U.S. Securities and Exchange Commission

Washington, D.C. 20549

Form 10-QSB

(Mark One)

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

For the quarterly period ended March 31, 1997

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

For the transition period from ________________ to _______________

Commission file number 0-21467

FIRST PRIORITY GROUP, INC
(Exact name of small business issuer as specified in its charter)

New York	11-2750412
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

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

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

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

State the number of shares outstanding of each of the issuer's classes of common equity, as of May 15, 1997: 6,150,550 shares of common stock

Transitional Small Business Format (check one)

Yes [ ] No [X]

Part I Financial Information

Item 1. Financial Statements

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FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEET

MARCH 31, 1997
(UNAUDITED)

ASSETS	
Current Assets:	
Cash and cash equivalents	$ 520,493
Accounts receivable, less allowance for doubtful accounts of $11,500	2,169,606
Inventories	586,261
Prepaid expenses and other current assets	345,293
Total current assets	3,621,653
Property and equipment, net	363,218
Security deposits and other	31,396
Total assets	$ 4,016,267
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Line of credit financing	600,000
Accounts payable and accrued expenses	2,552,556
Total current liabilities	3,152,556
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	(1,081,190)
	953,711
Less common stock held in treasury, at cost, 266,667 shares	(90,000)
Total shareholders' equity	863,711
Total liabilities and shareholders' equity	$ 4,016,267

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

<TABLE>
<CAPTION>

	THREE MONTHS ENDED	
	March 31, 1997	March 31, 1996
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Revenue:		

Revenue from services	$ 3,679,290	$ 3,180,779
Net sales	814,542	--
Total Revenue	4,493,832	3,180,779
Costs and expenses applicable to sales and revenues:		
Cost of services	3,078,238	2,589,172
Cost of goods sold	377,546	--
Total costs and expenses applicable to revenue	3,455,784	2,589,172
Excess of revenue over direct costs	1,038,048	591,607
Operating expenses:		
Selling and direct marketing expenses	685,431	--
General and administrative	697,432	484,205
Total operating expenses	1,382,863	484,205
Income (loss) from operations	(344,815)	107,402
Other income (expense):		
Interest and other income	4,955	6,538
Interest expense	(13,198)	--
Total other income (expense)	(8,243)	6,538
Income (loss) before income taxes	(353,058)	113,940
Provision for income taxes	--	1,000
Net income (loss)	($ 353,058)	$ 112,940
Earnings (loss) per common share	($ 0.06)	$ 0.01

</TABLE>

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW

<TABLE>
<CAPTION>

	THREE MONTHS ENDED March 31, 1997	March 31, 1996
<S>	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	($353,058)	$ 112,940
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	13,975	8,887
Changes in assets and liabilites:		
Accounts receivable	(152,971)	(83,150)
Inventories	(267,863)	
Prepaid expenses and other current assets	(23,395)	(3,522)
Security deposit and other	15,917	
Accounts payable and accrued expenses	839,754	15,983
Total adjustments	425,417	(61,802)
Net cash provided by operating activities	72,359	51,138

Cash flows from investing activities, additions to property and equipment	(235,369)	(21,181)
Cash flows used in financing activities, repayment of notes payable	--	(37,264)
Net decrease in cash and cash equivalents	(163,010)	(7,307)
Cash and cash equivalents at beginning of period	683,503	779,074
Cash and cash equivalents at end of period	$ 520,493	$ 771,767

</TABLE>

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

FIRST PRIORITY GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. UNAUDITED FINANCIAL STATEMENTS

The information contained in the condensed consolidated financial statements for the period ended March 31, 1997 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

First Priority Group, Inc. (the "Company"), a New York corporation formed in June 28, 1985, 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 computerized compilation and analysis of vehicle usage and maintenance data and the repair and maintenance of vehicles through approximately 3,000 independently contracted and over 5,000 nationally recognized repair facilities nationwide.

Effective September 1, 1996, the Company commenced marketing consumer goods through oil companies and retail department stores ("client") through direct mailing efforts throughout the United States, to customers who regularly use a credit card issued by the client companies.

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

3. RESULTS OF OPERATIONS

The unaudited results of operations for the three months ended March 31, 1997 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 (loss) per common and common equivalent share is based upon the weighted average number of outstanding common shares during the period plus, when applicable, the dilutive effect of stock options and warrants.

The number of common and common equivalent shares utilized in the per share computations were 5,883,883 and 7,775,377 in the three months ended March 31, 1997 and March 31, 1996, respectively.

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

Results of Operations

The Company, prior to September, 1996, conducted business in only one segment, automotive fleet management and related operations ("Automotive Management".) In September of 1996, the Company commenced a new line of business, under the name FPG Direct. FPG Direct markets consumer goods to the credit card base of customers of oil companies and retail department stores through direct mailing efforts throughout the United States.

Automotive Management

For the three months ended March 31, 1997, revenues from services of the automotive management operations were $3,679,290, as compared to $3,180,779 for the three months ended March 31, 1996, representing an increase of $498,511, or 15.7%. The increased revenues reflect the Company's continued success in increasing the amount of business it is conducting with continuing customers, as well as new customers to its base of business. The direct cost of services related to such revenue (principally charges from automotive repair facilities) was $3,078,238 and $2,589,172 for the three month periods ended March 31, 1997 and 1996, respectively, resulting in an increase of $489,066 or 18.9%. The gross profit percentage was 16.3% for the three months ended March 31, 1997 as compared to 18.6% for the same period of 1996. The decreased gross profit percentage is mainly due to fee based programs offered to large companies at a reduced rate as an incentive to sign long term contracts. This business practice has reduced the Company's attrition rate.

FPG Direct

For the three months ended March 31, 1997, FPG Direct had net sales of $814,542, and cost of goods sold of $377,546, resulting in a gross profit of $436,996, or 53.6%. FPG direct incurred selling, general, and administrative expenses of $765,533, and interest expense of $13,198, resulting in a net loss of $341,735. Sales related to the promotions completed and ongoing during this quarter did not meet expectations, resulting in losses for the division. This division has committed to several additional promotions which have mail dates from April 1997 through June 1997 . Given the unexpected results of operations for the initial seven month period, all additional commitments for mailings beginning July 1997 and later have been canceled pending management's review of the results of the current and upcoming promotions. The product mix has been altered in an attempt to increase sales and reduce returns. Pending the success of this strategy, the company is considering additional mail promotions.

Operating expenses and other

Total operating expenses were $1,382,863 for the three months ended March 31, 1997, as compared to $484,205 for the three months ended March 31, 1996,

representing an increase of $898,658, or 185.6%. Of this increase, $765,533 is directly related to the operating expenses of FPG Direct. The remaining increase in operating expenses of $133,125 or 27.5% is primarily attributable to increased payroll and related expenses specifically associated with hiring of senior executives to head the Affinity and DARP business groups as well as increases in other general and administrative expenses required to service the Company's growing automotive management operations.

Net earnings (loss)

As a result of the foregoing, the net loss for the three months ended March 31, 1997 was $353,058 ($.06 per share) as compared to a net income of $112,940 ($.01 per share) for the comparable three months in 1996.

Liquidity and Capital Resources

As of March 31, 1997, the Company had cash and cash equivalents of $520,493. Working capital of the Company as of March 31, 1997, was $469,097. The Company's operating activities generated $72,359 of cash in the first quarter of 1997.

In order to provide for the working capital needs of FPG Direct and provide liquidity for its ongoing growth, the Company entered into a short-term line of credit agreement with its bank, providing for financing up to $1,000,000 through June 30, 1997. As of March 31, 1997 the Company had borrowed $600,000 from the bank under the line of credit. Subsequent to March 31, 1997, the Company has repaid $450,000 of the $600,000 borrowed.

As a result of relocating the Corporate offices in April of 1997, to a 12,000 square foot facility in Plainview, New York, the company incurred significant expenditures representing moving costs, new furniture and equipment, and leasehold improvements. In April 1997 , the Company obtained a term loan of $150,000 from its bank to finance some of these costs.

Additionally, in April 1997 , the Company raised $400,000 through the private placement issuance of 266,667 shares at $1.50 per share. Several of the Company's executives and employees accounted for a majority of the shares issued in the private placement.

Part II Other Information

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

(a) Exhibits

None

(b) Reports on Form 8-K

None

SIGNATURES

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

FIRST PRIORITY GROUP, INC.

Date: May 15, 1997

By: /s/ Michael Karpoff

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

Date: May 15, 1997

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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