

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 1998

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

For the transition period from _____ to _____

Commission file number 0-21467

FIRST PRIORITY GROUP, INC

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

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

11-2750412
(IRS Employer
Identification No.)

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

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

Check whether the issuer (1) has filed all reports required to be filed
by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for
such shorter period that the registrant was required to file such reports), and
(2) has been subject to such filing requirements for the past 90 days.

Yes /X/ No / /

State the number of shares outstanding of each of the issuer's classes
of common equity, as of May 6, 1998: 8,231,800 shares of common stock

Transitional Small Business Format (check one)
Yes / / No /X/

Part I Financial Information

Item 1. Financial Statements

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March 31, 1998
(Unaudited)

ASSETS

Current Assets:	
Cash and cash equivalents	\$4,289,841
Accounts receivable, less allowance for doubtful accounts of \$15,500	1,694,781
Inventories	70,888
Prepaid expenses and other current assets	90,776

Total current assets	6,146,286

Property and equipment, net of accumulated depreciation of \$290,551	523,302
Security deposits and other non-current assets	27,738

Total assets	\$6,697,326
	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable	\$976,193
Accrued expenses and other current liabilities	780,239

Total current liabilities	1,756,432
Shareholders' equity:	
Common stock, \$.015 par value, authorized 20,000,000 shares; issued 8,498,467 shares	127,477
Additional paid-in capital	7,638,237
Deficit	(2,734,820)

	5,030,894
Less common stock held in treasury, at cost, 266,667 shares	(90,000)

Total shareholders' equity	4,940,894

Total liabilities and shareholders' equity	\$6,697,326
	=====

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

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	March 31, 1998	March 31, 1997
	-----	-----
<S>	<C>	<C>
Revenue from operations	\$4,017,501	\$3,679,290
Costs of revenue (principally charges incurred at repair facilities for services)	3,358,992	3,078,238
	-----	-----
Gross profit	658,509	601,052
Operating expenses	978,284	617,330
	-----	-----
Loss from operations	(319,775)	(16,278)

Other income (expense):		
Interest and other income	51,350	4,955
Other expenses	(6,771)	-
Total other income	44,579	4,955
Loss from continuing operations	(275,196)	(11,323)
Discontinued operations (Note 3):		
Loss from operations of discontinued division (no income tax benefit)	-	(341,735)
Net income (loss)	(\$275,196)	(\$353,058)
Basic and diluted loss per share:		
Continuing operations	(\$0.03)	(\$0.00)
Discontinued operations	-	(0.06)
Net loss	(\$0.03)	(\$0.06)

</TABLE>

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

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FIRST PRIORITY GROUP, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

<TABLE>

<CAPTION>

	THREE MONTHS ENDED	
	March 31, 1998	March 31, 1997
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	(\$275,196)	(\$353,058)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	32,661	13,975
Changes in assets and liabilities		
Accounts receivable	(90,515)	(152,971)
Inventories	(9,246)	(267,863)
Prepaid expenses and other current assets	48,500	(23,395)
Security deposit and other non-current assets	13,590	15,917
Accounts payable and accrued expenses	114,836	839,754
Total adjustments	109,826	425,417
Net cash provided by (used in) operating activities	(165,370)	72,359
Cash flows from investing activities, additions to property and equipment	(98,653)	(235,369)
Cash flows from financing activities:		
Proceeds from note receivable in connection with the exercise of warrants	100,000	-
Proceeds from issuance of common stock	1,000,000	-

Net cash provided by financing activities	1,100,000	-
Net increase (decrease) in cash and cash equivalents	835,977	(163,010)
Cash and cash equivalents at beginning of period	3,453,864	683,503
Cash and cash equivalents at end of period	\$4,289,841	\$520,493

</TABLE>

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

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. UNAUDITED FINANCIAL STATEMENTS

The information contained in the condensed consolidated financial statements for the period ended March 31, 1998 is unaudited, but includes all adjustments, consisting of normal recurring adjustments, which the Company considers necessary for a fair presentation of the financial position and the results of operations for these periods.

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

2. BUSINESS OF THE COMPANY

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.

3. DISCONTINUED OPERATIONS

In September 1996, the Company's FPG Direct division began to market consumer goods through direct mailing efforts to credit card customers of major oil companies and retail department stores. During the second quarter of 1997, the Company decided to discontinue its FPG Direct division. While the division has not participated in any new promotions since June 1997, it is continuing to pay vendors, collect receivables, and return surplus inventory. The Company does not expect to incur any additional losses during the remaining phase out period.

4. RESULTS OF OPERATIONS

The unaudited results of operations for the three months ended March 31, 1998 are not necessarily indicative of the results to be expected for the full year.

5. 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

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stock options and warrants, were exercised. During the three month periods ended

March 31, 1998 and 1997, there was no dilutive effect from stock options and warrants.

Weighted average number of shares were 8,092,911 and 5,883,883 in the three months ended March 31, 1998 and March 31, 1997, respectively.

6. ISSUANCE OF COMMON STOCK

In December 1997 the Company issued a Notice of Redemption to the holders of the warrants issued as part of the August 1997 private placement. In January 1998 the remaining warrant holder from the August 1997 private placement, 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.

7. 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 of the Company's common stock. The completion of this potential acquisition is subject to satisfactory due diligence.

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

Results of Operations

Automotive Management

Revenues from services of the automotive management operations were \$4,017,501, as compared to \$3,679,290 for the three months ended March 31, 1997, representing an increase of \$338,211, or 9.2%. The increased revenues reflect the Company's continued success in increasing the amount of business it is conducting with continuing customers, as well adding new customers to its base of business. The direct cost of services related to such revenue (principally charges from automotive repair facilities) was \$3,358,992 and \$3,078,238 for the three month periods ended March 31, 1998 and 1997, respectively, resulting in an increase of \$280,754 or 9.1%. The gross profit percentage for the three months ended March 31, 1998 and March 31, 1997 was stable at 16.4% and 16.3%, respectively.

Total operating expenses were \$978,284 for the three months ended March 31, 1998, as compared to \$617,330 for the three months ended March 31, 1997, representing an increase of \$360,954, or 58.5%. The increase in operating expenses is primarily attributable to increased payroll and related expenses specifically associated with hiring additional staff for the anticipated growth of 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.

Interest and other income was \$51,350 for the three months ended March 31, 1998, as compared to \$4,955 for the same period in 1997, representing an increase of \$46,395. The increase is primarily attributable to larger average cash balances available during 1998 which have been invested in short-term cash equivalents.

As a result of the foregoing, the net loss from continuing operations for the three months ended March 31, 1998 was \$275,196 (\$.03 per share) as compared to a net loss of \$24,521 (\$.00 per share) for the comparable three months in 1997.

FPG Direct (Discontinued operations)

The Company, prior to September 1996, conducted business in automotive fleet management and related operations ("Automotive Management"). In September of 1996, the Company commenced a new line of business, under the name FPG Direct. FPG Direct 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.

This division posted no results that affected the Condensed Consolidated Statements of Operations for the period ended March 31, 1998. Discontinued operations resulted in a loss of \$341,731 for the three months ended March 31, 1997 (\$.06 per share). Returns and sales for this division have been continuing in a decreasing manner, however accruals previously recorded for FPG Direct have accounted for these anticipated transactions. Inventories are being decreased through returns to manufacturers and suppliers. It is anticipated that all inventory will be returned by September 1, 1998.

Liquidity and Capital Resources

As of March 31, 1998, the Company had cash and cash equivalents of \$4,289,841 and working capital was \$4,389,854. The Company's operating activities used \$165,370 of cash in the first quarter of 1998 as compared to the first quarter of 1997 where operating activities generated \$72,359 of cash. As discussed above, the Company has experienced large increases in its operating costs in order to accommodate the anticipated growth of the Company as it

explores and enters into new business.

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 detailed in the Company's Annual Report on Form 10-KSB for the year ended December 31, 1997.

Part II Other Information

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

The Company held the Annual Meeting of Share holders on March 23, 1998. The following matters were voted upon at the meeting:

1. The following slate of nominees stood for election to the Board of Directors:

	For ---	Against -----	Withheld -----
Barry Siegel	5,185,833	0	0
Michael Karpoff	5,185,833	0	0
Paul J. Di Stefano	5,185,833	0	0
Barry J. Spiegel	5,185,833	0	0
Leonard Giarraputo	5,185,833	0	0

2. Ratification of the selection by the Board of Directors of Nussbaum Yates &

Wolpow, P.C. as the independent accountants to audit the Company's financial statements for 1998.

	For ---	Against -----	Withheld -----
Barry Siegel	5,185,833	0	0
Michael Karpoff	5,185,833	0	0

Paul Di Stefano	5,185,833	0	0
Barry J. Spiegel	5,185,833	0	0
Leonard Giarraputo	5,185,833	0	0

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

(a) Exhibits

10.1 Employment Agreement dated March 23, 1998 between the Company and Gerald M. Zutler.

27 Financial Data Schedules

(b) Reports on Form 8-K

None

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SIGNATURES

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

FIRST PRIORITY GROUP, INC.

Date: May 5, 1998

By: /s/ Barry Siegel

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

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Index of Exhibits

Exhibit No.	Description
10.1	Employment Agreement dated March 23, 1998 between the Company and Gerald M. Zutler.
27	Financial Data Schedules

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EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated March 23, 1998 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 Gerald M. Zutler, residing at 7407 Rue Notre Dame, St. Dorothe (Laval), Quebec H7X3J2, Canada (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 March 23, 1998 (the "Commencement Date") and shall continue for a period of thirty-six months (36) months plus one day thereafter, terminating on March 22, 2001 (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 operational affairs of the Company as shall from time to time be designated by the Chief Executive Officer ("CEO") of the Company. Employee shall be based in Nassau or Suffolk counties during the Employment Term and shall have the title of President and Chief Operating 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

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(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 Ninety Thousand Dollars (\$90,000), subject to all required federal, state and local payroll deductions. The Employee's Base Salary may be increased upon the recommendation of the CEO and the approval of the Board of Directors.

(b) [Intentionally left blank]

(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 200,000 shares of the Company's common stock (the "Stock Option"). The Stock Option shall be granted at a price equal to the closing 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. 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 cost of moving to the New York metropolitan area in an amount not to exceed Six Thousand Dollars (\$6,000) ("Moving Expenses"). The Company shall reimburse the Employee for such Moving

Expenses that the Employee deems necessary without providing the Company with any supporting documentation. Additionally, the Company shall reimburse the Employee for temporary living expenses, that shall include lodging, meals and laundry expenses, for a period of fifteen (15) days from the Commencement Date.

The Company shall pay the Employee a monthly automobile allowance of Six Hundred Dollars (\$600).

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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 in any one calendar year, 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 the lesser of (i) Base Salary and other employee benefits, as set forth in Paragraph 7, for a nine (9) month period from the date employment is terminated, or (ii) the Base Salary and other employee benefits that would have been paid the Employee from the date employment is terminated through the Expiration Date.

(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

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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 CEO 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.

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

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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

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(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.

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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

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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.

GERALD M. ZUTLER

By: s/Barry Siegel

By: s/Gerald M. Zutler

Title: Chief Executive Officer

Dated: March 24, 1998

Dated: March 24, 1998

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