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 March 31, 2000

[ ] 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)

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
Preferred Stock Purchase Rights par value $.01 per share

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

As of May 14, 2000, the issuer had outstanding a total of 9,078,423 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

MARCH 31, 2000

(UNAUDITED)

ASSETS

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Current assets:	
Cash and cash equivalents	$ 896,936
Accounts receivable, less allowance for doubtful accounts of $28,223	1,829,046
Investment securities	748,250
Prepaid expenses and other current assets	51,194
Total current assets	3,525,426
Property and equipment, net of accumulated depreciation of $655,251	719,544
Security deposits and other assets	34,533
Total assets	$4,279,503
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Accounts payable	$ 874,542
Accrued expenses and other current liabilities	756,549
Current portion of long-term debt	50,513
Total current liabilities	1,681,604
Shareholders' equity:	
Common stock, $.015 par value, authorized 20,000,000 shares; issued 9,078,423 shares	136,176
Preferred stock, $.01 par value, authorized 1,000,000 shares; none issued or outstanding	-
Additional paid-in capital	7,951,406
Accumulated other comprehensive loss, unrealized holding loss on investment securities	(5,444)
Deficit	(5,345,077)
	2,739,061
Less common stock held in treasury, at cost, 300,991 shares	139,162
Total shareholders' equity	2,597,899
Total liabilities and shareholders' equity	$4,279,503

</TABLE>

See notes to condensed consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF REVENUE

(UNAUDITED)

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<S>	Three Months Ended March 31, 2000 <C>	March 31, 1999 <C>
Revenue:		
Collision repairs and fleet management services	$2,672,755	$2,749,049
Subrogation and salvage service commissions	145,219	114,007
Automobile affinity services	423,070	127,363
Total revenues	3,241,044	2,990,419
Cost of revenue (principally charges incurred at repair facilities for services)	2,270,029	2,337,298
Gross profit	971,015	653,120
Operating expenses:		
Selling	97,177	89,639
General and administrative	822,923	815,352
Total operating expenses	920,100	904,991
	50,915	(251,871)
Other income (expense):		
Realized loss on investment	(1,518)	-
Investment and other income	36,715	43,929
Total other income	35,197	43,929
Income (loss) from operations before income taxes	86,112	(207,942)
Income taxes, all current	2,175	-
Net income (loss)	$ 83,937	($ 207,942)
Basic and diluted earnings (loss) per share:		
Basic	$ .01	($ .02)
Diluted	.01	(.02)
Weighted average number of common shares outstanding	8,620,464	8,331,800
Affect of dilutive securities, stock options, warrants	3,602,179	-
Weighted average diluted common shares outstanding	12,222,643	8,331,800

</TABLE>

See notes to condensed consolidated financial statements.

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASHFLOW

(UNAUDITED)

<TABLE>
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Three Months Ended

<S>	March 31, 2000 <C>	March 31, 1999 <C>
Cash flows provided by (used in) operating activities:		
Net income (loss)	$ 83,937	($207,942)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	57,764	42,461
Realized loss on investment	1,518	-
Provision for bad debts	-	-
Options granted for services	30,592	-
Changes in assets and liabilities:		
Accounts receivable	(34,306)	(256,169)
Prepaid expenses and other current assets	(11,818)	(27,877)
Security deposit and other assets	755	(756)
Accounts payable	(63,876)	(234,478)
Accrued expenses and other current liabilities	8,982	596,750
Total adjustments	(10,389)	119,931
Net cash provided by (used in) operating activities	73,548	(88,011)
Cash flows provided by (used in) investing activities:		
Purchase of property and equipment	(88,214)	(1,021)
Purchase of investments	(14,854)	
Proceeds from sale of investments	300,000	-
Net cash provided by (used in) investing activities	196,932	(287,422)
Cash flows provided by (used in) financing activities:		
Repayment of long-term debt -	(11,821)	
Proceeds disgorgement of short-swing profits	75,097	-
Proceeds from issuance of common stock	9,000	-
Net cash provided by (used in) financing activities	84,097	(11,821)
Net increase (decrease) in cash and cash equivalents	354,577	(89,032)
Cash and cash equivalents at beginning of period	542,359	2,782,180
Cash and cash equivalents at end of period	$ 896,936	$2,681,327
Supplemental disclosure of cash flow information:		
Cash paid during the period for income taxes	$ 2,175	$ -

</TABLE>

See notes to condensed consolidated 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 March 31, 2000 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 major corporate clients throughout the United States. The Company also provides automotive affinity services for individuals.

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 three months ended March 31, 2000 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 three month period ended March 31, 1999 there was no dilutive effect from stock options and warrants.

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

Results of Operations

In accordance with Securities and Exchange Commission Staff Accounting Bulletin No. 101 (SAB 101), the Company has determined that the portion of its business representing commission revenues from its subrogation and salvage services should be displayed in the financial statements on a net basis. It had been the Company's prior policy to report such revenues and related costs on a gross basis. Accordingly, the three months ended March 31, 1999 has been reclassified to reflect the net presentation. There was no effect on net loss or net cash flows used in operating activities from the reclassification. Revenues and direct costs for the three months ended March 31,1999 were reduced by $588,188.

Automotive Management

Revenues were $3,241,044 for the three months ended March 31, 2000, as compared to $2,990,419 for the same period in 1999, representing an increase of $250,625 or 8.4%. The direct costs of services related to such revenue (principally charges from automotive repair facilities) were $2,270,029 for the three months ended March 31, 2000, as compared to $2,337,298 in 1999, representing a decrease of $67,269 or 2.9%. Gross profit percentage increased 8.2% to 30.0% from 21.8% for the three months ended March 31, 2000 and 1999, respectively. The Company had decreased revenues of $45,082 for its collision repair and fleet management services, including subrogation and salvage commissions representing a decrease of 1.6% for the three months ended March 31, 2000, as compared to the same three months of 1999. Affinity sales increased 232% or $295,707 for the period ended March 31, 2000 to $423,070 as compared to $127,363 in 1999. The increased gross profit percentage is a result of the increased affinity sales, which has a lower cost of revenue than the other programs.

Total operating expenses were $920,100 for the three months ended March 31, 2000, as compared to $904,991 for the three months ended March 31, 1999, representing an increase of $15,109 or 1.7%.

Investment and other income was $35,197 for the period ended March 31, 2000, as compared to $43,929 for the same period in 1999, representing a decrease of $8,732. The decrease is primarily attributable to lower average investment balances available during the quarter.

As a result of the foregoing, the net income for the three months ended March 31, 2000 was $83,937 ($.01 per share) as compared to a net loss of $207,942 ($.02 per share) for the comparable three months in 1999.

Liquidity and Capital Resources

As of March 31, 2000, the Company had cash and cash equivalents of $896,936. The Company also holds 77,298 shares of Salomon Smith Barney Adjustable Rate Government Income Fund securities valued at $748,250 at March 31, 2000. Working capital of the Company as of March 31, 2000, was

$1,843,822. The Company's operating activities provided $73,548 of cash for the three months

ended March 31, 2000 as compared to 1999, when the Company's operating activities used $88,011 of cash. This is primarily a result of the increase in net income for 2000.

In the first quarter of 2000, the Company received approximately $75,000, representing the disgorgement of short-swing profits, pursuant to regulations of the Securities and Exchange Commission, earned by three shareholders of the Company, through their sale of the Company's common stock. The Company's cash position was enhanced through this transaction, and has been reflected as an increase to shareholders' equity in the first quarter of 2000.

The Company believes that its present cash position will enable the Company to continue to support its operations for the next twelve months.

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 NFS, 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 participants in FPG programs such as Driver's Shield(R). The loss of any 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 addressed 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. As the Company has embarked on an Internet strategy whereby it will offer auto collision managed care services on its website, there will be new and additional risks that may influence the business of the Company. These risks are:

- The Company's website will be the first to offer auto collision managed care services on the Internet, and therefore, we are not sure our business model will be successful or that we can generate revenue from this activity.

- As is typical for any new, rapidly evolving market, demand and market acceptance for recently introduced products and services are subject to a high level of uncertainty and risk. It is also difficult to predict the market's future growth rate, if any. If the market fails to develop, develops more slowly than expected or becomes saturated with competitors, or our services do not achieve or sustain market acceptance, our business, results of operations and financial condition could be materially and adversely affected.

- We also depend on establishing and maintaining a number of commercial relationships with other companies. Our business could be adversely affected if we do not maintain our existing commercial relationships on terms as favorable as currently in effect, if we do not establish additional commercial relationships on commercially reasonable terms or if our commercial relationships do not result in the expected increased use of our Website.

- We cannot assure you that we will be able to establish new agreements or maintain existing agreements on commercially acceptable terms. We also may not be able to maintain relationships with third parties that supply us with software or products that are crucial to our success, and the vendors of these software or products may not be able to sustain any third- party claims or rights against their use. Furthermore, we cannot assure you that the software, services or products of those companies that provide access or links to our services or products will achieve market acceptance or commercial success.

o To remain competitive we must continue to enhance and improve the ease of use, responsiveness, functionality and features of our website and develop new services in addition to continuing to improve the customer experience. These efforts may require the development or licensing of increasingly complex technologies. We may not be successful in developing or introducing new features, functions and services, and these features, functions and services may not achieve market acceptance.

o Our future success and revenue growth depends partially upon continued growth in the use of the Internet. Businesses will likely widely accept and adopt the Internet for conducting business and exchanging information only if the Internet provides these businesses with greater efficiencies and improvements in commerce and communication. In addition, e-commerce generally, and the purchase of automotive related products and services on the Internet in particular, must become widespread. The Internet may prove not to be a viable commercial marketplace generally, or, in particular, for vehicle related products and services.

o We are dependent on certain key personnel. Our future success is substantially dependent on our senior management and key technical personnel. Although all key executives have executed confidentiality and non-competition agreements, should one or more of our key employees decided to leave us, join a competitor or otherwise

compete directly or indirectly with us, this could have a material adverse effect on our business, results of operations and financial condition. Competition for such personnel is intense, and we may not be able to attract, assimilate or retain such personnel in the future. The inability to attract and retain the necessary managerial, technical, sales and marketing personnel could have a material adverse effect on our business, results of operations and financial condition.

o We are a new business in a new industry and need to manage our growth and our entry into new business areas in order to avoid increased expenses without corresponding revenues. The growth of our operations requires us to increase expenditures before we generate revenues. Our inability to generate satisfactory revenues from such expanded services to offset costs could have a material adverse effect on our business, financial condition and results of operations. We believe establishing industry leadership also requires us to: - test, introduce and develop new services and products, including enhancing our website, - expand the breadth of and services offered, - expand our market presence through relationships with third parties, and - acquire new or complementary businesses, products or technologies. We cannot assure you that we can successfully manage these tasks.

o Our success is dependent on keeping pace with advances in technology. If we are unable to keep pace with advances in technology, businesses may stop using our services and our revenues will decrease. The Internet and electronic commerce markets are characterized by rapid technological change, changes in user and customer requirements, frequent new service and product introductions embodying new technologies and the emergence of new industry standards and practices that could render our existing Website and technology obsolete. If we are unable to adapt to changing technologies, our business, results of operations and financial condition could be materially and adversely affected. Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis.

o We are uncertain of our ability to obtain additional financing for our future capital needs. We currently anticipate that our cash, cash equivalents and short-term investments will be sufficient to meet our anticipated needs for working capital and other cash requirements at least for the next 12 months. We may need to raise additional funds sooner, however, in order to fund more rapid expansion, to develop new or enhance existing services or products, to respond to competitive pressures or to acquire complementary products, businesses or technologies. There can be no assurance that additional financing will be available on terms favorable to us, or at all. If adequate funds are not available or are not available on acceptable terms, our ability to fund our expansion, take advantage of potential acquisition opportunities, develop or enhance services or products or respond to competitive pressures would be significantly limited. Such limitation could have a material adverse effect on our business, results of operations, financial condition and prospects.

The Company's business involves the repair of motor vehicles through a contracted

network of automobile collision repair shops. These shops are obligated to maintain certain minimum limits of liability insurance, indemnify the Company from any and all claims and expenses related to the shop's negligent acts or from the breach of the agreement between the Company and the shop, and name the Company as an additional insured under the shop's liability policy. However, the repair shop and/or the Company's general liability insurance may not cover all potential claims to which we are exposed and may not be adequate to indemnify us for all liability that may be imposed. Any imposition of liability that is not covered by insurance or is in excess of insurance coverage could have a material adverse effect on our business, results of operations and financial condition.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

The Company was served with a summons and complaint filed by Philip M. Panzera in United States District Court (Eastern District, NY) alleging that the Company wrongfully terminated his employment on January 29, 1998 pursuant to an employment agreement dated November 14, 1997 (the "Employment Agreement") and wrongfully converted Mr. Panzera's personal property. Mr. Panzera is seeking monetary damages in excess of $1 million. Mr. Panzera held the position in the Company of Senior Vice President, Chief Financial Officer for the period of November 17, 1997 through January 29, 1998. The Company has answered this complaint and denied all of Mr. Panzera's allegations stating that the Company properly terminated Mr. Panzera for cause pursuant to the Employment Agreement. Additionally, the Company has filed a counterclaim against Mr. Panzera alleging, among other things, that Mr. Panzera fraudulently induced the Company to enter into the Employment Agreement by making false representations concerning his educational background, employment history, experience and skills. The Company is seeking monetary damages of no less than $1 million. The Company believes that Mr. Panzera's claim is without merit and intends to vigorously defend this suit. The discovery phase of this case has been completed.

The plaintiff in this action recently made a motion for partial summary judgment to dismiss a number of affirmative defenses and the counterclaims brought by the Company against Mr. Panzera. On April 14, 2000, the Court ruled in favor of the Company and denied the plaintiff's motion for partial summary judgment.

Additionally, the Company made a motion for partial summary judgment to dismiss Mr. Panzera's complaint to the extent he seeks to recover on a modification to Mr. Panzera's employment agreement with First Priority Group. The motion was granted, dismissing Mr. Panzera's claim against the Company under his employment agreement, to the extent that he relies on the terms of the modification of his employment agreement. The management believes that the remainder of Mr. Panzera's claim is without merit and intends to continue to vigorously defend this suit.

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: May 15, 2000

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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