U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended June 30, 1999

[ ] 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	11-2750412
(State or other jurisdiction of incorporation or organization)	(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 August 4, 1999: 8,331,800 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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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEET

June 30, 1999
(Unaudited)

ASSETS

<TABLE>

<S>	<C>
Current Assets:	
Cash and cash equivalents	$2,489,882
Accounts receivable, less allowance for doubtful accounts of $28,223	2,154,535
Prepaid expenses and other current assets	41,499
Total current assets	4,685,916
Property and equipment, net of accumulated depreciation of $483,698	534,038
Security deposits and other non-current assets	137,220
Total assets	$5,357,174

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable	$1,006,689
Accrued expenses and other current liabilities	1,262,947
Current portion of long-term debt	53,826
Total current liabilities	2,323,462
Long-term debt	26,913
Shareholders' equity:	
Common stock, $.015 par value, authorized 20,000,000 shares; issued 8,598,467 shares	128,977
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued or outstanding	-
Additional paid-in capital	7,762,350
Deficit	(4,794,528)
	3,096,799
Less common stock held in treasury, at cost, 266,667 shares	90,000
Total shareholders' equity	3,006,799
Total liabilities and shareholders' equity	$5,357,174

</TABLE>

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unauditied)

<TABLE>
<CAPTION>

<S>	THREE MONTHS ENDED June 30, 1999 <C>	June 30, 1998 <C>
Revenue	$4,082,248	$3,751,677
Costs of revenue (principally charges incurred at repair facilities for services)	3,324,607	3,115,360
Gross profit	757,641	636,317
Operating expenses	916,020	1,089,414
Loss from operations	(158,379)	(453,097)
Other income (expense):		
Interest and other income	35,175	98,691
Other expenses	-	(294)
Total other income	35,175	98,397
Net loss	$ (123,204)	$ (354,700)
Basic and diluted loss per share	$ (0.01)	$ (0.04)
Weighted average number of common shares outstanding	8,331,800	8,231,800

</TABLE>

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

<TABLE>
<CAPTION>

<S>	SIX MONTHS ENDED June 30, 1999 <C>	June 30, 1998 <C>
Revenue	$7,660,854	$7,769,178
Costs of revenue (principally charges incurred at repair facilities for services)	6,250,093	6,474,352
Gross profit	1,410,761	1,294,826
Operating expenses	1,821,011	2,067,698
Loss from operations	(410,250)	(772,872)
Other income (expense):		
Interest and other income	79,104	150,041
Other expenses	-	(7,065)
Total other income	79,104	142,976
Net loss	$ (331,146)	$ (629,896)

Basic and diluted loss per share	$ (0.04)	$ (0.08)
Weighted average number of common shares outstanding	8,331,800	8,162,739

</TABLE>

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW
(Unaudited)

<TABLE>
<CAPTION>

	SIX MONTHS ENDED	
	June 30, 1999	June 30, 1998
<S>	<C>	<C>
Cash flows from operating activities:		
Net loss	($331,146)	($629,896)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	82,502	66,446
Changes in assets and liabilities		
Accounts receivable	(442,891)	45,887
Inventories	-	26,054
Prepaid expenses and other current assets	24,709	25,109
Security deposit and other assets	(29,248)	13,590
Accounts payable	(231,400)	(374,848)
Accrued expenses and other liabilities	666,152	339,990
Total adjustments	69,824	142,228
Net cash used in operating activities	(261,322)	(487,668)
Cash flows used in investing activities, additions to property and equipment	(15,117)	(134,630)
Cash flows from financing activities:		
Repayment of long-term debt	(15,859)	-
Collection of shareholder note	-	100,000
Proceeds from issuance of common stock	-	1,000,000
Net cash provided by (used in) financing activities	(15,859)	1,100,000
Net increase (decrease) in cash and cash equivalents	(292,298)	477,702
Cash and cash equivalents at beginning of period	2,782,180	3,453,864
Cash and cash equivalents at end of period	$2,489,882	$3,931,566

</TABLE>

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

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 June 30, 1999 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.

On April 13, 1999, the Company formed a new wholly owned subsidiary, Collision Depot.com, Inc. to provide collision repair claims management services for the insurance industry nationwide through the Internet. On May 17, 1999, this subsidiary was renamed driversshield.com, Corp.

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

3. RESULTS OF OPERATIONS

The unaudited results of operations for the six months ended June 30, 1999 are not necessarily indicative of the results to be expected for the full year.

4. EARNINGS PER SHARE

Basic earnings (loss) 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. During the six month periods ended June 30, 1999 and 1998, there was no dilutive effect from stock options and warrants.

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 $4,082,248, for the three months ended June 30, 1999, as compared to $3,751,677 for the three months ended June 30, 1998, representing an increase of $330,571, or 8.8%. The increased revenue is primarily attributable to the full roll-out of services provided to a major new fleet client. The direct cost of services related to such revenue (principally charges from automotive repair facilities) was $3,324,607 and $3,115,360 for the three month periods ended June 30, 1999 and 1998, respectively, resulting in an increase of $209,247 or 6.7%. For the six months ended June 30, 1999 revenues from services were $7,660,854 as compared to $7,769,178 for the same period in 1998, representing a decrease of $108,324 or 1.4%. The direct cost of services related to such revenue was $6,250,093 and $6,474,352 for the six months ended June 30, 1999 and 1998, respectively, resulting in a decrease of $224,259 or 3.5%. The gross profit percentage for the three months ended June 30, 1999 and June 30, 1998 increased 1.6% to 18.6% from 17.0%. For the six months ended June 30, 1999, gross profit increased 1.7% to 18.4% from 16.7% for the same period in 1998. This increase represents better pricing structures and an increase in the Affinity program sales which yields a higher gross profit than the traditional repair services.

Total operating expenses were $916,020 for the three months ended June 30, 1999, as compared to $1,089,414 for the three months ended June 30, 1998, representing a decrease of $173,394 or 15.9%. For the six months ended June 30, 1999, total operating expenses decreased $246,687 or 11.9% to $1,821,011 as compared to $2,067,698 for the same period of 1998. The decrease in operating expenses is mainly attributable to pay cuts taken by upper management and a reduction in work force.

Interest and other income was $35,175 and $79,104 for the three and six months ended June 30, 1999, as compared to $98,691 and $150,041 for the same periods in 1998, representing a decrease of $63,516 and $70,937, respectively. The decrease is primarily attributable to lower average cash balances available during 1999. Also, in June 1998, the Company had received the proceeds of $40,000 in settlement of a lawsuit.

As a result of the foregoing, the net loss from continuing operations for the three and six months ended June 30, 1999 was $123,204 ($.01 per share) and $331,146 ($.04 per share) as compared to a net loss of $354,700 ($.04 per share) and $629,896 ($.08 per share) for the comparable periods in 1998.

New Business Developments

On April 19, 1999, the Company announced the formation of a new wholly owned subsidiary, Collision Depot.com, Inc. ("Collision Depot") to provide collision repair claims and management services for the insurance industry nationwide through the

Internet. Additionally, the Company announced that Collision Depot retained Fahnestock & Co., Inc. to act as its exclusive placement agent in a private offering of equity securities.

Collision Depot has since changed its name to driversshield.com Corp. ("driversshield.com"). The Company holds the registered trademark of Driver's Shield(R) and is in the process of assigning this trademark to its subsidiary, driversshield.com Corp. driversshield.com will offer, in addition to the collision repair claims and management services for the insurance industry nationwide through the Internet, a wide array of automotive services and discounts on a nationwide basis, some of which are already being sold wholesale through affinity groups and financial institutions under the Company's existing Driver's Shield(R) label.

driversshield.com presently has operating a fifty page prototype Web site providing potential insurance industry partners with information on how to use this Internet based repair management service to substantially increase customer satisfaction and retention, decrease costs and increase sales.

Liquidity and Capital Resources

As of June 30, 1999, the Company had cash and cash equivalents of $2,489,882 and working capital was $2,362,454. The Company's operating activities used $261,322 of cash in the first six months of 1999, an improvement of $226,346, as compared to the same period of 1998 where operating activities used $487,668 of cash.

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

Year 2000 Compliance

The Company has two computer systems and software products coded to accept only two digit entries to represent years. For example, the year "1998" would be represented by "98." These systems and products will need to be able to accept four digit entries to distinguish years beginning with 2000 from prior years. As a result, systems and products that do not accept four digit year entries will be replaced to comply with such "Year 2000" requirements. The Company believes that its internal systems are Year 2000 compliant or will be replaced in connection with previously planned changes to information systems prior to the need to comply with Year 2000 requirements. Expenses related to Year 2000 compliance amounted to approximately $100,000 in 1998 and are expected to amount to approximately $100,000 in 1999. The anticipated costs of any Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to the availability or cost of personnel

trained in this area, the ability to locate and correct all relevant computer codes and similar uncertainties. In addition, there can be no assurance that Year 2000 compliance problems will not be revealed in the future which could have a material adverse affect on the Company's business, financial condition and results of operations. Many of the Company's customers and suppliers may be affected by Year 2000 issues that may require them to expend significant resources to modify or replace their existing systems. This may result in those customers having reduced funds to purchase the Company's products or in those suppliers experiencing difficulties in producing or shipping key components to the Company on a timely basis or at all.

Forward Looking Statements - Cautionary Factors

Certain information contained herein includes information that is forward looking. The matters referred to in forward-looking statements may be affected by the risks and uncertainties involved in the Company's business. These forward-looking statements are qualified in their entirety by the cautionary statements contained in the Company's Form 10-KSB for the year ended December 31, 1998.

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

(a) Exhibits

27 Financial Data Schedules

(b) Reports on Form 8-K

None

SIGNATURES

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

FIRST PRIORITY GROUP, INC.

Date: August 13, 1999

By: /s/ Barry Siegel

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

Index of Exhibits

Exhibit No.	Description
27	Financial Data Schedules

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