

U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended September 30, 1996

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.)

270 Duffy Avenue
Hicksville, New York 11801

(Address of principal executive offices)

(516) 938-1010

(Issuer's telephone number)

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of November 4, 1996: 5,883,883 shares of common stock

Transitional Small Business Format (check one)

Yes No

Part I Financial Information

Item 1. Financial Statements

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

SEPTEMBER 30, 1996

ASSETS

Current Assets:	
Cash and cash equivalents	\$ 951,808
Accounts receivable, less allowance for doubtful accounts of \$11,500	1,233,219
Inventory	6,521
Other current assets	20,528

Total current assets	2,212,076
Property and equipment, net	166,831
Security deposits	10,750
Other	7,619

	\$ 2,397,276
	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Accounts payable and accrued expenses	\$ 1,177,483

Total current liabilities	1,177,483

Shareholders' equity:	
Common stock, \$.015 par value, authorized 20,000,000 shares; issued 6,150,550 shares	92,258
Additional paid-in capital	1,942,643
Deficit	(725,108)

	1,309,793
Less common stock held in treasury, at cost, 266,667 shares	(90,000)

Total shareholders' equity	1,219,793

	\$ 2,397,276
	=====

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	THREE MONTHS ENDED	
	September 30, 1996	September 30, 1995
	-----	-----
	(Unaudited)	(Unaudited)
Revenue from operations	\$3,599,722	\$2,423,933
Costs of revenue (principally charges incurred at repair facilities for services)	2,992,848	2,027,974
	-----	-----
Gross profit	606,874	395,959
Operating expenses:		
Selling, general and administration	475,024	393,284
	-----	-----
Income from operations	131,850	2,675
Interest and other income	6,502	1,699
	-----	-----
Income before income taxes	138,352	4,374
Provision for income taxes	1,500	
	-----	-----
Net income	\$ 136,852	\$ 4,374
	=====	=====
Income per common share	0.02	NIL
	=====	=====

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	NINE MONTHS ENDED	
	September 30, 1996	September 30, 1995
	(Unaudited)	(Unaudited)
Revenue from operations	\$9,650,709	\$7,346,860
Costs of revenue (principally charges incurred at repair facilities for services)	7,930,763	6,031,671
Gross profit	1,719,946	1,315,189
Operating expenses:		
Selling, general and administration	1,422,635	1,154,595
Income from operations	297,311	160,594
Interest and other income	22,287	3,879
Income before income taxes	319,598	164,473
Provision for income taxes	3,000	1,000
Net income	\$ 316,598	\$ 163,473
Income per common share	0.04	0.03

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

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

	NINE MONTHS ENDED	
	September 30, 1996	September 30, 1995
Cash flows from operating activities:		
Net income	\$ 316,598	\$ 163,473
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,305	21,434
Changes in assets and liabilities:		
Accounts receivable	(163,433)	(112,427)
Other current assets	(4,374)	(6,813)
Inventory	(6,521)	
Security deposits	(175)	
Accounts payable and accrued expenses	118,195	251,169
Total adjustments	(28,003)	153,363
Net cash provided by operating activities	288,595	316,836
Cash flows from investing activities, additions to property and equipment	(78,597)	(73,486)
Cash flows used in financing activities, borrowing (repayment) of notes payable	(37,264)	39,865
Net increase in cash and cash equivalents	172,734	283,215
Cash and cash equivalents at beginning of period	779,074	126,918
Cash and cash equivalents at end of period	\$ 951,808	\$ 410,133

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

(Unaudited)

1. UNAUDITED FINANCIAL STATEMENTS

The information contained in the condensed consolidated financial statements for the period ended September 30, 1996 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 business of the Company was started in 1983. Thereafter, the original company was merged into the present company after its formation on June 28, 1985, presently named First Priority Group, Inc. (the "Company"). The Company is engaged directly and through its wholly-owned subsidiaries in automotive fleet management and administration of automotive repairs for businesses, insurance companies and members of affinity groups. The services provided by the Company include the repair and maintenance of vehicles through approximately 8,000 independently owned and/or nationally recognized repair facilities. The Company has recently added two new divisions: FPG Recovery Services, which provides subrogation and premium recovery services directly to insurance companies; and FPG Direct Marketing, which will market the Company's services as well as hard goods through non-financial data-based businesses. The Company's office is located at 270 Duffy Avenue, Hicksville, New York 11801 and its telephone number is (516) 938-1010.

3. RESULTS OF OPERATIONS

The unaudited results of operations for the nine months ended September 30, 1996 are not necessarily indicative of the results to be expected for the full year.

4. EARNINGS PER COMMON AND COMMON EQUIVALENT SHARE

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

The number of common and common equivalent shares utilized in the per share

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computations were 7,870,350 and 4,883,883 in the three months ended September 30, 1996 and September 30, 1995, respectively.

The number of common and common equivalent shares utilized in the per share computations were 7,788,453 and 4,883,883 in the nine months ended September 30, 1996 and September 30, 1995, respectively.

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

For the three months ended September 30, 1996 the Company's revenues from operations increased by \$1,175,789 (48.5%) to \$3,599,722 from \$2,423,933 for the three months ended September 30, 1995. Gross profit increased \$210,915 to \$606,874 for the third quarter of 1996 from \$395,959 during the same period of 1995. For the nine months ended September 30, 1996 the Company's revenues from operations increase by \$2,303,849 (31.4%) to \$9,650,709 from \$7,346,860 for the nine months ended September 30, 1995.

The gross profit percentage increased .6% to 16.9% for the three months ended September 30, 1996 as compared to 16.3% for the same period of 1995. For

the nine months ended September 30, 1996 the gross profit percentage decreased .1% to 17.8% from 17.9% for the same period of 1995. Fluctuations in gross profit are attributable to the revenue derived from the sales mix of fleet repair, direct appraisal and repair, and consumer oriented auto club programs.

Selling, general and administrative expenses increased \$81,740 (20.8%) to \$475,024 for the third quarter of 1996 from \$393,284 during the same period of 1995. For the first nine months of 1996 selling, general and administrative expenses increased \$268,040 (23.2%) to \$1,422,635 from \$1,154,595 during the same period of 1995. The increase in selling, general, and administrative expenses is related to increased salary expenses due to contractual agreements, wage increases and an increase in labor force necessary to prepare the Company to manage its increased business activities and the start up of the FPG Direct Marketing and FPG Recovery Services Divisions.

The Company believes that it has adequate liquidity to support its cost of operations for the foreseeable future.

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Part II Other Information

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

(a) Exhibits

3.1 Amendment to the Certificate of Incorporation

10.1 The Company's 1995 Incentive Stock Plan filed herein.

10.2 Employment Agreement between the Company and Paul Zucker dated September 3, 1996 filed herein.

10.3 Employment Agreement between the Company and Steven Zucker dated September 3, 1996 filed herein.

10.4 Employment Agreement between the Company and Donald Shanley dated September 3, 1996 filed herein.

10.5 Employment Agreement between the Company and Barry J. Spiegel dated September 3, 1996 filed herein.

27 Financial Data Schedule

(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: November 4, 1996

By: /s/ Michael Karpoff

Michael Karpoff
Co-Chairman of the
Board of Directors,
President and Co-Chief
Executive Officer

Date: November 4, 1996

By: /s/ Barry Siegel

Barry Siegel
Co-Chairman of the

Board of Directors, Co-
Chief Executive Officer,
Treasurer, Secretary and
Principal Financial and
Accounting Officer

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10.3	Employment Agreement between the Company and Steven Zucker dated September 3, 1996 filed herein.	30
10.4	Employment Agreement between the Company and Donald Shanley dated September 3, 1996 filed herein.	38
10.5	Employment Agreement between the Company and Barry J. Spiegel dated September 3, 1996 filed herein.	46
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CERTIFICATE OF AMENDMENT
OF THE CERTIFICATE OF INCORPORATION
OF
First Priority Group, Inc.
UNDER SECTION 805 OF THE BUSINESS CORPORATION LAW

* * * * *

WE, THE UNDERSIGNED, Michael Karpoff and Barry Siegel, being respectively the Chairman of the Board and Secretary of First Priority Group, Inc. hereby certify:

1. The name of the corporation is First Priority Group, Inc..
2. The certificate of incorporation of said corporation was filed by the Department of State on the Twenty-Eighth day of June, 1985.
3. (a) The certificate of incorporation is amended to delete the present Paragraph Fourth and to substitute the following in its place:
(b) To effect the foregoing, Paragraph Fourth relating to Authorized Shares, Common Stock and the Preferred Stock is amended to read as follows:

Fourth

A. Authorized Shares.

The total number of shares of all classes of stock that the Corporation shall have the authority to issue is 21,000,0000 shares, of which 1,000,000 shares shall be Preferred Stock, having a par value of \$0.01 per share ("Preferred Stock"), and 20,000,000 shall be Common Stock, having a par value of \$0.015 per share ("Common Stock"). The Board of Directors is expressly authorized to provide for the classification and reclassification of any unissued shares of Preferred Stock or Common Stock and issuance thereof in one or more classes or series without the approval of the stockholders of the Corporation.

B. Common Stock.

(1) Relative Rights.

The Common Stock shall be subject to all of the rights, privileges, preferences and priorities of the Preferred Stock as set forth in the certificate or certificates of designation filed to establish the respective series of Preferred Stock. Each share of Common Stock shall have the same relative rights as and be identical in all respects to all the other shares of Common Stock.

(2) Voting Rights.

Each holder of shares of Common Stock shall be entitled to attend all special and annual meetings of the stockholders of the Corporation and, share for share and without regard to class, together with the holders of all other classes of stock entitled to attend such meetings and to vote (except any class or series of stock having special voting rights), to cast one vote for each outstanding share of Common Stock so held upon any matter or thing (including, without limitation, the election of one or more directors) properly considered and acted upon by the stockholders, except as otherwise provided in this Certificate of Incorporation or by applicable law.

(3) Dividends.

Whenever there shall have been paid or declared and set aside for payment, to the holders of shares

of any class of stock having preference over the Common Stock as to the payment of dividends, the full amount of dividends and of sinking fund or retirement payments, if any, to which such holders are respectively entitled in preference to the Common Stock, then the holders of record of the Common Stock and any class or series of stock entitled to participate therewith as to dividends, shall be entitled to receive dividends, when, as, and if declared by the Board of Directors, out of any assets legally available for the payment of dividends thereon.

(4) Dissolution, Liquidation, Winding Up.

In the event of any dissolution, liquidation or winding up of the Corporation, whether voluntary or involuntary, the holders of record of the Common Stock then outstanding, and all holders of any class or series of stock entitled to participate therewith in whole or in part, as to distribution of assets, shall become entitled to participate in the distribution of any assets of the Corporation remaining after the Corporation shall have paid, or set aside for payment, to the holders of any class of stock having preference over the Common Stock in the event of dissolution, liquidation or winding up, the full preferential amounts (if any) to which they are entitled, and shall have paid or provided for payment of all debts and liabilities of the Corporation.

C. Preferred Stock.

(1) Issuance, Designations, Powers, Etc.

The Board of Directors expressly is authorized, subject to limitations prescribed by the New York Business Corporation Law and the provisions of this Certificate of Incorporation, to provide, by resolution and by filing an amendment to the Certificate of Incorporation pursuant to the New York Business Corporation Law, for the issuance from time to time of the shares of Preferred Stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and other rights of the shares of each such series and to fix the qualifications, limitations and restrictions thereon, including, but without limiting the generality of the foregoing, the following:

(a) the number of shares constituting that series and the distinctive designation of that series;

(b) the dividend rate on the shares of that series, whether dividends shall be cumulative, and, if so, from which date or dates, and the relative rights of priority, if any, of payment of dividends on shares of that series;

(c) whether that series shall have voting rights, in addition to voting rights provided by law, and, if so, the terms of such voting rights;

(d) whether that series shall have conversion privileges, and, if so, the terms and conditions of such conversion, including provisions for adjustment of the conversion rate in such events as the Board of Directors shall determine;

(e) whether or not the shares of that series shall be redeemable, and, if so, the terms and conditions of such redemption, including the dates upon or after which they shall be redeemable, and the amount per share payable in case of redemption, which amount may vary under different conditions and at different redemption dates;

(f) whether that series shall have a sinking fund for the redemption or purchase of shares of that series, and, if so, the terms and amount of such sinking fund;

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(g) the rights of the shares of that series in the event of voluntary or involuntary liquidation, dissolution or winding up of the Corporation, and the relative rights of priority, if any, of payment of shares of that series; and

(h) any other relative powers, preferences and rights of that series, and qualifications, limitations or restrictions on that series.

(2) Dissolution, Liquidation, Winding Up.

In the event of any liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of Preferred Stock of each series shall be entitled to receive only such amount or amounts as shall have been fixed by the certificate of designations or by the resolution or resolutions of the Board of Directors providing for the issuance of such series.

4. The amendment was authorized in the following manner:

Shareholders approval at Annual Shareholders Meeting held on September 30, 1996

IN WITNESS WHEREOF, we have signed this certificate on the Fourth day of November, 1996 and we affirm the statements contained therein as true under penalties of perjury.

/s/ Michael Karpoff

Michael Karpoff, Chairman of the Board

/s/ Barry Siegel

Barry Siegel, Secretary

1995 Incentive Stock Plan
of
First Priority Group, Inc.

1. PURPOSES OF THE PLAN. This 1995 Incentive Stock Plan (the "Plan") is designed to provide an incentive to employees (including directors and officers who are employees), directors (who are not employees) and to consultants (who are neither employees nor directors) of First Priority Group, Inc., a New York corporation (the "Company"), and its present and future Subsidiary corporations, as defined in Paragraph 19, and to offer an additional inducement in obtaining the services of such individuals. The Plan provides for the grant of Incentive Stock Options ("ISO") within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code"), and Non-statutory Options ("NSO"), but the Company makes no warranty as to the qualification of any option as an ISO under the Code.

2. STOCK SUBJECT TO THE PLAN. Subject to the provisions of Paragraph 12, the aggregate number of shares of Common Stock \$.015 par value per share of the Company ("Common Stock") for which options may be granted under the Plan shall not exceed Three Million (3,000,000). Such shares of Common Stock may in the discretion of the Board of Directors of the Company (the "Board of Directors") consist either in whole or in part of authorized, but unissued shares of Common Stock or shares of Common Stock held in the treasury of the Company. The Company shall at all times during the term of the Plan reserve and keep available such number of shares of Common Stock as will be sufficient to satisfy the requirements of the Plan. Subject to the provisions of Paragraph 13, any shares of Common Stock subject to an option which for any reason expires, is canceled or is terminated, unexercised or which ceases for any reason to be exercisable shall again become available for the granting of options under the Plan.

3. ADMINISTRATION OF THE PLAN. The Plan shall be administered by a Stock Option Committee (the "Committee") consisting of not less than three members of the Board of Directors each of whom shall be a "disinterested person" within the meaning of Rule 16b-3 (or any successor rule or regulation promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act")). A majority of the members of the Committee shall constitute a quorum, and the acts of a majority of the members present at any meeting at which a quorum is present, and any acts approved in writing by all members without a meeting shall be the acts of the Committee.

Should the Board of Directors not appoint a Stock Option Committee, or not be able to appoint to the Committee three members of the Board of Directors who shall each be a "disinterested person" within the meaning of Rule 16b-3 (or any successor rule or regulation promulgated under the Exchange Act, then the Plan shall be administered by the Board of Directors, with all rights and obligations of the Committee as set forth in the Plan, until such time as a properly qualified Committee is appointed.

Subject to the express provisions of the Plan, the Committee shall have the

authority, in its sole discretion, except as set forth in Paragraph 4A, to determine the employees, directors and consultants who shall receive options; the times when they shall receive options; whether an option granted to an employee shall be an ISO or a NSO; the number of shares of Common Stock to be subject to each option; the term of each option; the date each option shall become exercisable; whether an option shall be exercisable in whole or in part or in installments, and , if installments, the number of shares of Common Stock to subject to each installment; whether the installments shall be cumulative; the date each installment shall become exercisable and the term of each installment; whether to accelerate the date of exercise of any installment; whether shares of Common Stock may be issued on exercise of an option as partly paid, and if so, the dates when future installments of the exercise price shall become due and the amounts of such

installments; the exercise price of each option; the form of payment of the exercise price; the amount, if any, necessary to satisfy the Company's obligation to withhold taxes; whether to restrict the sale or other disposition of the shares of Common Stock acquired upon the exercise of an option and to waive any such restriction; whether to subject the exercise of all or any portion of an option to the fulfillment of contingencies as specified in the Contract (as described in Paragraph 11), including without limitations, contingencies relating to entering into a covenant not to compete with the Company and its Subsidiaries, a division, a product line or other category, and/or the period of continued employment for the optionee with the Company, or its Subsidiaries, and to determine whether such contingencies have been met; to construe the respective Contract and the Plan, with consent of the optionee, to cancel or modify the option, provided such option as modified would be permitted to be granted on such date under the terms of the Plan; and to make all other determinations necessary or advisable for administering the Plan. The determinations of the Committee on matters referred to in this Paragraph 3 shall be conclusive. No member or former member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any option granted hereunder.

4. ELIGIBILITY OF GRANTS. The Committee may, consistent with the purpose of the Plan, grant options from time to time, to employees (including officers and directors who are employees), to directors who are not employees ("Non-employee Directors") and/or consultants (who are neither employees or directors) of the Company or any of its Subsidiaries. Options granted shall cover such number of shares of Common Stock as the Committee may determine provided, however, that the aggregate fair market value (determined as of the time the option with respect to the stock is granted) of stock with respect to which ISO's are exercisable for the first time by any individual during any calendar year (under all plans of the individual's employer corporation and its Parent and Subsidiary corporation) exceeds \$100,000, such options shall be treated as options which are not incentive stock options. The \$100,000 limitation shall be applied by taking options into account in the order in which they were granted.

A. Non-employee Director Stock Options.

(a) Eligibility. Each Non-Employee Director shall be granted options to purchase shares of Common Stock in accordance with this Paragraph 4A. All options granted under this Paragraph 4A shall constitute a NSO.

(b) Grants of Stock Option. Each Non-employee Director shall be granted NSOs as follows:

(i) Time of grant. On the date following the end of the Company's fiscal year in 1996 and each year thereafter, each Non-employee Director who is a Non-employee Director after the end of the Company's fiscal year shall be granted an option to purchase 15,000 shares of Common Stock at a purchase price equal to the fair market value of a share of Common Stock on the date of grant of such option.

(ii) Option Period and Exercisability. Each option granted under this Paragraph 4A shall be exercisable in part or in full at any time after the grant thereof provided: (1) each such option shall expire ten (10) ten years after its date of grant or on such earlier date as is hereinafter provided and (2) no Common Stock acquired upon the exercise of such options shall be sold or transferred by the person exercising such option during the six month period following the date of exercise of such option if such person shall be a director of the Company on the date such option is exercised. An exercisable option, or portion thereof, may be exercised in whole or in part only with respect to whole shares of Common Stock. Options granted under this Paragraph 4A shall be exercisable in accordance with Paragraph 7.

5. EXERCISE PRICE. The exercise price of the shares of Common Stock under each option shall be determined by the Committee, provided, however, that the exercise price shall not be less than 100 percent of the fair market value of the Common Stock subject to such option on the date of grant; and further provided, that if, at the time an ISO is granted, the optionee owns, or is deemed to own in excess of 10

percent of the total combined voting power of all classes of stock of the corporation or its Subsidiary corporations, the exercise price of such ISO shall not be less than 110 percent of the fair market value of the Common Stock subject to such ISO on the date of grant.

6. TERM. The term of each option granted pursuant to the Plan shall be such term as is established by the Committee, in its sole discretion, at or before the time such option is granted: provided, however, that the term of each ISO granted pursuant to the Plan shall be for a period not exceeding 10 years from the date of grant thereof, and further provided, that if, at the time an ISO is granted, the optionee owns, or is deemed to own, stock possessing more than 10 percent of total combined voting power of all classes of stock of the Company, or any of its Subsidiaries, the term of the ISO shall be for a period not exceeding five years from the date of grant. Options shall be subject to earlier termination as hereinafter provided.

7. EXERCISE. An option (or any part or installment thereof), to the extent then exercisable, shall be exercised by giving written notice to the Company, at its principal office (at present 270 Duffy Avenue, Hicksville, New York 11801, Attention: Stock Option Committee), stating which option is being exercised, specifying the number of shares of Common Stock as to which such option is being exercised and accompanied by payment in full of the aggregate exercise price thereof (or the amount due on exercise if the Contract permits, with previously acquired shares of Common Shares having an aggregate fair market value, on the date of exercise, equal to the aggregate exercise price of all options being exercised, or with any combination of cash, certified check or shares of Common Stock.

A person entitled to receive Common Stock upon the exercise of an option shall not have the rights of a shareholder with respect to such shares of Common Stock until the date of issuance of a stock certificate is issued, any option holder using previously acquired shares of Common Stock in payment of an option exercise price shall continue to have the rights of a shareholder with respect to such previously acquired shares.

In no case, may a fraction of a share of Common Stock be purchased or issued under the Plan.

8. TERMINATION OF EMPLOYMENT. Any holder of an option granted to an employee whose employment with the Company (and/or its Subsidiaries) has terminated for any reason other than his or her death or Disability (as defined in Paragraph 19) may exercise such option, to the extent exercisable on the date of termination, at any time within three months after the date of termination; but not thereafter and in no event after the expiration of the term of the option; provided, however, that if his or her employment shall be terminated either (a) for cause, or (b) without the consent of the Company, said option shall be terminate immediately. Options granted to employees under the Plan shall not be affected by any change in the status of the holder so long as he continues to be a full-time employee of the Company, or any of its Subsidiaries (regardless of having been transferred from one corporation to another).

For purposes of the Plan, an employment relationship shall be deemed to exist between an individual and a corporation if, at the time of the determination, the individual was an employee of such a corporation for purposes of Section 422(a) of the Code. As a result, an individual on military, sick leave or other bona fide leave of absence shall continue to be considered an employee for purposes of the Plan during such period if the leave does not exceed 90 days, or, if longer, so long as the individual's right to reemployment with the Company (or related corporation) is guaranteed whether by statute or by contract. If the period of leave exceeds 90 days and individual's right to reemployment is not guaranteed by statute or by contract, the employment relationship shall be deemed to have terminated on the 91st day of such leave.

An option granted to a consultant may be exercised at any time during its term. It shall not be affected by a change in the holder's relationship with the Company or its Subsidiaries.

An option granted to a director, who is not an employee of the Company or a Subsidiary, may exercise such option, to the extent it is exercisable on the

date of the end of his or her term as a member of the Board of

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Directors, at any time within one (1) year after the end of said term, unless the Committee affirmatively extends the term of said option. Notwithstanding the previous sentence, should the director be removed as a member of the Board of Directors, for cause, the option shall terminated immediately.

Nothing in the Plan or in any option granted under the Plan shall confer on any individual any right to continue in the employ, or to serve as a consultant or a director of the Company or a Subsidiary, or interfere in any way with the right of the Company, or any of its Subsidiaries to terminate the holder's employment or consulting or remove the holder as a member of the Board of Directors, at any time for any reason whatsoever without liability to the Company of any of its Subsidiaries.

9. DEATH OF DISABILITY OF AN OPTIONEE. If an employee or director to whom an option was granted dies (a) while he is employed by the Company, or its Subsidiaries; or (b) within 90 days after termination of his employment (unless such termination was for cause or without the consent of the Company; or (c) while serving as a member of the Board of Directors of the Company; or (d) within 90 days after the expiration of his or her term as a member of the Board of Directors; or (e) within one year following the termination of his employment by reason of Disability, the option may be exercised, to the extent exercisable on the date of death, by his or her executor, administrator or other person at the time entitled by law to his rights under such option, at any time within one year after death, but not thereafter and in no event after the expiration of the term of the option.

The holder of an option granted to an employee whose employment has terminated by reason of Disability may exercise such option, to the extent exercisable upon the effective date of such termination, at any time within one year after such date, but not thereafter and in no event after the expiration of the term of the option.

The term of an option granted to a consultant shall not be affected by the death or Disability of the consultant. In such event, the option may be exercised by the executor, administrator or other person a the time entitled by law to his rights under such option to the extent exercisable at the time of the consultant's death or Disability at any time during the term of the option, but not thereafter.

10. COMPLIANCE WITH SECURITIES LAWS. The Committee may require, in its discretion, as a condition to the exercise of any option that either (a) a Registration Statement under the Securities Act of 1933, as amended (the "Securities Act") with respect to the shares of Common Stock to be issued upon such exercise shall be effective and current at the time of exercise, or (b) there is an exemption from registration under the Securities Act for the issuance of shares of Common Stock upon exercise. Nothing shall be construed as requiring the Company to register shares subject to any option under the

Securities Act.

The Committee may require the optionee to execute and deliver to the Company his or her representation and warranty in form and substance satisfactory to the Committee, that the shares of Common Stock to be issued upon exercise of the option are being acquired by the optionee for his own account, for investment only and not with a view to the resale or distribution thereof. In addition, the Committee may require the optionee to represent and warrant in writing that any subsequent resale or distribution of shares of Common Stock by such optionee will be made only pursuant to (i) a Registration Statement under the Securities Act which is effective and current with respect to the shares of Common Stock being sold, or (ii) a specific exemption from the registration requirements of the Securities Act, but in claiming such exemption, the optionee shall provide the Company with a favorable written opinion of counsel in form and substance satisfactory to the Company, as to the applicability of such exemption to the proposed sale or distribution.

In addition, if at any time the committee shall determine in its discretion that

the listing or qualification of the shares of Common Stock subject to such option on any securities exchange or under any applicable law, or the consent, or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of an option, or the issue of shares of Common Stock thereunder, such

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option may not be exercised in whole or in part, unless such listing, qualification, consent or approval shall have been effective or obtained free of any conditions not acceptable to the Committee.

11. STOCK OPTION CONTRACTS. Each option shall be evidenced by an appropriate contract which shall be duly executed by the Company and the optionee, shall contain such terms and conditions not inconsistent herewith as may be determined by the Committee (the "Contract").

12. ADJUSTMENTS UPON CHANGES IN COMMON STOCK. Notwithstanding any other provisions of the Plan, in the event of any change in the outstanding Common Stock by reason of a stock split, stock dividend, recapitalization, merger in which the Company is the surviving corporation, split-up, combination or exchange or the like, the aggregate number and kind of shares subject to the Plan, the aggregate number and kind of shares subject to each outstanding option and the exercise price thereof shall be appropriately adjusted by the Board of Directors, including options granted pursuant to Paragraph 4A, whose determination shall be conclusive.

In the event of (a) the liquidation or dissolution of the Company, (b) a merger in which the Company is not the surviving corporation or a consolidation, or (c) any other capital reorganization in which more than 50 percent of the shares of Common Stock of the Company entitled to vote are exchanged, any outstanding options shall become exercisable in full.

13. AMENDMENTS AND TERMINATION OF THE PLAN. The Board of Directors, without further approval of the Company's shareholders, may at any time suspend or terminate the Plan, in whole or in part, or amend it from time to time in such respects as it may deem advisable, including without limitation, in order to fully comply with the Code and Rule 16b-3 promulgated under the Exchange Act. The Plan may not be amended without consent of the Company's shareholders for those changes that require shareholders' approval under the Code. No termination, suspension or amendment of the Plan shall, without the consent of the holder of an existing option affected thereby, adversely affect his rights under such option. The power of the Committee to construe and administer any options granted under the Plan prior to the termination or suspension of the Plan nevertheless shall continue after such termination or during such suspension.

14. NON-TRANSFERABILITY OF OPTIONS. No option granted under the Plan shall be transferable otherwise than by will or the laws of descent and distribution, and options may be exercised, during the lifetime of the holder thereof, only by him or his legal representatives. Except to the extent provided above, options may not be assigned, transferred, pledged, hypothecated or disposed of in any way (whether by operation of law or otherwise) and shall not be subject to execution attachment or similar process.

15. WITHHOLDING TAXES. The Company may withhold cash and or shares of Common Stock to be issued with respect thereto having an aggregate fair market value equal to the amount which it determines is necessary to satisfy its obligation to withhold Federal, state and local income taxes incurred by reason of the grant or exercise of an option, its disposition, or the disposition of the underlying shares of Common Stock. Alternatively, the Company may require the holder to pay to the Company such amount, in cash, promptly upon demand. The Company shall not be required to issue any shares of Common Stock pursuant to any such option until all required payments have been made.

16. LEGENDS; PAYMENT OF EXPENSES. The Company may endorse such legend or legends upon the certificates for shares of Common Stock issued upon exercise of an option under the Plan and may issue such "stop transfer" instructions to its transfer agent in respect of such shares as it determines in its discretion, to be necessary or appropriate to (a) prevent a violation of, or to perfect an

exemption from the registration requirements of the Securities Act, (b) implement the provisions of the Plan or any agreement between the Company and the optionee with respect to such shares of Common Stock, or (c) permit the Company to determine the occurrence of a "disqualifying disposition", as described in Section 421(b) of the Code, of the shares of Common Stock transferred upon the exercise of an ISO granted under the Plan.

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The Company shall pay all issuance taxes with respect to the issuance of shares of Common Stock upon the exercise of an option granted under the Plan, as well as all fees and expenses incurred by the Company in connection with such issuance.

17. USE OF PROCEEDS. The cash proceeds from the sale of shares of Common Stock pursuant to the exercise of options under the Plan shall be added to the general funds of the Company and used for its general corporate purpose as the Board of Directors may determine.

18. SUBSTITUTIONS AND ASSUMPTIONS OF OPTIONS OF CERTAIN CONSTITUENT CORPORATIONS. Anything in this Plan to the contrary notwithstanding, the Board of Directors may, without further approval by the shareholders substitute new options for prior options of a Constituent Corporation (as defined in Paragraph 19) or assume the prior options of such Constituent Corporation.

19. DEFINITIONS.

(a) Subsidiary(ies). Term Subsidiary(ies) shall have the same definition as "Subsidiary Corporation" in Section 424(f) of the Code.

(b) Parent. The term "Parent" shall have the same definition as "Parent Corporation" in Section 424(e) of the Code.

(c) Constituent Corporation. The term "Constituent Corporation" shall mean any corporation which engages with the company, its Parent or any Subsidiary in a transaction to which Section 424(a) of the Code applies (or would apply if the option assumed or substituted were an ISO), or any Parent or any subsidiary of such corporation.

(d) Disability. The term "Disability" shall mean a permanent and total disability within the meaning of Section 22(e)(3) of the Code.

20. GOVERNING LAW. The Plan, such options as may be granted hereunder and all related matters shall be governed by, and construed in accordance with, the laws of the State of New York.

21. PARTIAL INVALIDITY. The invalidity or illegality of any provision herein shall not affect the validity of any other provision.

22. STOCKHOLDER APPROVAL. This Plan shall be subject to approval by the holders of a majority of the Company's outstanding shares of Common Stock entitled to vote thereon. No options granted pursuant to this Plan shall be exercised prior to such approval. Notwithstanding the foregoing, if this Plan is not approved by a vote of the shareholders of the Company prior to the expiration of the twelve month period commencing on the date this Plan is adopted by the Board of Directors, then this Plan shall be terminated.

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EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated September 3, 1996 by and between First Priority Group, Inc., a New York corporation with an address at 270 Duffy Avenue, Hicksville, New York (the "Company"), and PAUL ZUCKER, an individual residing at 62 Buttonwood Drive, Dix Hills, New York 11746 ("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 September 3, 1996 (the "Commencement Date") and shall continue for a period of twenty-eight (28) months thereafter, terminating on December 31, 1998 (the "Expiration Date"), unless earlier terminated under the terms and conditions herein (the "Employment Term").

3. Duties

(a) Employee's responsibilities shall be to develop and manage the direct mail marketing division of the Company, FPG Direct (the "Division"), with full responsibility for the financial performance of the Division, and to perform such other duties and services involving sales, marketing and program development 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 President, FPG Direct.

(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. Employee shall receive a salary, payable pursuant to the Company's normal

payroll procedures in place from time to time, during the Employment Term, in the amount of:

Period - -----	Salary -----
September 1, 1996 thru August 31, 1997	\$100,000
September 1, 1997 thru August 31, 1998	\$110,000
September 1, 1998 thru December 31, 1998	\$125,000

subject to all required federal, state and local payroll deductions.

(b) Incentive Compensation. The Employee shall receive Incentive Compensation equal to five percent (5%) of the pre-tax net income of the Division paid no later than ninety (90) days following the end of the Company's fiscal year.

(c) Stock Options. The Employee shall be granted an Incentive Stock Option (the "Stock Option") under the Company's stock option plan providing the Employee the right to purchase 250,000 shares of the Company's common stock at the fair market price of the Company's common stock on the Commencement Date. The Company will provide the Employee with a stock option contract for his signature which will set out the terms of the option (the "Stock Option Contract"). Such Stock Option shall be exercisable as follows:

(i) Definitions for use exclusively in this Paragraph 5:

(A) "Division Profit". The pre-tax net profit of the Division at the end of each fiscal year ended during the Employment Term.

(B) "Base Profit". The highest Division Profit in the preceding completed fiscal years attained by the Division during the Employment Term. The Base Profit for the first fiscal year ended during Employment Term shall be Zero Dollars (\$0).

(C) "Option Profit". The difference resulting in subtracting the Base Profit from the Division Profit from the most recently completed fiscal year.

(D) "Division Profit Level 1". One Million and Five Hundred Thousand Dollars (\$1,500,000)

(E) "Division Profit Level 2". Three Million Dollars (\$3,000,000).

(ii) The Employee shall be permitted to exercise Stock Options, for the remaining term of the Stock Option Contract, with the right to purchase the Company's common stock in the amounts as calculated using the following formula:

(A) The Employee shall be able to exercise the Stock Options equal to 500 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit be less than the Division Profit Level 1.

(B) The Employee shall be able to exercise the Stock Options equal to 625 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 1, but not equal or exceed the Division Profit Level 2.

(C) The Employee shall be able to exercise the Stock Options equal to 750 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 2.

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 American Express 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

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eligible under the terms and conditions thereof, in any health, life or disability insurance 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.

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

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

(iv) commission by Employee of an 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

(c) The Employee may terminate this Agreement should the Company not provide the Division at least \$500,000 for its use (the "Funds"), subject to the terms of the loan agreement between the Company and its bank. The Funds provided

to the Division for its use shall be charged to the Division at the rate of the Prime Rate plus 1/2% per annum, or such other rate that the Company should borrow from its bank.

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(d) The Company may terminate this Agreement, upon thirty (30) days written notice should the Division not attain, 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 this 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.

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 program similar to the program of the Division, conducted by the Division during the term of this Agreement.

(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

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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.

(viii) Notwithstanding the above, should this Agreement expire on the Expiration Date and the Employee's employment shall have terminated on that Expiration Date, or should the Employee be terminated by the Company for reasons

other than For Cause, then the restrictions upon the Employee's activities as set forth in Subparagraphs 11(b)(i), 11(b)(iii), 11(b)(iv) and 11(b)(vii) shall not be operative for the one (1) year period following the Employee's cessation of employment by the Company, so long as the Employee and/or any organization with which he becomes associated does not engage in any business or activity which competes or interferes with any business or activity engaged in by the Company, or which is under development or is 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 Employment Term 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.

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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, 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, 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.

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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.

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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 first above written.

FIRST PRIORITY GROUP, INC.

By: /s/ Barry Siegel

Dated: _____

Title: Co-Chairman of the Board

Paul Zucker

By: /s/ Paul Zucker

Dated: _____

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated September 3, 1996 by and between First Priority Group, Inc., a New York corporation with an address at 270 Duffy Avenue, Hicksville, New York (the "Company"), and STEVEN ZUCKER, an individual residing at 3245 Gary Lane, Merrick, New York 11566 ("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 September 3, 1996 (the "Commencement Date") and shall continue for a period of twenty-eight (28) months thereafter, terminating on December 31, 1998 (the "Expiration Date"), unless earlier terminated under the terms and conditions herein (the "Employment Term").

3. Duties

(a) Employee's responsibilities shall be to develop and manage the direct mail marketing division of the Company, FPG Direct (the "Division"), with full responsibility for the financial performance of the Division, and to perform such other duties and services involving sales, marketing and program development as shall from time to time be designated by the Board of Directors, the Co-Chief Executive Officers ("CCEO") of the Company, the President of the Division, 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 Vice President, FPG Direct.

(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. Employee shall receive a salary, payable pursuant to the Company's normal payroll procedures in place from time to time, during the Employment Term, in the amount of:

Period	Salary
- -----	-----

September 1, 1996 thru August 31, 1997	\$100,000
September 1, 1997 thru August 31, 1998	\$110,000
September 1, 1998 thru December 31, 1998	\$125,000

subject to all required federal, state and local payroll deductions.

(b) Incentive Compensation. The Employee shall receive Incentive Compensation equal to five percent (5%) of the pre-tax net income of the Division paid no later than ninety (90) days following the end of the Company's fiscal year.

(c) Stock Options. The Employee shall be granted an Incentive Stock Option (the "Stock Option") under the Company's stock option plan providing the Employee the right to purchase 250,000 shares of the Company's common stock at the fair market price of the Company's common stock on the Commencement Date. The Company will provide the Employee with a stock option contract for his signature which will set out the terms of the option (the "Stock Option Contract"). Such Stock Option shall be exercisable as follows:

(i) Definitions for use exclusively in this Paragraph 5:

(A) "Division Profit". The pre-tax net profit of the Division at the end of each fiscal year ended during the Employment Term.

(B) "Base Profit". The highest Division Profit in the preceding completed fiscal years attained by the Division during the Employment Term. The Base Profit for the first fiscal year ended during Employment Term shall be Zero Dollars (\$0).

(C) "Option Profit". The difference resulting in subtracting the Base Profit from the Division Profit from the most recently completed fiscal year.

(D) "Division Profit Level 1". One Million and Five Hundred Thousand Dollars (\$1,500,000)

(E) "Division Profit Level 2". Three Million Dollars (\$3,000,000).

(ii) The Employee shall be permitted to exercise Stock Options, for the remaining term of the Stock Option Contract, with the right to purchase the Company's common stock in the amounts as calculated using the following formula:

(A) The Employee shall be able to exercise the Stock Options equal to 500 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit be less than the Division Profit Level 1.

(B) The Employee shall be able to exercise the Stock Options equal to 625 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 1, but not equal or exceed the Division Profit Level 2.

(C) The Employee shall be able to exercise the Stock Options equal to 750 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 2.

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 American Express 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 or disability insurance 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.

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

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

(iv) commission by Employee of an 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

(c) The Employee may terminate this Agreement should the Company not provide the Division at least \$500,000 for its use (the "Funds"), subject to the terms of the loan agreement between the Company and its bank. The Funds provided

to the Division for its use shall be charged to the Division at the rate of

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the Prime Rate plus 1/2% per annum, or such other rate that the Company should borrow from its bank.

(d) The Company may terminate this Agreement, upon thirty (30) days written notice should the Division not attain at least fifty percent (50%) of the pre-tax net income projections as set forth in the "Direct Marketing Forecast & Projections Summary" attached to this 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.

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 program similar to the program of the Division, conducted by the Division during the term of this Agreement.

(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

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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.

(viii) Notwithstanding the above, should this Agreement expire on the Expiration Date and the Employee's employment shall have terminated on that Expiration Date, or should the Employee be terminated by the Company for reasons other than For Cause, then the restrictions upon the Employee's activities as

set forth in Subparagraphs 11(b) (i), 11(b) (iii), 11(b) (iv) and 11(b) (vii) shall not be operative for the one (1) year period following the Employee's cessation of employment by the Company, so long as the Employee and/or any organization with which he becomes associated does not engage in any business or activity which competes or interferes with any business or activity engaged in by the Company, or which is under development or is 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 Employment Term 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 the 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.

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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, 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, 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.

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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 first above written.

FIRST PRIORITY GROUP, INC.

By: /s/ Barry Siegel

Dated: _____

Title: Co-Chairman of the Board

Steven Zucker

By: /s/ Steven Zucker

Dated: _____

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated September 3, 1996 by and between First Priority Group, Inc., a New York corporation with an address at 270 Duffy Avenue, Hicksville, New York (the "Company"), and DONALD SHANLEY, an individual residing at 69 Bay Avenue, Huntington, New York 11743 ("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 August 19, 1996 (the "Commencement Date") and shall continue for a period of approximately twenty-eight (28) months thereafter, terminating on December 31, 1998 (the "Expiration Date"), unless earlier terminated under the terms and conditions herein (the "Employment Term").

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3. Duties

(a) Employee's responsibilities shall be to develop and manage the subrogation division of the Company, FPG Recovery Services Division (the "Division"), with full responsibility for the financial performance of the Division, and to perform such other duties and services involving sales, marketing and program development 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 President, FPG Recovery Services Division.

(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. The Employee shall not receive any Base Salary throughout the term of this Agreement.

(b) Incentive Compensation. The Employee shall receive Incentive Compensation equal to ten percent (10%) of the pre-tax net income of the Division payable monthly.

(c) Stock Options. The Employee shall be granted an Incentive Stock Option (the "Stock Option") under the Company's stock option plan providing the Employee the right to purchase 500,000 shares of the Company's common stock at the fair market price of the Company's common stock on the Commencement Date. The Company will provide the Employee with a stock option contract for his signature which will set out the terms of the option (the "Stock Option Contract"). Such Stock Option shall be exercisable as follows:

(i) Definitions for use exclusively in this Paragraph 5:

(A) "Division Profit". The pre-tax net profit of the Division at the end of each fiscal year ended during the Employment Term.

(B) "Base Profit". The highest Division Profit in the preceding completed fiscal years attained by the Division during the Employment Term. The Base Profit for the first fiscal year ended during Employment Term shall be Zero Dollars (\$0).

(C) "Option Profit". The difference resulting in subtracting the Base Profit from the Division Profit from the most recently completed fiscal year.

(D) "Division Profit Level 1". One Million and Five Hundred Thousand Dollars (\$1,500,000)

(E) "Division Profit Level 2". Three Million Dollars (\$3,000,000).

(ii) The Employee shall be permitted to exercise Stock Options, for the remaining term of the Stock Option Contract, with the right to purchase the Company's common stock in the amounts as calculated using the following formula:

(A) The Employee shall be able to exercise the Stock Options equal to 1,000 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit be less than the Division Profit Level 1.

(B) The Employee shall be able to exercise the Stock Options equal to 1,250 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 1, but not equal or exceed the Division Profit Level 2.

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(C) The Employee shall be able to exercise the Stock Options equal to 1,500 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 2.

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 American Express 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 or disability insurance 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.

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 compensation payable pursuant to Paragraph 5 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 compensation 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 compensation pursuant to Paragraph 5 earned or accrued up through the day on which Employee is terminated.

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

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(i) any 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 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. Failure of the Division to attain at least fifty percent (50%) of the pre-tax net income projections as set forth in the "Subrogation Forecast & Projections Summary" attached to this Agreement as Exhibit 1 (the "Forecast") and failure to attain 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, shall not be reason for termination of the Employee For Cause; or

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

(iv) commission by Employee of an 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

(c) The Company may terminate this Agreement, upon thirty (30) days written notice should the Division not attain at least fifty percent (50%) of the pre-tax net income projections as set forth in the "Subrogation Forecast & Projections Summary" attached to this 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.

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, patient and case records, 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.

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(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 program similar to the program of the Division, conducted by the Division during the term of this Agreement.

(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.

(viii) Notwithstanding the above, should this Agreement expire on the Expiration Date and the Employee's employment shall have terminated on that Expiration Date, or should the Employee be terminated by the Company for reasons other than For Cause, then the restrictions upon the Employee's activities as set forth in Subparagraphs 11(b)(iii) and 11(b)(iv) shall not be operative for the one (1) year period following the Employee's cessation of employment by the Company, so long as the Employee and/or any organization with which he becomes associated does not engage in any business or activity which competes or interferes with any business or activity engaged in by the Company, or which is under development or is in a planning stage by the Company.

(ix) Notwithstanding the above, should this Agreement expire on the Expiration Date and the Employee's employment shall have terminated on that Expiration Date, or should the Employee be terminated by the Company for reasons other than For Cause, then the restrictions upon the Employee's activities as set forth in Subparagraphs 11(b)(i) and 11(b)(vii) shall not be operative for the one (1) year period following the Employee's cessation of employment by the Company, so long as the Employee and/or any organization with which he becomes associated does not engage in any business or activity which competes or interferes with any business or activity engaged in by the Company, or which is under development or is in a planning stage by the Company, except for engaging in the business of collection, location and skip tracing services, and the business of the Division which is the business of subrogation.

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(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 Employment Term 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.

(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

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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, 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, 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 first above written.

FIRST PRIORITY GROUP, INC.

By: /s/ Barry Siegel

Dated: _____

Title: Co-Chairman of the Board

Donald Shanley

By: /s/ Donald Shanley

Dated: _____

EMPLOYMENT AGREEMENT

EMPLOYMENT AGREEMENT (the "Agreement") dated September 3, 1996 by and between First Priority Group, Inc., a New York corporation with an address at 270 Duffy Avenue, Hicksville, New York (the "Company"), and BARRY J. SPIEGEL, an individual residing at 1097 Longview, Fort Lauderdale, Florida 33326 ("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 September 1, 1996 (the "Commencement Date") and shall continue for a period of twenty-eight (28) months thereafter, terminating on December 31, 1998 (the "Expiration Date"), unless earlier terminated under the terms and conditions herein (the "Employment Term").

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3. Duties

(a) Employee's responsibilities shall be to develop and manage the affinity group services division of the Company, FPG Affinity Services Division (the "Division"), with full responsibility for the financial performance of the Division, and to perform such other duties and services involving sales, marketing and program development 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 President, FPG Affinity Services Division.

(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 January 1, 1997, 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 Thousand Dollars (\$100,000), subject to all required federal, state and local payroll deductions.

(b) Incentive Compensation. The Employee shall receive Incentive Compensation equal to twenty-five percent (25%) of the pre-tax net income of the Division payable monthly, until the Employee's Base Salary and Incentive Compensation equals Twenty Thousand and Eight Hundred Thirty-three Dollars and 33/100 Cents (\$20,833.33) per month. Once the Employee's Base Salary and Incentive Compensation exceeds Twenty Thousand and Eight Hundred Thirty-three Dollars and 33/100 Cents (\$20,833.33) per month, any excess Incentive Compensation shall be paid at the rate of ten percent (10%) of the pre-tax net income of the Division.

(c) Stock Options. The Employee shall be granted an Incentive Stock Option (the "Stock Option") under the Company's stock option plan providing the Employee the right to purchase 500,000 shares of the Company's common stock at the fair market price of the Company's common stock on the Commencement Date. The Company will provide the Employee with a stock option contract for his signature which will set out the terms of the option (the "Stock Option Contract"). Such Stock Option shall be exercisable as follows:

(i) Definitions for use exclusively in this Paragraph 5:

(A) "Division Profit". The pre-tax net profit of the Division at the end of each fiscal year ended during the Employment Term.

(B) "Base Profit". The highest Division Profit in the preceding completed fiscal years attained by the Division during the Employment Term. The Base Profit for the first fiscal year ended during Employment Term shall be Zero Dollars (\$0).

(C) "Option Profit". The difference resulting in subtracting the Base Profit from the Division Profit from the most recently completed fiscal year.

(D) "Division Profit Level 1". One Million and Five Hundred Thousand Dollars (\$1,500,000)

(E) "Division Profit Level 2". Three Million Dollars (\$3,000,000).

(ii) The Employee shall be permitted to exercise Stock Options, for the remaining term of the Stock Option Contract, with the right to purchase the Company's common stock in the amounts as

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calculated using the following formula:

(A) The Employee shall be able to exercise the Stock Options equal to 1,000 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit be less than the Division Profit Level 1.

(B) The Employee shall be able to exercise the Stock Options equal to 1,250 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 1, but not equal or exceed the Division Profit Level 2.

(C) The Employee shall be able to exercise the Stock Options equal to 1,500 shares for every \$10,000 of Option Profit, subject to the terms of the Stock Option Contract, should the Division Profit equal or exceed Division Profit Level 2.

(iii) Notwithstanding the above, the Employee shall be able to exercise his right to purchase up to 25,000 shares of the Company's common stock on the one year anniversary of the Commencement Date, as long as the Employee is employed by the Company under this Agreement on such anniversary date (the Initial Option). Moreover, as long as the Employee is employed by the Company under this Agreement on December 31, 1997, the Employee may elect, on that date, to exchange the Initial Option for a sum of Twenty-five Thousand Dollars (\$25,000). Additionally, upon the expiration date of this Agreement, and his

continued employment through this date, the Company guarantees that pursuant to this paragraph the Employee shall be able to exercise the right to purchase no less than 25,000 shares of the Company's common stock, in addition to the Initial Option.

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 American Express 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 or disability insurance 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 of to \$500 per month for a car allowance upon the Employee submitting supporting documentation.

The Employee shall be reimbursed for his moving expenses from Florida in the amount not to exceed \$5,000. The Employee must submit supporting documentation with his request for reimbursement.

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

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

(iv) commission by Employee of an 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

(c) Following a Change in Control of the Company, should the Employee be terminated under this Agreement, or should the Employee terminate this Agreement due to the Employee's refusal to move his office to a location outside of a fifty mile radius of the Employee's office location at the time that the Change in Control occurred, then the Employee shall receive a severance payment of One Hundred Thousand Dollars (\$100,000), or the Total Compensation that would have been payable to the Employee for on the remaining term of this Agreement, which ever is more. Change in Control shall be defined as one person or entity acquiring a majority of the voting common stock of the Company, or another corporation merging into the Company, or the Company merging into another corporation.

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Should this Agreement be terminated pursuant to Paragraph 10(c) and such termination date does not coincide with the end of the Company's ownership fiscal year, then for operation of Paragraph 5(c) the Division Profit for the fiscal year in which termination shall have occurred shall be calculated using the following formula:

The Division Profit shall be equal to the quotient found by dividing the total year-to-date pre-tax net profit of the Division through the most current fully completed month, just prior to the date of termination, by the number of fully completed months in the current fiscal year, just prior to the date of termination, multiplied by twelve (12).

The Employee shall then be eligible for the exercise of additional stock options as set forth in Paragraph 5(c)(ii) using the Division Profit as calculated above.

(d) The Company may terminate this Agreement, upon thirty (30) days written notice should the Division not attain, for three (3) consecutive months, at least fifty percent (50%) of the pre-tax net income projections as set forth in the "Affinity Services Division Forecast & Projections Summary" attached to this 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. The Company and the Employee acknowledge that the Employee may not be terminated, pursuant to this Subparagraph 10(d), prior to the expiration of the sixteen (16) month period following the Commencement Date.

(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 program similar to the program of the Division, conducted by the Division during the term of this Agreement.

(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

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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.

(viii) Notwithstanding the above, should this Agreement expire on the Expiration Date and the Employee's employment shall have terminated on that Expiration Date, or should the Employee be terminated by the Company for reasons other than For Cause, then the restrictions upon the Employee's activities as set forth in Subparagraphs 11(b) (i), 11(b) (iii), 11(b) (iv) and 11(b) (vii) shall not be operative for the one (1) year period following the Employee's cessation

of employment by the Company, so long as the Employee and/or any organization with which he becomes associated does not engage in any business or activity which competes or interferes with any business or activity engaged in by the Company, or which is under development or is 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 Employment Term 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'

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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, 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, 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.

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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 first above written.

FIRST PRIORITY GROUP, INC.

By: /s/ Barry Siegel

Dated: _____

Title: Co-Chairman of the Board

Barry J. Spiegel

By: /s/ Barry J. Spiegel

Dated: -----

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