Plainview, NY. 11803
Attention: Barry Siegel
Co-Chairman of the Board

with a copy to: Muenz & Meritz, P.C.
Three Hughes Place
Dix Hills, New York 11746
Attention: Lawrence A. Muenz, Esquire

or at such address as such party shall have designated by a notice given in accordance with this Paragraph 9, or when actually received by the party for whom intended, if sent by any other means.

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

FIRST PRIORITY GROUP, INC.

By: _____ Dated: _____

Title: _____

Paul Zucker

By: _____ Dated: _____

Exhibit 10.24

Amendment to Termination Agreement

This Amendment to the Termination Agreement dated August 22, 1997 (the "Amendment") hereby amends the Termination Agreement dated May 30, 1997 (the "Termination Agreement") which terminated the Employment Agreement dated September 3, 1996 (the "Employment Agreement") by and between First Priority Group, Inc. (the "Company") and Paul Zucker (the "Employee").

W I T N E S S E T H

WHEREAS, the Company wishes to amend the Termination Agreement, and

WHEREAS, the Employee wishes to amend the Termination Agreement,

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

1. Amendment to Consulting Term. The period of the Consulting Term shall hereby be amended and extended through October 31, 1997.

2. Compensation. During the Consulting Term, the Employee shall continue to receive a monthly fee of Five Thousand Dollars ($5,000) payable semi-monthly.

3. Confidentiality. In addition to the continued obligation of the Employee to honor the terms of Paragraph 11 of the Employment Agreement, the Employee agrees to keep the terms of this Amendment and the Termination Agreement confidential. Additionally, the Employee agrees that he may not disclose and/or communicate to any parties outside of the Company that he is no longer an employee of the Company until October 17, 1997.

4. Other Terms and Conditions. All other terms and conditions of the Termination Agreement shall remain unchanged without revision.

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

FIRST PRIORITY GROUP, INC.

By: _____ Dated: _____

Title: _____

Paul Zucker

By: _____ Dated: _____

Exhibit 10.25

Termination Agreement

This Termination Agreement dated May 30, 1997 (the "Termination Agreement") hereby amends and terminates the Employment Agreement dated September 3, 1996 by and between First Priority Group, Inc. (the "Company") and Steven Zucker (the "Employee").

W I T N E S S E T H

WHEREAS, the Company wishes to amend and terminate the Agreement due to the poor performance of the FPG Direct Division of the Company;

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

1. Forecast.

The Employee hereby acknowledges that the Division has not attained for three (3) consecutive months, at least fifty percent (50%) of the pre-tax net income projections as set forth in the "Direct Marketing Forecast & Projections Summary" attached to the Agreement as Exhibit 1 (the "Forecast") and has not attained at least fifty percent (50%) of the pre-tax net income projections as set forth in the Forecast for the aggregate period commencing in September, 1996 through the date of such termination notice.

2. Notice.

Pursuant to Paragraph 10(d) of the Agreement, the Company hereby provides the Employee notice of termination, and the Employee hereby acknowledges receipt of such notice. Additionally, in consideration of the Company providing the Employee the benefits provided herein, the Employee hereby waives the notice provision as set forth in Paragraph 10(d) of the Agreement, and agrees that the Termination Date of the Agreement shall be May 31, 1997.

3. Termination Date.

The parties hereby agree that the Agreement and the Employee's employment shall terminate on May 31, 1997 (the "Termination Date").

4. Base Salary.

Effective May 12, 1997 through May 31, 1997, the Base Salary of the Employee shall be reduced to become One Thousand ($1,000) per week. Effective on the Termination Date, all compensation, employee benefits, vacation and sick leave payable to the Employee shall cease and terminate. Notwithstanding the above, the Employee's health insurance shall terminate on June 30,

1997. The Employee shall be eligible for continuing his health insurance as permitted under COBRA.

5. Authority.

Effective immediately, the Employee shall have no authority to bind the Company in any manner, and agrees to cease any activity that may incur additional expenses and/or liability.

6. Survival of Agreement.

Upon the Termination Date all rights and obligations of the Company and the Employee under the Agreement shall cease and terminate except for Paragraphs 11,12, 13 14, 20, and 21 which shall survive the termination of the Agreement.

7. Consulting Arrangement.

Effective on June 1, 1997 through August 31, 1997 (the "Consulting Term"), the Employee shall become a consultant to the Company on a full-time basis for the sole purpose of winding down the operations of the Division and to complete the various programs that were committed by the Division prior to the date hereof and mailed no later than June 30, 1997. During the Consulting Term, the Employee shall be an independent contractor to the Company and not receive any benefits of an employee, including but not limited to employee benefits, health insurance, stock options, vacation or sick leave. During the Consulting Term, the Employee shall receive a monthly fee of Five Thousand Dollars ($5,000) payable semi-monthly as set forth in the memorandum dated May 20, 1997 appearing as Attachment 1. During the Consulting Term, the Employee shall have the use of his office and telephone as was available prior to the Termination Date. Additionally, the Employee shall be reimbursed for all expenses that have been approved by either Barry Siegel or Michael Karpoff. Upon the expiration of the Consulting Term, all payments to the Employee shall cease.

The Employee shall be compensated, as mutually agreed between the Employee and the Company, for any assistance given, sales made, brokered and/or consummated on behalf of any division of the Company, other than FPG Direct, during the Consulting Term.

8. Terms.

All capitalized terms used herein and not otherwise defined herein shall have the meanings set forth in the Agreement.

9. Notices

All notices given hereunder shall be in writing and shall be deemed effectively given when mailed, if sent by registered or certified mail, return receipt requested, addressed to Employee at:

3245 Gary Lane
Merrick, New York 11566

addressed to the Company at:

51 East Bethpage Road
Plainview, NY. 11803
Attention: Barry Siegel
Co-Chairman of the Board

with a copy to: Muenz & Meritz, P.C.
Three Hughes Place
Dix Hills, New York 11746
Attention: Lawrence A. Muenz, Esquire

or at such address as such party shall have designated by a notice given in accordance with this Paragraph 9, or when actually received by the party for whom intended, if sent by any other means.

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

FIRST PRIORITY GROUP, INC.

By: _____ Dated: _____

Title: _____

Steven Zucker

By: _____ Dated: _____

Exhibit 10.26

Amendment to Termination Agreement

This Amendment to the Termination Agreement dated August 22, 1997 (the "Amendment") hereby amends the Termination Agreement dated May 30, 1997 (the "Termination Agreement") which terminated the Employment Agreement dated September 3, 1996 (the "Employment Agreement") by and between First Priority Group, Inc.

(the "Company") and Steven Zucker (the "Employee").

W I T N E S S E T H

WHEREAS, the Company wishes to amend the Termination Agreement, and

WHEREAS, the Employee wishes to amend the Termination Agreement,

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

1. Amendment to Consulting Term. The period of the Consulting Term shall hereby be amended and extended through October 31, 1997.

2. Compensation. During the Consulting Term, the Employee shall continue to receive a monthly fee of Five Thousand Dollars ($5,000) payable semi-monthly.

3. Confidentiality. In addition to the continued obligation of the Employee to honor the terms of Paragraph 11 of the Employment Agreement, the Employee agrees to keep the terms of this Amendment and the Termination Agreement confidential. Additionally, the Employee agrees that he may not disclose and/or communicate to any parties outside of the Company that he is no longer an employee of the Company until October 17, 1997.

4. Other Terms and Conditions. All other terms and conditions of the Termination Agreement shall remain unchanged without revision.

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

FIRST PRIORITY GROUP, INC.

By: _____ Dated: _____

Title: _____

Paul Zucker

By: _____ Dated: _____

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