

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 June 30, 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
(State or other jurisdiction of
incorporation or organization)

11-2750412
(IRS Employer
Identification No.)

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

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

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

State the number of shares outstanding of each of the issuer's classes of
common equity, as of August 14, 1997: 6,150,550 shares of common stock

Transitional Small Business Format (check one)

Yes No

Part I Financial Information

Item 1. Financial Statements

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CONDENSED CONSOLIDATED BALANCE SHEET

JUNE 30, 1997
(UNAUDITED)

ASSETS

<TABLE>	
<S>	<C>
Current Assets:	
Cash and cash equivalents	\$ 403,238
Accounts receivable, less allowance for doubtful accounts of \$39,500	2,379,578
Inventories	222,392
Prepaid expenses and other current assets	240,008

Total current assets	3,245,216
Property and equipment, net	427,704
Security deposits and other	27,738

Total assets	\$ 3,700,658
	=====

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:	
Current portion of long term debt	\$ 50,004
Accounts payable and accrued expenses	2,704,148

Total current liabilities	2,754,152
Long term debt less current portion	91,662

Total liabilities	2,845,814

Shareholders' equity:	
Common stock, \$.015 par value, authorized 20,000,000 shares; issued 6,417,217 shares	96,258
Additional paid-in capital	2,338,643
Deficit	(1,490,057)

Total shareholders' equity	944,844
Less common stock held in treasury, at cost, 266,667 shares	(90,000)

Total shareholders' equity	854,844

Total liabilities and shareholders' equity	\$ 3,700,658
	=====

</TABLE>

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	
	June 30, 1997	June 30, 1996
	-----	-----
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Revenue from operations	\$ 3,197,844	\$ 2,870,207
Costs of revenue (principally charges incurred at repair facilities for services)	2,628,802	2,349,742
	-----	-----
Gross profit	569,042	520,465
Operating expenses:		

Selling, general and administrative	663,699	462,406
Income (loss) from operations	(94,657)	58,059
Other income (expense):		
Interest and other income	15,983	9,247
Interest expense	(1,730)	--
Total other income	14,253	9,247
Income (loss) from continuing operations before income taxes	(80,404)	67,306
Provision for income taxes	--	500
Income (loss) from continuing operations	(80,404)	66,806
Discontinued operations (Note 4):		
Loss from operations of discontinued division (no income tax benefit)	(328,463)	--
Net income (loss)	(\$ 408,867)	\$ 66,806
Earnings (loss) per common share (continuing operations)	(\$ 0.01)	\$ 0.01
Earnings (loss) per common share (discontinued operations)	(0.06)	--
Net earnings (loss) per common share	(\$ 0.07)	\$ 0.01

</TABLE>

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

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

<TABLE>
<CAPTION>

	SIX MONTHS ENDED	
	June 30, 1997	June 30, 1996
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Revenue from operations	\$ 6,877,134	\$ 6,050,986
Costs of revenue (principally charges incurred at repair facilities for services)	5,707,040	4,938,914
Gross profit	1,170,094	1,112,072
Operating expenses:		
Selling, general and administrative	1,281,029	946,611
Income (loss) from operations	(110,935)	165,461
Other income (expense):		
Interest and other income	20,938	15,785
Interest expense	(1,730)	--
Total other income	19,208	15,785
Income (loss) from continuing operations before income taxes	(91,727)	181,246
Provision for income taxes	--	1,500
Income (loss) from continuing operations	(91,727)	179,746
Discontinued operations (Note 4):		
Loss from operations of discontinued division (no income tax benefit)	(670,198)	--
Net income (loss)	(\$ 761,925)	\$ 179,746
Earnings (loss) per common share (continuing operations)	(\$ 0.02)	\$ 0.02
Earnings (loss) per common share (discontinued operations)	(0.11)	--

Net earnings (loss) per common share	----- (\$ 0.13) =====	----- \$ 0.02 =====
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</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>

	SIX MONTHS ENDED	
	June 30, 1997	June 30, 1996
	<C>	<C>
Cash flows from operating activities:		
Net income (loss)	(\$761,925)	\$ 179,746
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	36,918	18,086
Provision for bad debt	28,000	
Changes in assets and liabilities:		
Accounts receivable	(390,943)	82,597
Inventories	96,006	
Prepaid expenses and other current assets	81,890	(6,002)
Security deposit and other	19,575	(175)
Accounts payable and accrued expenses	991,346	(169,460)
Total adjustments	862,792	(74,954)
Net cash provided by operating activities	100,867	104,792
Cash flows from investing activities, additions to property and equipment	(322,798)	(32,555)
Cash flows provided by (used in) financing activities:		
Repayment under line of credit financing	(600,000)	
Proceeds from bank loan	150,000	
Principal payments on bank loan	(8,334)	(37,264)
Proceeds from issuance of common stock	400,000	
Net cash used in financing activities	(58,334)	(37,264)
Net decrease in cash and cash equivalents	(280,265)	34,973
Cash and cash equivalents at beginning of period	683,503	779,074
Cash and cash equivalents at end of period	\$ 403,238	\$ 814,047

</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)

The information contained in the condensed consolidated financial statements for the period ended June 30, 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. (See Note 4, regarding the discontinuance of this operation).

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

3. RESULTS OF OPERATIONS

The unaudited results of operations for the six months ended June 30, 1997 are not necessarily indicative of the results to be expected for the full year.

4. DISCONTINUED OPERATIONS

During the second quarter of 1997, the Company decided to discontinue its FPG Direct division. As the programs end, the Company intends to fill all orders, pay all

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vendors and collect receivables over a period of time. The results of operations for this division are reported separately in the statements of operations.

5 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 6,018,681 and 7,747,504 for the three months ended June 30, 1997 and 1996, respectively and 5,951,655 and 7,747,504 for the six months ended June 30, 1997 and 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. See discussion below regarding the discontinuance of the operations of FPG Direct.

Automotive Management

For the three months ended June 30, 1997, revenues from services of the automotive management operations were \$3,197,844, as compared to \$2,870,207 for the three months ended June 30, 1996, representing an increase of \$327,637, or

11.4%. For the six months ended June 30, 1997 revenues from services were \$6,877,134 as compared to \$6,050,986 for the six months ended June 30, 1996, representing an increase of \$826,148, or 13.6%. The increased revenues reflect the Company's continued success in increasing the amount of business it is conducting with continuing customers, as well adding new customers to its base of business. The direct cost of services related to such revenue (principally charges from automotive repair facilities) was \$2,628,802 and \$2,349,742 for the three month periods ended June 30, 1997 and 1996, respectively, resulting in an increase of \$279,060 or 11.9%. The direct cost of services related to such revenue was \$5,707,040 and \$4,938,914 for the six months ended June 30, 1997 and 1996, respectively, resulting in an increase of \$768,126 or 15.6%. The gross profit percentage was 17.7% and 17.0% for the three and six months ended June 30, 1997, respectively, as compared to 18.1% and 18.4% for the same periods 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.

Operating expenses and other (Continuing operations)

Total operating expenses were \$663,699 for the three months ended June 30, 1997, as compared to \$462,406 for the three months ended June 30, 1996, representing an increase of \$201,293, or 43.5%. For the six months ended June 30, 1997, total operating expenses were \$1,281,029, an increase of \$334,418 or 35.3% from total operating expenses of \$946,611 for the same period of 1996. The increase in operating expenses is primarily attributable to increased payroll and related expenses specifically associated with hiring of senior executives to head the Affinity and Direct Appraisal and Repair Programs (DARP) business groups as well as increases in other general and administrative expenses required to service the Company's growing automotive management operations.

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Net earnings (loss) (Continuing operations)

As a result of the foregoing, the net loss from continuing operations for the three months ended June 30, 1997 was \$80,404 (\$.01 per share) as compared to a net income of \$66,806 (\$.01 per share) for the comparable three months in 1996. For the six months ended June 30, 1997, the net loss from continuing operations was \$91,727 (\$.02 per share) as compared to a net income of \$179,746 (\$.02 per share) for the same period in 1996.

FPG Direct (Discontinued operations)

For the three and six months ended June 30, 1997, FPG Direct had net sales of \$1,480,246 and \$2,294,789 and cost of goods sold of \$692,539 and \$1,070,085, resulting in a three month gross profit of \$787,707 (53.2%) and a six month gross profit of \$1,224,704 (53.4%), respectively. For the three months ended June 30, 1997, FPG Direct incurred selling, general, and administrative expenses

of \$1,096,369, and interest expense of \$19,801, resulting in a net loss of \$328,463 (\$.06 per share). For the six months ended June 30, 1997, FPG Direct incurred selling, general, and administrative expenses of \$1,861,903 and interest expense of \$32,999 resulting in a six month net loss of \$670,198 (\$.11

per share). Sales related to the promotions completed and ongoing during this year did not meet expectations, resulting in losses for the division. This division has not participated in any new promotions since June 1997. As a result of the losses from the operations of this division, management has decided to discontinue the operations of this division. The Company does not expect to incur any additional losses during the phase out period.

Contingency Note

FPG Direct has contracted through an intermediary to market its direct mail program to holders of credit cards issued by oil companies and retail stores. On July 7, 1997, one such credit card issuer, Montgomery Ward filed a petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. As of June 30, 1997, approximately \$230,000 was outstanding and owed to the Company from the Montgomery Ward program. The intermediary has offered to reimburse the Company up to 88 percent of the balance outstanding. The Company has reserved \$28,000 against this accounts receivable in anticipation of the settlement.

Liquidity and Capital Resources

As of June 30, 1997, the Company had cash and cash equivalents of \$403,238. Working capital of the Company as of June 30, 1997, was \$533,564. The Company's operating activities generated \$100,867 of cash in the first two quarters 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 June 30, 1997 the Company had no borrowings from the bank under the

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line of credit. On June 30, 1997 the Company renewed the line of credit through June 30, 1998 at a quarter percent above the bank's prime lending rate (one quarter percent less than the original agreement).

As a result of relocating the Company's offices in April 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 May 1997, the Company raised \$400,000 through the private placement issuance of 266,667 shares of its common stock 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

Exhibit No.	Description
10.1	Short Term Loan Agreement dated April 15, 1997 between the Company and The Chase Manhattan Bank.
10.2	Promissory Note dated April 15, 1997 payable to The Chase Manhattan Bank.
10.3	Lease Agreement dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation for lease of the Company's facilities in Plainview, New York.
10.4	First Amendment to Lease Agreement dated July 14, 1997 amending the lease dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation.

(b) Reports on Form 8-K

None

SIGNATURES

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

FIRST PRIORITY GROUP, INC.

Date: August 19, 1997

By: /s/ Michael Karpoff

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

Date: August 19, 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

Index of Exhibits

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10.4	First Amendment to Lease Agreement dated July 14, 1997 amending the lease dated December 6, 1996 between the Company and 51 East Bethpage Holding Corporation.

All references to Chemical Bank, The Chase Manhattan Bank, N.A. or The Chase Manhattan Bank, (National Association) shall mean The Chase Manhattan Bank, a New York State chartered bank.

SHORT FORM TERM LOAN AGREEMENT
The Chase Manhattan Bank

Loan Agreement dated _____, 1997, among First Priority Group, Inc., a New York Corporation (having its principal place of business) (residing at) 51 East Bethpage Road, Plainview, NY 11803 ("Borrower") and guarantor(s) identified by their execution below ("Borrower" and "Guarantor(s)" collectively referred to hereafter as "the Obligor(s)") and Chemical Bank, a New York banking corporation ("the Bank"). Borrower has applied to the Bank for a loan in the principal amount of \$150,000 the proceeds of which shall be used for the purpose of purchase of office furniture and equipment ("the Loan"). The Bank has made the Loan upon the following terms and conditions:

(1) The Note: Rate of Interest Manner of Repayment.

- a. The Loan shall bear interest at a variable per annum rate as follows: .5% above such rate of interest as is publicly announced by its principal office from time to time by Chemical Bank as its prime rate, but in no event higher than the maximum permitted under applicable law;
- b. Principal on the Loan shall be paid in 35 consecutive (monthly), (quarterly) installments of \$4,167 each and a final installment in the amount of the remaining unpaid principal;
- c. The time, place and mode of payments and method of computing interest are described in the Promissory Note evidencing the Loan made substantially in the form of Exhibit A hereof; and
- d. Borrower shall have the right, upon three days written notice, to prepay the Loan without penalty in an amount equal to an installment (or multiple thereof) to be applied to installments in inverse order of maturity.

(2) Representations and Warranties.

In order to induce the Bank to enter into this Agreement and to make the Loan, each Obligor represents and warrants to the Bank that:

- a. (As to each Obligor that is not an individual) it:
 - (i) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation;
 - (ii) is duly qualified and in good standing in every jurisdiction in which it presently engages in business and in which such qualification is required;
 - (iii) has the power, authority and legal right to own, or lease and enjoy undisturbed, the assets of the business and engage in business as now conducted;
 - (iv) has the power, authority and legal right to enter into and execute this Agreement, the Note, the Guaranty and any Security Agreement, Pledge Agreement, General Loan and Collateral Agreement or other agreements furnished in connection with the Loan; and
 - (v) such Obligor has no subsidiaries or affiliates except those listed on Exhibit B hereof and in each instance it owns all of the outstanding stock of such subsidiaries.

Financial Statements
Accurate No Change

- b. All financial statements of such Obligor previously delivered to the Bank, whether or not in connection with this Loan, are complete, correct, present fairly the financial condition of that entity, reflect every liability (whether direct or contingent) and there has been no material adverse change in the financial condition of such Obligor since financial statements dated 3/31/96 (as to Borrower) and 3/31/96 (as to Guarantor);

Other Agreements

- c. This Agreement will not violate any other indenture or other agreement nor any law, order, rule or regulation of any government instrumentality applicable to such Obligor or by which its property is bound nor will it result in the creation or imposition of any other lien, except for those being created by any Security Agreement related hereto;

First Lien

- d. Any security interests created as Collateral for the Loan constitute valid, first and prior perfected liens in favor of the Bank;

Litigation

- e. There are no suits or proceedings pending or threatened against such Obligor or affecting any of its properties (of which such Obligor has any knowledge) except those disclosed and explained by letter of counsel annexed hereto as Exhibit C; whether or not a letter of Borrower's counsel is required for this purpose, the Bank shall have received, on or immediately prior to the date of this Agreement, the favorable written opinion of Borrower's counsel addressed to the Bank confirming the accuracy of the representations and warranties set forth in Sections 2(a), (c) and (d) hereof;

Taxes

- f. Federal Income Tax returns of such Obligor have filed audited through 12/31/95 (as to Borrower) and 12/31/95 (as to Guarantor) and deficiencies (if any) resulting from such examinations have been reserved against or discharged. Additionally, such Obligor has filed all required Federal, state and local returns, including those for corporate franchise taxes, and has paid all taxes or assessments due thereon;

ERISA

- g. Such Obligor, if required, is in compliance in every material respect with the applicable provisions of the Employee Retirement Income Security Act of 1974 ("ERISA") and regulations or published interpretations thereof and has not had a Reportable Event occur with respect to any Plan as defined in ERISA; and

Federal Reserve Regulations

- h. Such Obligor is not engaged principally in nor has as an important activity in the business of extending credit for the purpose of purchasing or carrying "margin stock" (as defined in Regulation U of the Board of Governors of the Federal Reserve System) nor will any part of the proceeds of this Loan be used, now or ultimately, to purchase or carry such stock or extend such credit or violate in any way Regulations G, T, U or X of such Board of Governors.

(3) Affirmative Covenants.

Each Corporate Obligor (that is not an individual) covenants and agrees that, from the date hereof until the full satisfaction of the

obligations under this Agreement and the Note:

Corporate Existence and Properties

- a. It shall preserve, protect, renew and keep in full force and effect its existence, rights, licenses, permits, patents, trademarks, trade names and franchises; comply with all laws and regulations applicable to it; not materially alter the nature or scope of business as presently conducted by it and preserve, repair and maintain all property utilized in the conduct of its business;

Insurance

- b. Maintain insurance with financially sound insurers on its properties against such risks as fire, public liability, lack of fidelity by its employees all as is customary with companies in similar businesses or as reasonably required by the Bank;

Financial Statements

- c. Furnish to the Bank the following financial information:
 - (i) not later than 90 days after the end of its fiscal year its balance sheet (or, in the case of a corporate Obligor having subsidiaries, consolidated and consolidating balance sheets) and statement of income and sources and uses of funds (or consolidated, etc.) prepared in accordance with generally accepted accounting principles consistently applied and certified in a manner satisfactory to the Bank by independent certified public accountants acceptable to the Bank;
 - (ii) not later than 45 days after the end of each fiscal quarter balance sheets and statements of income similar to those above; their accuracy certified in a manner satisfactory to the Bank by the chief financial officer; and
 - (iii) with each set of statements described above the certificate of the chief financial officer that no event exists which alone or with notice, the passage of time, or both, would constitute an Event of Default has occurred.

Access to Premises and Records

- d. Upon written request, the Bank's representatives shall be permitted access to any or all of such Obligor's properties and financial records, to make extracts from such records and to discuss the business, finances and affairs with its officers;

Notices

- e. It shall promptly give written notice to the Bank of:

ERISA

- (i) the details of any Reportable Event as defined in ERISA which has occurred;

Events of Default

- (ii) the occurrence of any event which alone or with notice, the passage of time or both, would constitute an Event of Default;

Litigation

- (iii) the commencement of any proceeding or litigation which, if adversely determined, would adversely affect its financial condition or ability to conduct business; or

Additional Guarantors

- (iv) the formation of any subsidiary or affiliate of Borrower or any corporate Obligor after the date of this Agreement.

Each individual Obligor covenants and agrees from the date hereof until the full satisfaction of the obligations under this Agreement and the Note:

- f. To give written notice to the Bank promptly of any event referred to in Section 3(e) (ii) or (iii); and
- g. To furnish to the Bank promptly after the conclusion of each calendar year personal financial statements of the type and in the equivalent detail of those furnished to the Bank on or prior to the date hereof.

*Refer to Rider attached hereto for Additional Affirmative Covenants

(4) Negative Covenants.

Each Obligor that is not an individual covenants and agrees that, from the date hereof until the full satisfaction of obligations under this Agreement and the Note, it will not without the Bank's prior written consent:

Indebtedness

- a. Create, incur or assume any indebtedness for borrowed money other than:
 - (i) that provided under this Agreement or otherwise consented to by the Bank;
 - (ii) that owing on the date hereof and scheduled on Exhibit D; and
 - (iii) that which is subordinated to indebtedness due the Bank on terms satisfactory to the Bank ("Approved Subordinated Debt").

Refer to Rider attached hereto

Liens

- b. Create, incur or permit to exist against any of its properties or assets, real or personal, tangible or intangible, now owned or hereafter acquired, any mortgage or other lien or encumbrance, except:
 - (i) deposits or pledges relating to the payment of Workman's Compensation, Unemployment Insurance, old age pension or other Social Security;
 - (ii) deposits or pledges relating to the performance of bids, tenders, contracts or leases;
 - (iii) deposits or pledges relating to statutory obligations and surety or appeal bonds necessary to the continuance of the business in the ordinary course;
 - (iv) liens for taxes not delinquent or being contested in good faith and by appropriate proceedings; and
 - (v) purchase money mortgages or other purchase money liens upon property hereafter acquired, not exceeding in amount _____% of the purchase price of property so encumbered, or \$20,000 in the aggregate during the term of this Agreement.

Contingent Obligations

- c. Assume, guarantee, endorse or otherwise become directly or contingently liable for the obligations of any other person except for the Guaranty in connection with this Agreement and the endorsement of negotiable instruments for deposit or collection in the ordinary course of business;

intentionally omitted

Asset Sale

- d. Sell, transfer, lease, sell and thereafter enter into an arrangement with the buyer to rent or lease back all or any substantial part of its properties or assets;

Merger

- e. Consolidate with or merge into any other corporation, or permit another corporation to merge into it, or acquire all or substantially all of the properties or assets of any other Person ("Person" is defined as natural persons, corporations, business trust associations, companies and partnerships);

Note/Accounts Sale

- f. Sell, assign, discount or otherwise dispose of any of its notes or accounts receivable except for collection in the ordinary course of business;

Loans

- g. Make loans or advances to any other Person;

Investments

- h. Purchase or make any investment in the stock, securities or evidences of indebtedness of any other Person except:

- (i) a Guarantor;

- (ii) the United States Government and its agencies; and

- (iii) Certificates of Deposit of domestic banks having capital and surplus in excess of \$100,000,000.

Current Ratio

- i. Permit the ratio of Consolidated Current Assets to Consolidated Current Liabilities at any time to be less than 1.0:1.0;

Debt: Worth

- j. Permit the ratio of Consolidated Total Liabilities to Consolidated Tangible Net Worth at any time to exceed 2.75:1.00 thereafter. ("Total Liabilities" is defined as all liabilities which would properly appear on the liability side of a balance sheet, other than capital stock, capital surplus, retained earnings, minority interest, deferred credits, Approved Subordinated Debt, and contingency reserves, under generally accepted accounting principles).

- * Refer to Rider attached hereto for Additional Negative Covenants

Agreement of Individual Guarantor(s)

(5) Each Individual Guarantor agrees:

- a. To execute in favor of and in form satisfactory to the Bank, a subordination of any present or future indebtedness of Borrower to such Guarantor;

- b. To execute a guaranty of payment of Borrower's obligations hereunder to the Bank; and
- c. To notify the Bank of any material adverse change in the financial condition of Obligors as and when Guarantor shall acquire knowledge thereof.

(6) Events of Default.

In case of the happening of any of the following events ("Events of Default"):

- a. any representation or warranty made herein, in any Security Agreement, Pledge Agreement or General Loan and Collateral Agreement or in any other instrument, agreement or certificate furnished in connection with any of the foregoing shall prove false or misleading in any material respect;
- b. any occurrence delineated in the Note as an Event of Default;
- c. any occurrence delineated in the Security Agreement or any other Loan Document as an Event of Default;
- d. Any Obligor shall default in the due observance or performance of any negative covenant contained in this Agreement or any Security Agreement or any other Loan Document;
- e. Any Obligor shall default in the due observance or performance of any covenant, condition or agreement (other than those referred to in sections (b) and (d) immediately above) contained in this Agreement or any Security Agreement to which it is a party and such default shall continue unremedied for 10 days after notice from the Bank of such default demanding that it be cured;
- f. A Reportable Event shall have occurred with respect to any Plan as defined in ERISA and (i) the Bank has notified the affected Obligor in writing that it has determined that such Reportable Event constitutes reasonable grounds for termination of such Plan by the Pension Benefit Guaranty Corporation or the appointment of a trustee, to administer the Plan, by an appropriate U.S. District Court or (ii) such termination proceedings are commenced or such appointment occurs;

then, the Note at Bank's option (except for bankruptcy which is automatic) shall be immediately due and payable in full, both as to principal and interest, without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived, anything contained herein, in the Note, in the Security Agreement or elsewhere to the contrary notwithstanding.

*Refer to Rider attached hereto for Additional Events of Default

(7) Miscellaneous.

Expenses

- a. The Borrower will pay all out-of-pocket losses, costs and expenses incurred by the Bank in connection with the Loan hereunder, the enforcement of any provision of this Agreement, or any Note or the collection of any amount due hereunder or thereunder including but not limited to, the reasonable fees and disbursements of counsel to the Bank incurred in the course of so enforcing such rights.

No Waiver

- b. No failure or delay by the Bank in exercising any right, power or remedy hereunder upon a breach hereof shall constitute a waiver of any such term, condition, covenant, agreement, right, power of Bank from exercising any such rights, power or remedy at any later time or times.

Additional Provisions

- c. The Rider annexed hereto shall constitute an integral part of this Short Form Term Loan Agreement.
- d. The parties hereto WAIVE RIGHT TO JURY TRIAL.

Amendments

- d. The Bank shall not be deemed to have waived any of the terms, agreements, conditions and covenants hereof, except by a writing signed by an officer of the Bank and delivered to the Borrower. This Agreement may be amended by a supplemental Agreement setting forth such amendment or amendments when properly executed by all the parties to this Agreement.

GAAP

- e. All accounting terms used herein shall have the meaning assigned to them by generally accepted accounting principles, unless otherwise defined.

Law Governing

- f. This Agreement and all rights hereunder, shall be governed by the laws of the State of New York and applicable laws of the United States and shall be binding upon the Obligors, their heirs, executors, administrators, successors and assigns and shall inure to the benefit of the Bank, its successors and assigns. The obligations and conditions of this Agreement shall continue until all indebtedness and liability of the Obligors to the Bank hereunder has been paid and satisfied in full.

All references to Chemical Bank, The Chase Manhattan Bank, N.A. or The Chase Manhattan Bank, (National Association) shall mean The Chase Manhattan Bank, a New York State chartered bank.

First Priority Group, Inc.

By: /s/

Name:

Title: Co-chairman, Co-CEO

Guarantor

National Fleet Service, Inc.

/s/

Name:

Title:

Accepted:
CHEMICAL BANK

By: _____

RIDER TO SHORT FORM TERM LOAN AGREEMENT (the "Loan Agreement") dated _____, 1997 among First Priority Group, Inc., a N.Y. corporation (the "Borrower"), the guarantors identified by their execution below (National Fleet Service, Inc. referred to as the "Corporate Guarantor") (the "Guarantor") (the Borrower and the Guarantor collectively, the "Obligors") and THE CHASE MANHATTAN BANK, a New York banking corporation (the "Bank"). Capitalized terms used herein shall have the meaning given to them in the Loan Agreement. The Loan Agreement, as amended

hereby, shall constitute the Loan Agreement or the Agreement, as the case may be, referred to in all loan documents.

I. ADDITIONAL AFFIRMATIVE COVENANTS

Taxes: (3)h. It shall promptly (i) pay all indebtedness and obligations as and when due and payable and (ii) pay and discharge all taxes, assessments and governmental charges which, if unpaid, might become a lien or charge upon any of its properties.

II. ADDITIONAL NEGATIVE COVENANTS

Indebtedness: (4)a. (iv) indebtedness owing to the Bank; and (v) trade payables incurred in the ordinary course of business.

Liens: (4)b. (vi) liens granted in favor of the Bank; and (vii) liens existing on the date hereof and scheduled satisfactory to the Bank on Exhibit C, such liens not be renewed or rescheduled.

Asset Sale: (4)d. Sell, transfer, lease, or otherwise dispose of its assets, except in the normal course of business, or sell and thereafter enter into an arrangement with the buyer to rent or lease back all or any substantial part of its properties or assets.

Investments: (4)h. (iv) money market funds with assets of \$2,500,000,000 or more.

Net Loss: (4)m. Permit the Borrower and its subsidiaries, on a consolidated basis, to incur a net loss for any fiscal year.

Debt Service Coverage Ratio: (4)n. Permit the Consolidated Debt Service Coverage Ratio of the Borrower and its subsidiaries to be less than 1.25 to 1.00 at any time.

"Consolidated Debt Service Coverage Ratio" shall be defined as the ratio of (i) net income (excluding extraordinary gains and including extraordinary losses) plus depreciation, plus amortization of

intangibles, plus interest expense, minus unfunded capital expenditures minus cash dividends, distributions and withdrawals to (ii) interest expense plus the current portion of long term indebtedness of the Borrower and its subsidiaries. All categories of the Consolidated Debt Service Coverage Ratio shall be measured over the prior four (4) fiscal quarters with the exception of the current portion of long term indebtedness which shall be measured over the future four (4) fiscal quarters and all such categories shall be measured on a consolidated basis incorporating the Borrower and its subsidiaries."

Fiscal Year End: (4)o. Change its fiscal year end from 12/31.

Transactions with Affiliates: (4)p. Enter into any transaction, including, without limitation, the purchase, sale or exchange of any property or the rendering of any service with any affiliate, except in the ordinary course of business and so long as such transactions are not less

favorable to the Borrower or any Corporate Guarantor than would be obtained in a comparable arm's length transaction with a person that is not an affiliate.

III. ADDITIONAL EVENTS OF DEFAULT

(6)g. Default with respect to any indebtedness for borrowed money or capitalized leases (other than the Note) of the Borrower or any other Obligor or default with respect to the performance of any other obligation of the Borrower or any other Obligor incurred in connection with any indebtedness for borrowed money or capitalized leases if the effect of such default is to accelerate the maturity of such indebtedness or capitalized lease, or to permit the holder thereof to cause such indebtedness or capitalized leases to become due prior to its stated maturity (with or without the passage of time,

giving of notice, or both), or any such indebtedness or capitalized leases shall not be paid when due (Cross Default);

(6)h. Barry Siegel and Michael Karpoff and Leonard Giarraputo and Frances Giarraputo shall cease to own in the aggregate at least 20% of the outstanding voting stock of the Borrower at any time;

(6)i. Barry Siegel or Michael Karpoff shall cease to manage or operate or be actively involved in the day to day operations of the Borrower; or

(6)j. Any Guaranty of any Guarantor or Security Agreement shall cease to be in full force and effect or shall be declared to be null and void or the validity or enforceability thereof shall be contested by any Guarantor or pledgor or such party shall deny that it has any further liability to the Bank with respect thereto;

(6)k. The Borrower or any Guarantor shall (i) apply for or consent to the appointment of a receiver, trustee or liquidator of its or of all of its property, (ii) admit in writing its inability to pay debts as they mature, (iii) make a general assignment for the benefit of creditors, (iv) be adjudicated bankrupt or insolvent, (v) adopt a resolution for its liquidation, (vi) file a voluntary petition in bankruptcy, or a petition or an answer seeking reorganization or an arrangement with creditors or take advantage of any bankruptcy, reorganization, insolvency, readjustment of debt, dissolution or liquidation law or other statute analogous in purpose or effect, or an answer admitting the material

allegations of a petition filed against it in any proceeding under any such law or if action shall be taken by it for the purpose of effecting any of the foregoing or (vii) be the subject of an involuntary proceeding with respect to any of the foregoing, which continues undismissed for 60 days or an order, judgment or decree approving same continues unstayed and in effect for 60 days; or

(6)l. Final judgment or judgments for the payment of money in excess of an aggregate of \$50,000 shall be rendered against the Borrower or any Guarantor and the same shall be uninsured against (by a licensed

insurance company), and remain undischarged and unbonded for a period in excess of 60 days;

IV. MISCELLANEOUS/ADDITIONAL PROVISIONS

Miscellaneous: (a) The Borrower and each of the Guarantors covenant and agree that, from the date hereof until the full satisfaction of the obligations hereunder and under the Note: It shall comply with the requirements of all Federal, state and local laws, ordinances, rules, regulations or policies governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of hazardous materials, provide to the Bank all documentation in connection with such compliance that the Bank may reasonably request, and defend, indemnify, and hold harmless the Bank, its employees, agents, officers, and directors, from and against any claims, demands, penalties, fines, liabilities, settlements, damages, costs, or expenses of whatever kind or nature, known or unknown, contingent or otherwise, arising out of, or in any way related to, (i) the presence, disposal, release, or threatened release of any hazardous materials on any property at any time owned or occupied by the Borrower, its subsidiaries or any of the Guarantors; (ii) any personal injury (including wrongful death) or property damage (real or personal) arising out of or related to such hazardous materials; (iii) any lawsuit brought or threatened, settlement reached, or governmental order relating to such hazardous materials, and/or (iv) any violation of laws, orders, regulations, requirements, or demands of government authorities, or any policies or requirements of the Bank, which are based upon or in any way related to such hazardous materials including, without limitation, attorney and consultant fees, investigation and laboratory fees, court costs, and litigation expenses. (b) The Borrower and each of the Guarantors represent and warrant that, as of the date hereof, each is in full compliance with all of the above described laws, ordinances, rules, regulations and policies.

Notices: Notices, consents and other communications provided for herein shall be in writing and may be either mailed or delivered (which shall include telex or facsimile communication). Any notice shall be conclusively deemed to have been received by a party hereto and to be effective on the day on which delivered (either by hand or by telex, telecopier or other telegraphic communications equipment, with receipt confirmed) to such party at its address set forth below (or at such other address as such party shall specify to the other parties hereto in writing) or, if sent by registered mail, on the fifth business day after the day on which mailed, addressed to such party at such address: (i) if to the Borrower or the Corporate Guarantor, at 51 East Bethpage Road, Plainview, NY 11803, (iii) if to the Bank, at The Chase Manhattan Bank, 50 Charles Lindbergh Boulevard, Uniondale, N.Y. 11553, Attention: Barbara Lemman Account Officer.

First Priority Group, Inc.

By: /s/ Barry Siegel

Name: Barry Siegel
Title: Co-Chairman, Co-CEO

EXHIBIT B

SUBSIDIARIES AND AFFILIATES

NATIONAL FLEET SERVICE, INC.

EXHIBIT C
LITIGATION

NONE.

EXHIBIT D
INDEBTEDNESS

CHASE MANHATTAN BANK
CREDIT LINE \$1 MILLION

EXHIBIT E
LIENS

CHASE MANHATTAN BANK

Exhibit A

[LOGO]CHASE

PROMISSORY NOTE
(Installment Payments)

The Chase Manhattan Bank
Uniondale, N.Y.

\$150,000

_____, 1997

For value received, the undersigned hereby promises to pay to the order of The Chase Manhattan Bank (hereinafter "Bank") at its offices at 50 Charles Lindbergh Boulevard Uniondale, N.Y. One hundred and fifty thousand DOLLARS in 35 monthly installments of \$4,167 each, commencing on May 15, 1997 and continuing on the 15th day of each month (insert "month" or "third month") thereafter and a final principal installment of \$4,155 (or whatever other amount is then required to repay this note in full) on April 15, 2000 and to pay interest on the unpaid principal balance hereof on each day principal is due hereunder (including at final maturity) at a per annum rate of .5% above the Bank's Prime Rate, (which shall be the rate of interest as is publicly announced at the Bank's principal office from time to time as its Prime Rate) adjusted as of the date of each such change. The foregoing rate shall be computed for the actual number of days elapsed on the basis of a 360-day year but in no event shall be higher than the maximum permitted under applicable law. Interest on any past due amount, whether at the due date thereof or by acceleration, shall be paid at a rate of one percent per annum in excess of the above stated rate but in no event higher than the maximum permitted under applicable law. Time for payment extended by law shall be included in the computation of interest.

The undersigned hereby grants to the Bank a lien on security interest in and right of set-off against all moneys, securities and other property of the undersigned and the proceeds thereof now or hereafter delivered to remain with or in transit in any manner to the Bank, its correspondents or its agents from or for the undersigned, whether for safekeeping, custody, pledge, transmission, collection or for any other purpose, or coming into possession, control or custody of the Bank, Chemical Securities Inc. or any other affiliate of the Bank in any way and also, any balance of any deposit account and credits of the undersigned with, and any other claims of the undersigned against the Bank, Chemical Securities Inc. or any other affiliate of the Bank at any time existing (all of which are hereinafter collectively called "Collateral"), as collateral security for the payment of this note and all other liabilities and obligations now or hereafter owed by the undersigned to the Bank, contracted with or acquired by the Bank, whether joint, several, direct, indirect, absolute, contingent, secured, unsecured, matured or unmatured (all of which are hereafter collectively called "Liabilities"), hereby authorizing the Bank at any time or times, without notice or demand, to apply any such Collateral or any proceeds thereof to any of such Liabilities in such amounts as it in its sole discretion may select, either contingent, unmatured or otherwise and whether any other collateral security therefor is deemed adequate or not. Undersigned authorizes the Bank to deliver to others a copy of this note as written notification of the undersigned's transfer of a security interest in the Collateral. The Bank further is authorized at any time or times, without demand or notice to the

undersigned, to transfer to or register in the name of its nominee or nominees all or any part of the Collateral and to exercise any and all rights, power and privileges (except that prior to an Event of Default the Bank shall not have the right to vote or to direct the voting of any Collateral). The collateral security and other rights described herein shall be in addition to any other collateral security described in any separate agreement executed by the undersigned.

In the event of: default in the prompt payment of any Liabilities; default in any other indebtedness of the undersigned (which, for the purposes of this sentence, means the undersigned or any guarantor, surety or endorser of, or any person or entity which has pledged any of its property to secure, any Liabilities); complete or partial liquidation or suspension of any business of the undersigned; dissolution, merger, consolidation or reorganization of the undersigned; death of or loss of employment by an individual or any member of any partnership (if the undersigned is an individual or a partnership); failure

to furnish any financial information or to permit inspection of any books or records at the Bank's request; a representation, warranty or statement of the undersigned proving false in any material respect when made or furnished; general assignment for the benefit of creditors or insolvency of the undersigned; commencement of any proceeding supplementary to any execution relating to any judgment against the undersigned; attachment, distraint, levy, execution or final judgment against the undersigned or against the property of the undersigned; assignment by the undersigned of any equity in any of the Collateral without the written consent of the Bank; appointment of a receiver, conservator, rehabilitator or similar officer for the undersigned, or for any property of the undersigned; tax assessment by the United States Government or any state or political subdivision thereof against the undersigned; the taking of possession of, or assumption of control over, all or any substantial part of the property of the undersigned by the United States Government, or any state or political subdivision thereof, foreign government (de facto or de jure) or any agency of any thereof; calling of a meeting of creditors, assignment for the benefit of creditors or bulk sale or notice thereof; any mortgage, pledge of or creation of a security interest in any assets without the consent of the holder of this note; filing of a petition in bankruptcy, commencement of any proceeding under any bankruptcy or debtor's law (or similar law analogous in purpose or effect) for the relief, reorganization, composition, extension, arrangement or readjustment of any of the obligations by or against the undersigned; then, and in any of those events (each, an "Event of Default"), all Liabilities, although otherwise unmatured or contingent, shall forthwith become due and payable without notice or demand and notwithstanding anything to the contrary contained herein or in any other instrument. Further, acceptance of any payments shall not waive or affect any prior demand or acceleration of these Liabilities, and each such payment made shall be applied first to the payment of accrued interest, then to the aggregate unpaid principal or otherwise as determined by the Bank in its sole discretion. The undersigned hereby irrevocably consents to the in personam jurisdiction of the federal and/or state courts located within the State of New York over controversies arising from or relating to this note or the Liabilities and irrevocably waives trial by jury and the right to interpose any counterclaim or offset of any nature in any such litigation. The undersigned further irrevocably waives presentment, demand, protest, notice of dishonor and all other notices or demands of any kind in connection with this note or any Liabilities. The undersigned shall be jointly and severally liable hereon.

The Bank may, at its option, at any time when in the judgment of the Bank the Collateral is inadequate or the Bank deems itself insecure, or upon or at any time after the occurrence of an Event of Default, proceed to enforce payment of the same and exercise any of or all the rights and remedies afforded the Bank by the Uniform Commercial Code (the "Code") or otherwise possessed by the Bank. Any requirement of the Code for reasonable notice to the undersigned shall be deemed to have been complied with if such notice is mailed, postage prepaid, to the undersigned and such other persons entitled to notice, at the addresses shown on the records of the Bank at least four (4) days prior to the time of sale, disposition, or other event requiring notice under the Code.

The undersigned agrees to pay to the Bank, as soon as incurred, all costs and expenses incidental to the care, preservation, processing, sale or collection of or realization upon any of or all the Collateral or incurred in connection with the enforcement or collection of this note, or in any way relating to the rights of the Bank hereunder, including reasonable inside

or outside counsel fees and expenses. [??] and every right and remedy hereby granted [??] the Bank or allowed to it by law shall be cumulative and not exclusive and each may be exercised by the Bank from time to time and as often as may be necessary. The undersigned shall have the sole responsibility for notifying the Bank in writing that the undersigned wishes to take advantage of any redemption, conversion or other similar right with respect to any of the Collateral. The Bank may release any party (including any partner or any undersigned) without notice to any of the undersigned, whether as co-makers, endorsers, guarantors, sureties, assigns or otherwise, without affecting the liability of any of the undersigned hereof or any partner of any undersigned hereof.

Upon any transfer of this note, the undersigned hereby waiving notice of any such transfer, the Bank may deliver the Collateral or any part thereof to

the transferee who shall thereupon become vested with all the rights herein or under applicable law given to the Bank with respect thereto and the Bank shall thereafter forever be relieved and fully discharged from any liability or responsibility in the matter; but the Bank shall retain all rights hereby given to it with respect to any Liabilities and Collateral not so transferred. No modification or waiver of any of the provisions of this note shall be effective unless in writing, signed by the Bank, and only to the extent therein set forth: nor shall any such waiver be applicable except in the specific instance for which given. This agreement sets forth the entire understanding of the parties, and the undersigned acknowledges that no oral or other agreements, conditions, promises, understandings, representations or warranties exist in regard to the obligations hereunder, except those specifically set forth herein.

If the undersigned is a partnership, the agreement herein contained shall remain in force and applicable, notwithstanding any changes in the individuals composing the partnership or any release of any partner or partners and their partners shall not thereby be released from any liability. If this note is signed by more than one party, the terms "undersigned", as used herein, shall include mean the "undersigned and each of them" and each undertaking herein

contained shall be their joint and several undertaking, provided, however, that in the phrases "of the undersigned", "by the undersigned", "against the undersigned", "for the undersigned", "to the undersigned", and "on the undersigned" the term "undersigned" shall mean the "undersigned or any of them"; and the Bank may release or exchange any of the Collateral belonging to any of the parties hereto and it may renew or extend any of the liabilities of any of them and may make additional advances or extensions of credit to any of them or release or fail to set off any deposit account or credit to any of them or grant other indulgences to any of them, all from time to time, before or after maturity hereof, with or without further notice to or assent from any of the other parties hereto. Each reference herein to the Bank shall be deemed to include its successors, endorsees and assigns, in whose favor the provisions hereof shall also inure. Each reference herein to the undersigned shall be deemed to include the heirs, executors, administrators, legal representatives, successors and assigns of the undersigned, all of whom shall be bound by the provisions hereof.

The provisions of this note shall be construed and interpreted and all rights and obligations hereunder determined in accordance with the laws of the State of New York, and, as to interest rates, applicable Federal law.

First Priority Group, Inc.

/s/Barry Siegel

Address: 51 East Bethpage Road

Plainview, N.Y. 11803

Address: -----

This Lease made the [??] day of December 1996, between 51 EAST BETHPAGE HOLDING CORPORATION WITH A PRINCIPAL PLACE OF BUSINESS AT ONE AMES COURT SUITE 201, PLAINVIEW, NEW YORK 11803 hereinafter referred to as LANDLORD, and FIRST PRIORITY GROUP, INC. WITH A PRINCIPAL PLACE OF BUSINESS AT 270 DUFFY AVENUE, HICKSVILLE, NEW YORK 11801-3600 hereinafter jointly, severally and collectively referred to as TENANT.

WITNESSETH, that the Landlord hereby leases to the Tenant, and the Tenant hereby hires and takes from the Landlord A PORTION OF the building known as 51 EAST BETHPAGE ROAD, PLAINVIEW, NEW YORK 11803 (AS SHOWN ON EXHIBIT "A") to be used and occupied by the Tenant AS GENERAL OFFICE

and for no other purpose, for a term to commence on MARCH 1 1997, and to end on MARCH 31, 2002, unless sooner terminated as hereinafter provided, at the TOTAL BASE RENT OF EIGHT HUNDRED NINETY FIVE THOUSAND SEVEN HUNDRED TWENTY FOUR DOLLARS AND TWENTY EIGHT CENTS (\$895,724.28) PLUS ADDITIONAL RENT AS PROVIDED HEREIN

all payable in equal monthly instalments in advance on the first day of each and every calendar month during said term, AS PER PARAGRAPH 42ND except the first instalment, which shall be paid upon the execution hereof.

THE TENANT JOINTLY AND SEVERALLY COVENANTS:

FIRST.--That the Tenant will pay the rent as above provided.

REPAIRS
ORDINANCE AND VIOLATIONS
ENTRY
INDEMNIFY LANDLORD
PARKING

SECOND.--That, throughout said term the Tenant will take good care of the demised premises, fixtures and appurtenances, and all alterations, additions and improvements to either; make all repairs in and about the same necessary to preserve them in good order and condition, which repairs shall be, in quality and class, equal to the original work; promptly pay the expense of such repairs; suffer no waste or injury; give prompt notice to the Landlord of any fire that may occur; execute and comply with all laws, rules, orders, ordinances and regulations at any time issued or in force (except those requiring structural alterations), applicable to the demised premises or to the Tenant's occupation thereof, of the Federal, State and Local Governments, and of each and every department, bureau, and official thereof, and of the New York Board of Fire Underwriters; permit at all times during usual business hours, the Landlord and representatives of the Landlord to enter the demised premises for the purpose of inspection, and to exhibit them for purposes of sale or rental; suffer the Landlord to make repairs and improvements to all parts of the building, and to comply with all orders and requirements of governmental authority applicable to said building or to any occupation thereof; suffer the Landlord to erect, use, maintain, repair and replace pipes and conduits in the demised premises and to the floors above and below; forever indemnify and save harmless the Landlord for and against any and all liability, penalties, damages, expenses and judgments

arising from injury during said term to person or property of any nature, occasioned wholly or in part by any act or acts, omission or omissions of the Tenant, or of the employees, guests, agents, assigns or undertenants of the Tenant and also for any matter or thing growing out of the occupation of the demised premises or of the streets, sidewalks adjacent thereto; permit, during the six months next prior to the expiration of the term the usual notice "To Let" to be placed and to remain unmolested in a conspicuous place upon the exterior of the demised premises; repair, at or before the end of the term, all injury done by the installation or removal of furniture and property; and at the end of the term, to quit and surrender the demised premises with all alterations, additions and improvements in good order and condition.

MOVING
INJURY
SURRENDER
NEGATIVE COVENANTS

OBSTRUCTION
SIGNS
AIR CONDITIONING

THIRD.--That the Tenant will not disfigure or deface any part of the building, or suffer the same to be done, except so far as may be necessary, to affix such trade fixtures as are herein consented to by the Landlord; the Tenant will not obstruct, or permit the obstruction of the street or the sidewalk adjacent thereto; will not do anything, or suffer anything to be done upon the demised premises which will increase the rate of fire insurance upon the building or any of its contents, or be liable to cause structural injury to said building; will not permit the accumulation of waste or refuse matter, and will not, without the written consent of the Landlord first obtained in each case, either sell, assign, mortgage or transfer this lease, underlet the demised premises or any part thereof, permit the same or any part thereof to be occupied by anybody other than the Tenant and the Tenant's employees, make any alterations in the demised premises, use the demised premises or any part thereof for any purpose other than the one first above stipulated, or for any purpose deemed extra hazardous on account of fire risk, nor in violation of any law or ordinance. That the Tenant will not obstruct or permit the obstruction of the light, halls, stairway or entrance to the building, and will not erect or inscribe any sign, signals or advertisements unless and until the style and location thereof have been approved by the Landlord; and if any be erected or inscribed without such approval, the Landlord may remove the same. No water cooler, air conditioning unit or system or other apparatus shall be installed or used without the prior written consent of Landlord.

IT IS MUTUALLY COVENANTED AND AGREED, THAT

FIRE CLAUSE

FOURTH.--If the demised premises shall be partially damaged by fire or other cause without the fault or neglect of Tenant, Tenant's servants, employees, agents, visitors or licensees, the damages shall be repaired by and at the expense of Landlord and the rent until such repairs shall be made shall be apportioned according to the part of the demised premises which is usable by Tenant. But if such partial damage is due to the fault or neglect of Tenant, Tenant's servants, employees, agents, visitors or licensees, without prejudice

to any other rights and remedies of Landlord and without prejudice to the rights of subrogation of Landlord's insurer, the damages shall be repaired by the Landlord but there shall be no apportionment or abatement of rent. No penalty shall accrue for reasonable delay which may arise by reason of adjustment of insurance on the part of Landlord and/or Tenant, and for reasonable delay on account of "labor troubles" or any other cause beyond Landlord's control. If the demised premises are totally damaged or are rendered wholly untenable by fire or other cause, and if Landlord shall decide not to restore or not to rebuild the same, or if the building shall be so damaged that Landlord shall decide to demolish it or to rebuild it, then or in any of such events Landlord may, within ninety (90) days after such fire or other cause, give Tenant a notice in writing of such decision, which notice shall be given as in Paragraph Twelve hereof provided, and thereupon the term of this lease shall expire by lapse of time upon the third day after such notice is given, and Tenant shall vacate the demised premises and surrender the same to Landlord. If Tenant shall not be in default under this lease then, upon the termination of this lease under the conditions provided for in the sentence immediately preceding, Tenant's liability for rent shall cease as of the day following the casualty. Tenant hereby expressly waives the provisions of section 227 of the Real Property Law and agrees that the foregoing provisions of this Article shall govern and control in lieu thereof. If the damage or destruction be due to the fault or neglect of Tenant the debris shall be removed by, and at the expense of, Tenant.

EMINENT DOMAIN

FIFTH.- If the whole or any part of the premises hereby demised shall be taken or condemned by any competent authority for any public use or purpose then the term hereby granted shall cease from the time when possession of the part so taken shall be required for such public purpose and without apportionment or award, the Tenant hereby assigning to the Landlord all right and claim to any such award, the current rent, however, in such case to be apportioned.

LEASE NOT IN EFFECT
DEFAULTS

TEN DAY NOTICE

SIXTH.- If, before the commencement of the term, the Tenant be adjudicated a bankrupt, or make a "general assignment", or take the benefit of any insolvent act, or if Receiver or Trustee be appointed for the Tenant's property, or if this lease or the estate of the Tenant hereunder be transferred or pass to or devolve upon any other person or corporation, or if the Tenant shall default in performance of any agreement by the Tenant contained in any other lease to the Tenant by the Landlord or by any corporation of which an officer of the Landlord is a Director, this lease shall thereby, at the option of the Landlord, be terminated, and in that case, neither the Tenant nor anybody claiming under the Tenant shall be entitled to go into possession of the demised premises. If after the commencement of the term, any of the events mentioned above in this subdivision shall occur, or if Tenant shall make default in fulfilling any of the covenants of this lease,** the covenants for the payment of rent or "additional rent" or if the demised premises became vacant or deserted, the Landlord may give to the Tenant ten days' notice of intention to end the term of this lease, and thereupon at the expiration of said ten days(if said condition which was the basis of said notice shall continue to exist) the term under this lease shall expire as fully and completely as if that day were the date herein

definitely fixed for the expiration of the term and the Tenant will then quit and surrender the demised premises to the Landlord, but the Tenant shall remain liable as hereinafter provided.

** INCLUDING

POSSESSION
LANDLORD
RE-LETTING
WAIVER BY TENANT

If the Tenant shall make default in the payment of the rent reserved hereunder, or any item of "additional rent" herein mentioned, or any part of either or in making any other payment herein provided for, or if the notice last above provided for shall have been given and if the condition which was the basis of said notice shall exist at the expiration of said ten days period, the Landlord may immediately, or at any time thereafter, re-enter the demised premises and remove all persons and all or any property therefrom, either by summary dispossess proceedings, or by any suitable action or proceeding at law, or by force or otherwise, without being liable to indictment, prosecution or damages therefor, and re-possess and enjoy said premises together with all additions, alterations and improvements. In any such case or in the event that this lease be "terminated" before the commencement of the term, as above provided, the Landlord may either re-let the demised premises or any part or parts thereof for the Landlord's own account or may, at the Landlord's option, re-let the demised premises or any part or parts thereof as the agent of the Tenant and receive the rents therefor, applying the same first to the payment of such expenses as the Landlord may have incurred, and then to the fulfillment of the covenants of the Tenant herein, and the balance, if any, at the expiration of the term first above provided for, shall be paid to the Tenant. Landlord may rent the premises for a term extending beyond the term hereby granted without releasing Tenant from any liability. In the event that the term of this lease shall expire as above in this subdivision "SIXTH" provided, or terminate by summary proceedings or otherwise, and if the Landlord shall not re-let the demised premises for the Landlord's own account, then, whether or not the premises be re-let, the Tenant shall remain liable for, and the Tenant hereby agrees to pay to the Landlord, until the time when this lease would have expired but for such termination or expiration, the equivalent of the amount of all of the rent and "additional rent" reserved herein, less the avails of re-letting, if any, and the same shall be due and payable by the Tenant to the Landlord on the several rent days above specified, that is, upon each of such rent days the Tenant shall pay to the Landlord the amount of deficiency then existing. The Tenant hereby expressly waives any and all right of redemption in case the Tenant shall be dispossessed by judgment or warrant of any court or judge, and the Tenant waives and will waive all right to trial by jury in any statutory proceedings hereafter instituted by the Landlord against the Tenant in respect to the demised premises. The words "re-enter" and "re-entry" as used in this lease are not restricted to their technical legal meaning.

REMEDIES ARE CUMULATIVE

In the event of a breach or threatened breach by the Tenant of any of the

covenants or provisions hereof, the Landlord shall have the right of injunction and the right to invoke any remedy allowed at law or in equity, as if no entry, summary proceedings and other remedies were not herein provided for.

LANDLORD MAY PERFORM ADDITIONAL RENT

SEVENTH.--If the Tenant shall make default in the performance of any covenant herein contained, the Landlord may immediately, or at any time thereafter, without notice, perform the same for the account of the Tenant. If a notice of mechanic's lien be filed against the demised premises or against premises of which the demised premises are part, for, or purporting to be for, labor or material alleged to have been furnished, or to be furnished to or for the Tenant at the demised premises, and if the Tenant shall fail to take such action as shall cause such lien to be discharged within fifteen days after the filing of such notice, the Landlord may pay the amount of such lien or discharge the same by deposit or by bonding proceedings, and in the event of such deposit or bonding proceedings, the Landlord may require the lienor to prosecute an appropriate action to enforce the lienor's claim. In such case, the Landlord may pay any judgment recovered on such claim. Any amount paid or expense incurred by the Landlord as in this subdivision of this lease provided, and any amount as to which the Tenant shall at any time be in default for or in respect to the use of water, electric current or sprinkler supervisory service, and any expense incurred or sum of money paid by the Landlord by reason of the failure of the Tenant to comply with any provision hereof, or in defending any such action, shall be deemed to be "additional rent" for the demised premises, and shall be due and payable by the Tenant to the Landlord on the first day of the next following month, or, at the option of the Landlord, on the first day of any succeeding month. The receipt by the Landlord of any instalment of the regular stipulated rent hereunder or any of said "additional rent" shall not be a waiver of any other "additional rent" then due.

AS TO WAIVERS

EIGHTH.- The failure of the Landlord to insist, in any one or more instances upon a strict performance of any of the covenants of this lease, or to exercise any option herein contained, shall not be construed as a waiver or a relinquishment for the future of such covenant or option, but the same shall continue and remain in full force and effect. The receipt by the Landlord of rent, with knowledge of the breach of any covenant hereof, shall not be deemed a waiver of such breach and no waiver by the Landlord of any provision hereof shall be deemed to have been made unless expressed in writing and signed by the Landlord. Even though the Landlord shall consent to an assignment hereof no further assignment shall be made without express consent in writing by the Landlord.

COLLECTION OF RENT FROM OTHERS

NINTH.--If this lease be assigned, or if the demised premises or any part thereof be underlet or occupied by anybody other than the Tenant, the Landlord may collect rent from the assignee, under-tenant or occupant, and apply the net amount collected to the rent herein reserved, and no such collection shall be deemed a waiver of the covenant herein against assignment and under-letting, or the acceptance of the assignee, under-tenant or occupant as tenant, or a release of the Tenant from the further performance by the Tenant of the covenants herein contained on the part of the Tenant.

MORTGAGES

TENTH.--This lease shall be subject and subordinate at all times, to the lien of the mortgages now on the demised premises, and to all advances made or hereafter to be made upon the security thereof, and subject and subordinate to the lien of any mortgage or mortgages which at any time may be made a lien upon the premises. The Tenant will execute and deliver such further instrument or instruments subordinating this lease to the lien of any such mortgage or mortgages as shall be desired by any mortgagee or proposed mortgagee. The Tenant hereby appoints the Landlord the attorney-in-fact of the Tenant, irrevocable, to execute and deliver any such instrument or instruments for the Tenant.

IMPROVEMENTS

ELEVENTH.--All improvements made by the Tenant to or upon the demised premises, except said trade fixtures, shall when made, at once be deemed to be attached to the freehold, and become the property of the Landlord, and at the end or other expiration of the term, shall be surrendered to the Landlord in as good order and condition they were when installed, reasonable wear and damages by the elements excepted.

NOTICES

TWELFTH.--Any notice or demand which under the terms of this lease or under any statute must or may be given or made by the parties hereto shall be in writing and shall be given or made by mailing the same by certified or registered mail addressed to the respective parties at the addresses set forth in this lease.

NO LIABILITY

THIRTEENTH.--The Landlord shall not be liable for any failure of water supply or electrical current, sprinkler damage, or failure of sprinkler service, nor for injury or damage to person or property caused by the elements or by other tenants or persons in said building, or resulting from steam, gas, electricity, water, rain or snow, which may leak or flow from any part of said buildings, or from the pipes, appliances or plumbing works of the same, or from the street or sub-surface, or from any other place, nor for interference with light or other incorporeal hereditaments by anybody other than the Landlord, or caused by operation by or for a governmental authority in construction of any public or quasi-public work, neither shall the Landlord be liable for any latent defect in the building.

NO ABATEMENT

FOURTEENTH.--No diminution or abatement of rent, or other compensation shall be claimed or allowed for inconvenience or discomfort arising from the making of repairs or improvements to the building or to its appliances, nor for any space taken to comply with any law, ordinance or order of a governmental authority. In respect to the various "services," if any, herein expressly or impliedly agreed to be furnished by the Landlord to the Tenant, it is agreed that there shall be no diminution or abatement of the rent, or any other compensation, for interruption or curtailment of such "service" when such

interruption or curtailment shall be due to accident, alterations or repairs desirable or necessary to be made or to inability or difficulty in securing supplies or labor for the maintenance of such "service" or to some other cause, not gross negligence on the part of the Landlord. No such interruption or curtailment of any such "service" shall be deemed a constructive eviction. The Landlord shall not be required to furnish, and the Tenant shall not be entitled to receive, any of such "services" during any period wherein the Tenant shall be in default in respect to the payment of rent. Neither shall there be any abatement or diminution of rent because of making of repairs, improvements or decorations to the demised premises after the date above fixed for the commencement of the term, it being understood that rent shall, in any event, commence to run at such date so above fixed.

RULES, ETC.

FIFTEENTH.--The Landlord may prescribe and regulate the placing of safes, machinery, quantities of merchandise and other things. The Landlord may also prescribe and regulate which elevator and entrances shall be used by the Tenant's employees, and for the Tenant's shipping. The Landlord may make such other and further rules and regulations as, in the Landlord's judgment, may from time to time be needful for the safety, care or cleanliness of the building, and for the preservation of good order therein. The Tenant and the employees and agents of the Tenant will observe and conform to all such rules and regulations.

SHORING OF WALLS

SIXTEENTH.--In the event that an excavation shall be made for building or other purposes upon land adjacent to the demised premises or shall be contemplated to be made, the Tenant shall afford to the person or persons causing or to cause such excavation, license to enter upon the demised premises for the purpose of doing such work as said person or persons shall deem to be necessary to preserve the wall or walls, structure or structures upon the demised premises from injury and to support the same by proper foundations.

VAULT SPACE

SEVENTEENTH.--No vaults or space not within the property line of the building are leased hereunder. Landlord makes no representation as to the location of the property line of the building. Such vaults or space as Tenant may be permitted to use or occupy are to be used or occupied under a revocable license and if such license be revoked by the Landlord as to the use of part or all of the vaults or space Landlord shall not be subject to any liability; Tenant shall not be entitled to any compensation or reduction in rent nor shall this be deemed constructive or actual eviction. Any tax, fee or charge of municipal or other authorities for such vaults or space shall be paid by the Tenant for the period of the Tenant's use or occupancy thereof.

ENTRY

EIGHTEENTH.--That during seven months prior to the expiration of the term hereby granted, applicants shall be admitted at all reasonable hours of the day to view the premises until rented; and the Landlord and the Landlord's agents shall be permitted at any time during the term to visit and examine them at any reasonable hour of the day, and workmen may enter at any time, when authorized by the Landlord or the Landlord's agents, to make or facilitate repairs in any part of the building; and if the said Tenant shall not be personally present to open and permit an entry into said premises, at any time, when for any reason an entry therein shall be necessary or permissible hereunder, the Landlord or the Landlord's agents may forcibly enter the same without rendering the Landlord or such agents liable to any claim or cause of action for damages by reason thereof (if during such entry the Landlord shall accord reasonable care to the Tenant's property) and without in any manner affecting the obligations and covenants of this lease; it is, however, expressly understood that the right and authority hereby reserved, does not impose, nor does the Landlord assume by reason thereof, any responsibility or liability whatsoever for the care or supervision of said premises, or any of the pipes, fixtures, appliances or appurtenances therein contained or therewith in any manner connected.

NO REPRESENTATIONS

NINETEENTH.--The Landlord has made no representations or promises in respect to said building or to the demised premises except those contained herein, and those, if any, contained in some written communication to the Tenant, signed by the Landlord. This instrument may not be changed, modified, discharged or terminated orally.

ATTORNEY FEES

TWENTIETH.--If the Tenant shall at any time be in default hereunder, and if the Landlord shall institute an action or summary proceeding against the Tenant based upon such default, then the Tenant will reimburse the Landlord for the expense of attorneys' fees and disbursements thereby incurred by the Landlord, so far as the same are reasonable in amount. Also so long as the Tenant shall be a tenant hereunder the amount of such expenses shall be deemed to be "additional rent" hereunder and shall be due from the Tenant to the Landlord on the first day of the month following the incurring of such respective expenses.

POSSESSION

TWENTY-FIRST.--Landlord shall not be liable for failure to give possession of the premises upon commencement date by reason of the fact that premises are not ready for occupancy, or due to a prior Tenant wrongfully holding over or any other person wrongfully in possession or for any other reason; in such event the rent shall not commence until possession to given or is available, but the term herein shall not be extended.

[Landlord's Initials]

[Tenant's Initials]

THE TENANT FURTHER COVENANTS:

IF A FIRST FLOOR

TWENTY-SECOND.--If the demised premises or any part thereof consist of a store or of a first floor, or of any part thereof, the Tenant will keep the sidewalk and curb in front thereof clear at all times and free from snow and ice, and will keep insured in favor of the Landlord, all plate glass therein and furnish the Landlord with policies of insurance covering the same.

INCREASED FIRE INSURANCE RATE

TWENTY-THIRD.--If by reason of the conduct upon the demised premises of a business not herein permitted, or if by reason of the improper or careless conduct of any business upon or use of the demised premises, the insurance rate shall at any time be higher than it otherwise would be, then the Tenant will reimburse the Landlord, as additional rent hereunder, for that part of all fire insurance premiums hereafter paid out by the Landlord which shall have been charged because of the conduct of such business not so permitted, or because of the improper or careless conduct of any business upon or use of the demised premises, and will make such reimbursement upon the first day of the month following such outlay by the Landlord; but this covenant shall not apply to a premium for any period beyond the expiration date of this lease, first above specified. In any action or proceeding wherein the Landlord and Tenant are parties, a schedule or "make up" of rate for the building on the demised premises, purporting to have been issued by New York Fire Insurance Exchange, or other body making fire insurance rates for the demised premises, shall be prima facie evidence of the facts therein stated and of the several items and charges included in the fire insurance rate then applicable to the demised premises.

WATER RENT SEWER

TWENTY-FOURTH.--If a separate water meter be installed for the demised premises, or any part thereof, the Tenant will keep the same in repair and pay the charges made by the municipality or water supply company for or in respect to the consumption of water, as and when bills therefor are rendered. If the demised premises or any part thereof, be supplied with water through a meter which supplies other premises, the Tenant will pay to the Landlord, as and when bills are rendered therefor, the Tenant's proportionate part of all charges which the municipality or water supply company shall make for all water consumed through said meter, as indicated by said meter. Such proportionate part shall be fixed by apportioning the respective charge according to floor area against all of the rentable floor area in the building (exclusive of the basement) which shall have been occupied during the period of the respective charges, taking into account the period that each part of such area was occupied. Tenant agrees to pay as additional rent the Tenant's proportionate part, determined as aforesaid, of the sewer rent or charge imposed or assessed upon the building of which the premises are a part.

ELECTRIC CURRENT

TWENTY-FIFTH.--That the Tenant will purchase from the LONG ISLAND LIGHTING CO. all electric current that the Tenant requires at the demised premises, and will pay the Landlord for the same, as the amount of consumption shall be indicated by the meter furnished therefor. The price for said current shall be the same as that charged for consumption similar to that of the Tenant by the company supplying electricity in the same community. Payments shall be due as and when bills shall be rendered. The Tenant shall comply with like rules, regulations and contract provisions as those prescribed by said company for a consumption similar to that of the Tenant.

SPRINKLER SYSTEM

TWENTY-SIXTH.--If there now is or shall be installed in said building a "sprinkler system" the Tenant agrees to keep the appliances thereto in the demised premises in repair and good working condition, and if the New York Board of Fire Underwriters or the New York Fire Insurance Exchange or any bureau, department or official of the State or local government requires or recommends that any changes, modifications, alterations or additional sprinkler heads or other equipment be made or supplied by reason of the Tenant's business, or the location of partitions, trade fixtures, or other contents of the demised

premises, or if such changes, modifications, alterations, additional sprinkler heads or other equipment in the demised premises are necessary to prevent the imposition of a penalty or charge against the full allowance for a sprinkler system in the fire insurance rate as fixed by said Exchange, or by any Fire Insurance Company, the Tenant will at the Tenant's own expense, promptly make and supply such changes, modifications, alterations, additional sprinkler heads or other equipment. As additional rent hereunder the Tenant will pay to the Landlord, annually in advance, throughout the term \$-0-, toward the contract price for sprinkler supervisory service.

SECURITY

TWENTY-SEVENTH.--The sum of AS PER PARAGRAPH 61ST Dollars is deposited by the Tenant herein with the Landlord herein as security for the faithful performance of all the covenants and conditions of the lease by the said Tenant. If the Tenant faithfully performs all the covenants and conditions on his part to be performed, then the sum deposited shall be returned to said Tenant.

NUISANCE

TWENTY-EIGHTH.--This lease is granted and accepted on the especially understood and agreed condition that the Tenant will conduct his business in such a manner, both as regards noise and kindred nuisances, as will in no wise interfere with, annoy, or disturb any other tenants, in the conduct of their several businesses, or the landlord in the management of the building; under penalty of forfeiture of this lease and consequential damages.

BROKERS COMMISSIONS

TWENTY-NINTH.--The Landlord hereby recognizes AS PER PARAGRAPH 57TH as the broker who negotiated and consummated this lease with the Tenant herein, and agrees that if, as, and when the Tenant exercises the option, if any, contained herein to renew this lease, or fails to exercise the option, if any, contained therein to cancel this lease, the Landlord will pay to said broker a further commission in accordance with the rules and commission rates of the Real Estate Board in the community. A sale, transfer or other disposition of the Landlord's interest in said lease shall not operate to defeat the Landlord's obligation to pay the said commission to the said broker. The Tenant herein hereby represents to the Landlord that the said broker is the sole and only broker who negotiated and consummated this lease with the Tenant.

WINDOW CLEANING

THIRTIETH.--The Tenant agrees that it will not require, permit, suffer, nor allow the cleaning of any window, or windows, in the demised premises from the outside (within the meaning of Section 202 of the Labor Law) unless the equipment and safety devices required by law, ordinance, regulation or rule, including, without limitation, Section 202 of the New York Labor Law, are provided and used, and unless the rules, or any supplemental rules of the Industrial Board of the State of New York are fully complied with; and the Tenant hereby agrees to indemnify the Landlord, Owner, Agent, Manager and/or Superintendent, as a result of the Tenant's requiring, permitting, suffering, or allowing any window, or windows in the demised premises to be cleaned from the outside in violation of the requirements of the aforesaid laws, ordinances, regulations and/or rules.

VALIDITY

THIRTY-FIRST.--The invalidity or unenforceability of any provision of this lease shall in no way affect the validity or enforceability of any other provision hereof.

EXECUTION & DELIVERY OF LEASE

THIRTY-SECOND.--In order to avoid delay, this lease has been prepared and submitted to the Tenant for signature with the understanding that it shall not bind the Landlord unless and until it is executed and delivered by the Landlord.

EXTERIOR OF PREMISES

THIRTY-THIRD.--The Tenant will keep clean and polished all metal, trim,

marble and stonework which are a part of the exterior of the premises, using such materials and methods as the Landlord may direct, and if the Tenant shall fail to comply with the provisions of this paragraph, the Landlord may cause such work to be done at the expense of the Tenant.

PLATE GLASS

THIRTY-FOURTH.--The Landlord shall replace at the expense of the Tenant any and all broken glass in the skylights, doors and walls in and about the demised premises. The Landlord may insure and keep insured all plate glass in the skylights, doors and walls in the demised premises, for and in the name of the Landlord and bills for the premiums therefor shall be rendered by the Landlord to the Tenant at such times as the Landlord may elect, and shall be due from and payable by the Tenant when rendered, and the amount thereof shall be deemed to be, and shall be paid as, additional rent.

WAR EMERGENCY

THIRTY-FIFTH.--This lease and the obligation of Tenant to pay rent hereunder and perform all of the other covenants and agreements hereunder on part of Tenant to be performed shall in nowise be affected, impaired or excused because Landlord is unable to supply or is delayed in supplying any service expressly or impliedly to be supplied or is unable to make, or is delayed in making any repairs, additions, alterations or decorations or is unable to supply or is delayed in supplying any equipment or fixtures if Landlord is prevented or delayed from so doing by reason of governmental preemption in connection with a National Emergency declared by the President of the United States or in connection with any rule, order or regulation of any department or subdivision thereof of any governmental agency or by reason of the conditions of supply and demand which have been or are affected by war or other emergency.

THE LANDLORD COVENANTS

QUIET POSSESSION

FIRST.--That if and so long as the Tenant pays the rent and "additional rent" reserved hereby, and performs and observes the covenants and provisions hereof, the Tenant shall quietly enjoy the demised premises, subject, however, to the terms of this lease, and to the mortgages above mentioned, provided however, that this covenant shall be conditioned upon the retention of title to the premises by Landlord.

ELEVATOR
HEAT

PLUS A RIDER OF 6 PAGES ATTACHED HERETO AND MADE A PART HEREOF

And it is mutually understood and agreed that the covenants and agreements contained in the within lease shall be binding upon the parties hereto and upon their respective successors, heirs, executors and administrators.

In Witness Whereof, the Landlord and Tenant have respectively signed and sealed these presents the day and year first above written.

-----[L.S.]
Landlord
51 EAST BETHPAGE HOLDING CORP.

IN PRESENCE OF:

-----[L.S.]
Tenant
FIRST PRIORITY GROUP, INC.

PROVISIONS OF THE WITHIN LEASE, THE PROVISIONS OF THIS RIDER SHALL PREVAIL.

37TH THE TENANT AGREES TO PAY FOR ALL UTILITIES, INCLUDING BUT NOT LIMITED TO GAS, ELECTRIC AND TELEPHONE. TENANT WARRANTS THAT IT USES NO WATER IN THE OPERATION OF ITS BUSINESS AND SHALL USE THE WATER FOR LAVATORY AND/OR KITCHEN PURPOSES ONLY (NOTWITHSTANDING THE ABOVE, WATER AND SEWER CHARGES ARE INCLUDED IN THE BASE RENT).

38TH ANY SUMS OF MONEY REQUIRED TO BE PAID BY THE TENANT TO THE LANDLORD, IN ADDITION TO THE RENT HEREIN PROVIDED, SHALL BE DEEMED ADDITIONAL RENT, AND IN THE EVENT TENANT FAILS TO PAY SUCH ADDITIONAL RENT, THE LANDLORD SHALL BE ENTITLED TO DISPOSSESS THE TENANT BY SUMMARY DISPOSSESS PROCEEDINGS OR ANY OTHER REMEDY AVAILABLE TO THE LANDLORD PURSUANT TO THE TERMS OF THIS LEASE AND PURSUANT TO LAW.

39TH IN THE EVENT ANY ACTION FOR RENT OR ADDITIONAL RENT IS COMMENCED BY THE LANDLORD, THE TENANT HEREIN SHALL NOT BE ENTITLED TO ASSERT ANY OFFSET OF COUNTERCLAIM BUT MAY BRING A SEPARATE ACTION IN HIS OWN BEHALF.

40TH THE TENANT AGREES TO FURNISH THE LANDLORD UPON WRITTEN REQUEST WITH PUBLIC/FINANCIAL STATEMENTS AS MAY BE AVAILABLE, WHICH MAY BE NECESSARY BY LANDLORD FOR PURPOSES OF FINANCING THE PREMISES.

41ST THE TENANT AGREES TO MAKE IMMEDIATE APPLICATION TO THE LONG ISLAND LIGHTING CO. FOR GAS AND ELECTRIC AND MAKE ANY REQUIRED DEPOSITS WITH THE AFORESAID COMPANY.

42ND THE BASE RENTAL DURING THE TERM OF THIS LEASE SHALL BE PAID AS FOLLOWS:

THE FIRST MONTHS BASE RENT, MARCH OF 1997 IS ABATED.

THE SECOND MONTHS BASE RENT OF \$13,781.25 APRIL 1997 SHALL BE PAID UPON EXECUTION OF THE LEASE, THEREAFTER

\$13,781.25 PER MONTH APRIL 1, 1997 THRU MARCH 31, 1998 (\$165,375.00/YR)
\$14,332.50 PER MONTH APRIL 1, 1998 THRU MARCH 31, 1999 (\$171,990.00/YR)
\$14,905.80 PER MONTH APRIL 1, 1999 THRU MARCH 31, 2000 (\$178,869.60/YR)
\$15,507.03 PER MONTH APRIL 1, 2000 THRU MARCH 31, 2001 (\$188,024.36/YR)
\$16,122.11 PER MONTH APRIL 1, 2001 THRU MARCH 31, 2002 (\$193,465.32/YR)

43RD IN THE EVENT THE TENANT DOES NOT VACATE THE PREMISES UPON THE EXPIRATION DATE OF THIS LEASE, OR UPON THE EXPIRATION OF ANY OPTION, THEN AND IN THAT EVENT OR EVENTS THE TENANT SHALL REMAIN AS A MONTH TO MONTH TENANT AT A MONTHLY RENTAL OF ONE OF A HALF THE THEN CURRENT RENT, PRIOR TO THE HOLDOVER FOR THE FIRST TWO MONTHS AND TWO TIMES THE THEN CURRENT RENT, PRIOR TO THE HOLDOVER FOR ANY ADDITIONAL PERIOD.

44TH IN THE EVENT LANDLORD HAS NOT RECEIVED THE MONTHLY PAYMENT OF RENT OR ANY ADDITIONAL RENT DUE WITH IN FIVE (5) DAYS AFTER ITS DUE DATE, TENANT SHALL PAY A LATE CHARGE IN ANY LEASE YEAR, OF \$250.00 THE FIRST OCCURANCE AND \$500.00 FOR EACH SUCH PAYMENT DUE FOR THE PURPOSE OF DEFRAYING THE EXPENSE INCIDENT TO HANDLING SUCH DELINQUENT PAYMENT, IF

PAYMENT IS ACCEPTED BY THE LANDLORD. THIS PROVISION SHALL NOT BE DEEMED TO ESTABLISH A GRACE PERIOD OR A WAIVER OF ANY OF THE LANDLORDS RIGHTS AND SHALL IN NO WAY ALTER OR CHANGE ANY OF THE OTHER COVENANTS OR CONDITIONS OF THIS LEASE AND SHALL BE DEEMED AN ADDITION TO ANY OTHER REMEDY AVAILABLE TO THE LANDLORD UNDER THIS LEASE. NOTWITHSTANDING THE ABOVE, IN THE EVENT THE LANDLORD HAS NOT RECEIVED THE RENT BY THE 4TH OF THE MONTH, THE LANDLORD WILL NOTIFY THE TENANT OF SAME AND THE TENANT SHALL BE GIVEN FIVE ADDITIONAL DAYS TO REMIT THE RENT TO THE LANDLORD BEFORE ANY LATE CHARGE CAN BE LEVIED.

45TH NO ACT OF THE LANDLORD, ITS EMPLOYEES OR ANYONE ACTING ON BEHALF OF THE LANDLORD, INCLUDING BUT NOT LIMITED TO THE ACCEPTANCE OF A KEY, SHALL BE DEEMED AN ACCEPTANCE OF TENANTS SURRENDER OF THE PREMISES UNLESS SUCH ACCEPTANCE OF

TENANTS SURRENDER OF THE PREMISES IS IN WRITING AND SIGNED BY THE LANDLORD.

46TH IF THE LANDLORD, OR ANY SUCCESSOR IN INTEREST SHALL BE AN INDIVIDUAL, JOINT VENTURE, TRUST TENANCY IN COMMON, FIRM OR PARTNERSHIP (GENERAL OR LIMITED OR ANY OTHER ENTITY, IT IS SPECIFICALLY UNDERSTOOD AND AGREED THAT THERE SHALL BE NO PERSONAL LIABILITY ON SUCH INDIVIDUAL, OR THE MEMBERS OF THAT FIRM PARTNERSHIP, JOINT VENTURE, TRUST, OR ANY OTHER ENTITY IN RESPECT TO ANY OF THE COVENANTS/OR CONDITIONS OF THIS LEASE AND THE PROPERTY SHALL BE THE SOLE SOURCE FOR THE SATISFACTION OF THE REMEDIES OF THE TENANT IN THE EVENT OF A BREACH BY THE LANDLORD OF ANY OF THEIR TERMS, COVENANTS OR CONDITIONS OF THE LEASE TO BE PERFORMED BY THE LANDLORD.

47TH TENANT COVENANTS AND REPRESENTS THAT DURING THE ENTIRE TERM OF THIS LEASE IT WILL PROVIDE AND KEEP IN FORCE, GENERAL ACCIDENT AND PUBLIC LIABILITY OCCASIONED BY ACCIDENT, DISASTER OR INCIDENT OF NEGLIGENCE INSURANCE, IN THE AMOUNT OF NOT LESS THAN ONE MILLION DOLLARS/TWO MILLION (\$1,000,000.00/2,000,000.00) IN RESPECT TO ALL INJURIES IN ANY ONE ACCIDENT OR DISASTER, AND IN THE AMOUNT OF NOT LESS THAN ONE HUNDRED THOUSAND DOLLARS (\$100,000.00) IN THE EVENT OF ANY DAMAGE TO THE PROPERTY. SUCH INSURANCE SHALL NAME THE LANDLORD AND OTHERS HEREAFTER NAMED BY THE LANDLORD FROM TIME TO TIME.

48TH IT IS HEREBY AGREED THAT NOTWITHSTANDING ANYTHING HEREIN CONTAINED TO THE CONTRARY, THAT THE TOTAL RENT FOR THE WHOLE TERM HEREBY DEMISED, IS PAYABLE AT THE TIME OF MAKING OF THIS LEASE AND THAT THE PROVISIONS HEREIN CONTAINED FOR THE PAYMENT OF THE RENT IN INSTALLMENTS HERETOFORE PROVIDED FOR IN AN EARLIER CLAUSE OF THIS LEASE ARE FOR THE CONVENIENCE OF THE TENANT ONLY AND IN DEFAULT OF THE PAYMENT OF THE RENT IN INSTALLMENTS, AS THEREIN ALLOWED. THEN THE WHOLE OF THE RENT RESERVED FOR THE WHOLE PERIOD THEN REMAINING UNPAID SHALL AT THE OPTION OF THE LANDLORD AT ONCE BECOME DUE AND PAYABLE WITHOUT ANY NOTICE OR DEMAND, AND COLLECTION OF SAID ENTIRE BALANCE FOR THE WHOLE OF THE PERIOD THEN REMAINING UNPAID MAY BE ENFORCED BY MEANS OF SUMMARY PROCEEDINGS TO RECOVER POSSESSION, ACTION TO RECOVER RENT OR OTHER PROCEEDING AND THE LANDLORD SHALL BE ENTITLED TO A JUDGEMENT FOR SAID ENTIRE BALANCE IN SUCH SUMMARY PROCEEDINGS ACTION TO RECOVER RENT OR OTHER PROCEEDINGS. LANDLORD SHALL HAVE THE OBLIGATION TO MITIGATE DAMAGES AND MAKE A REASONABLE ATTEMPT TO RELET THE PREMISES. IN THE EVENT LANDLORD HAS COLLECTED DAMAGES FROM THE TENANT AND THEN IS ABLE TO MITIGATE TENANT'S DAMAGES FOR AN AMOUNT LESS THAN THAT ACTUALLY

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RECOVERED FROM TENANT TENANT SHALL BE ENTITLED TO A REFUND OF SAID ADDITIONAL RECOVERY.

49TH IT IS EXPRESSLY UNDERSTOOD AND AGREED THAT IF THE SECURITY DEPOSIT HEREUNDER BEAR INTEREST THAT SUCH INTEREST SHALL BE DEEMED AS ADDITIONAL RENT COLLECTABLE IN THE SAME MANNER AS RENT, AND THAT THIS PROVISION HAS BEEN AGREED UPON PRIOR TO THE MAKING OF THIS LEASE AND AGREE TO THE AMOUNT OF RENT AS RESERVED.

50TH THE TENANT SHALL PAY AS ADDITIONAL RENT 47% OF THE INCREASE ABOVE THE BASE YEAR OF ANY OF THE REAL ESTATE TAXES ON (WHICH INCLUDES BUT ARE NOT LIMITED TO SCHOOL AND TOWN TAXES), ASSESSMENTS, LEVIES OR OTHER TAXES LEVIED AGAINST THE DEMISED PREMISES BY ANY GOVERNMENTAL AUTHORITY HAVING JURISDICTION. SUCH AMOUNT SHALL BE PAYABLE AS ADDITIONAL RENT THE BASE YEAR IS HEREIN DEFINED AS THE 1997 GENERAL TAX, AND THE 1996-1997 SCHOOL TAX, AS FINALLY SETTLED PURSUANT TO THE TAX CERTIORAI PRECEDING BEING UNDERTAKEN. IF A SETTLEMENT OCCURS AND RESULTS IN A NET REFUND TENANT SHALL RECEIVE ITS PRORATA SHARE OF SAID NET REFUND TO THE EXTENT TENANT PAID ANY REAL ESTATE TAX INCREASE ABOVE THE FINALLY SETTLED BASE RENT. FORTY SEVEN PERCENT REPRESENTS THE TENANTS PERCENTAGE OF THE TOTAL SQUARE FEET OF THE ENTIRE BUILDING IN WHICH THE DEMISED PREMISES ARE LOCATED.

51ST IF THE TENANT BECOMES INSOLVENT OR IS ADJUDICATED OR BANKRUPT OR FILES A PETITION FOR ARRANGEMENT OR REORGANIZATION OR APPLIES FOR OR TAKES THE BENEFIT OF ANY BANKRUPTCY OF INSOLVENCY ACT OR ACTS OR STATUTES OR PROVISIONS FOR THE RELIEF OF DEBTORS, NOW, OR HEREAFTER ENACTED, OR MAKES A GENERAL ASSIGNMENT OF THE BENEFIT OF THE CREDITOR, OR IF A RECEIVER OR TRUSTEE BE APPOINTED FOR THE TENANTS PROPERTY, THEN, AND IN SUCH EVENT, THE SECURITY DEPOSIT MENTIONED IN PARAGRAPH 27TH OF THE FOREGOING LEASE SHALL BE DEEMED TO BE AND IS HEREBY

ASSIGNED TO THE LANDLORD IN ANY SUCH EVENT, OR IN CASE OF DEFAULT BY THE TENANT IN THE PERFORMANCE OF THE TERMS OF THIS LEASE BY THE REASON OF WHICH THIS LEASE IS TERMINATED EITHER IN SUMMARY PROCEEDING OR BY NOTICE AS HEREIN PROVIDED, SUCH SECURITY DEPOSIT SHALL BELONG TO THE LANDLORD AND SHALL BE APPLIED BY THE LANDLORD TOWARDS DAMAGES AND THE RIGHT TO RETAIN SUCH SECURITY DEPOSIT SHALL SURVIVE SUMMARY PROCEEDING FOR THE RECOVERY OF THE POSSESSION OF THE PREMISES.

52ND THE TENANT SHALL HAVE THE RIGHT TO ASSIGN OR SUBLEASE ONLY WITH THE LANDLORDS APPROVAL OF THE NEW SUBTENANT OR ASSIGNED. THIS APPROVAL SHALL NOT BE UNREASONABLY WITHHELD. HOWEVER, THE ORIGINAL TENANT SHALL STILL REMAIN LIABLE ON THIS LEASE FOR ALL TERMS AND CONDITIONS OF SAME, SUBJECT TO THE RIGHTS SET FORTH IN THIS PARAGRAPH, THE LANDLORD HAS THE RIGHT AFTER THE TENANT SUBMITS THE NEW ASSIGNEE OR SUBTENANT FOR LANDLORDS APPROVAL, TO TAKE BACK THE PREMISES FROM THE TENANT AND VOID THE REMAINDER OF THIS LEASE. THIS ACTION MUST BE DONE BY CERTIFIED MAIL AND THE LANDLORD HAS THIRTY DAYS TO RESPOND. IF THE LANDLORD ELECTS TO CANCEL THIS LEASE, SUCH CANCELLATION SHALL BECOME EFFECTIVE SIXTY (60) DAYS AFTER THE GIVING OF SUCH NOTICE OF CANCELLATION BY THE LANDLORD. LANDLORD SHALL HAVE THE RIGHT TO ONLY TAKE BACK THE PORTION OF THE DEMISED PREMISES THAT TENANT WAS ATTEMPTING TO SUBLET, THE LEASE ON THE REMAINING PORTION OF THE

DEMISED PREMISES SHALL REMAIN IN FORCE.

53RD IT IS AGREED BETWEEN THE PARTIES THAT THE TENANTS LIABILITY FOR THE PAYMENT OF ANY AMOUNTS REQUIRED TO BE PAID BY IT AS RENT OR OTHERWISE,

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UNDER THIS LEASE SHALL BE PRORATED FOR ANY PERIOD FROM THE COMMENCEMENT OF THE LEASE TO THE TERMINATION THEREOF.

54TH TENANT WARRANTS THAT IT IS A CORPORATION FORMED AND OPERATING PURSUANT TO THE LAWS OF THE STATE OF NEW YORK THAT IT IS THE OWNER AND OPERATOR OF THE BUSINESS GENERALLY KNOWN AS FIRST PRIORITY GROUP, INC.

55TH AS AN INDUCEMENT TO THE LANDLORD TO ENTER INTO A LEASE, THE TENANT AGREES THAT IN NO EVENT WILL THE SECURITY DEPOSITED WITH THE LANDLORD BE USED AS RENT PAYMENT. IF ANY SUCH ATTEMPT IS MADE BY THE TENANT, WITHOUT THE EXPRESS WRITTEN CONSENT OF THE LANDLORD, THEN THE SECURITY SHALL BE DEEMED AS ADDITIONAL RENT AND NOT RETURNED TO THE TENANT. THIS PROVISION HAS BEEN AGREED TO PRIOR TO THE MAKING OF THIS LEASE.

56TH IN THE EVENT EITHER PARTY SHALL COMMENCE ANY ACTION AGAINST THE OTHER IN ACCORDANCE WITH THIS PARAGRAPH AND SAID ACTION SHALL BE TERMINATED IN THE FAVOR OF ONE PARTY, THE LOSING PARTY SHALL BE OBLIGATED TO PAY THE PREVAILING PARTYS LEGAL FEES AND DISBURSEMENTS NECESSARY FOR THE INSTITUTION OF SAID ACTION (NOT LESS THAN \$2,500.00) AND SAID SUM SHALL BE DEEMED TO BE ADDITIONAL RENT AFTER THE TERMINATION OF SAID ACTION. ALL ACTIONS COMMENCED ON BEHALF OF THE TENANT OR LANDLORD SHALL BE BROUGHT IN NASSAU COUNTY.

57TH THE TENANT WARRANTS THAT NO REAL ESTATE BROKER BROUGHT ABOUT THIS TRANSACTION OTHER THAN HARRIS RUSSO OF REAL ESTATE STRATEGIES INC., AND SHALL HOLD THE LANDLORD HARMLESS FROM THE CLAIM, LAWSUIT, JUDGEMENT (INCLUDING LEGAL FEES) WITH RESPECT TO ANY BROKERAGE COMMISSIONS OR FINDERS FEES IN CONNECTION WITH THE LEASING OF THE DEMISES PREMISES THAT RESULTED FROM THE ACTIVITIES OF TENANT. LANDLORD SHALL PAY SAID BROKER PURSUANT TO A SEPARATE AGREEMENT.

58TH TENANT SHALL BE RESPONSIBLE FOR THE CLEANING OF ITS DEMISED PREMISES.

59TH LANDLORD SHALL AT ITS OWN EXPENSE MAINTAIN THE BUILDING AND PROPERTY IN GOOD REPAIR AND CONDITION. SUCH SHALL INCLUDE THE MAINTENANCE, SNOW REMOVAL, LANDSCAPING, HVAC MAINTENANCE, AS WELL AS ROOF AND STRUCTURAL REPAIRS, PROVIDED SAME ARE NOT CAUSED BY THE ACTIONS OF THE TENANT, ITS EMPLOYEES OR IT GUESTS.

60TH LANDLORD SHALL CONSTRUCT, AT ITS OWN COST AND EXPENSE THE DEMISED PREMISES IN ACCORDANCE WITH THE LANDLORD'S WORK LETTER "EXHIBIT B" AND TENANT PLAN EXHIBIT "B-1" ATTACHED HERETO.

61ST TENANT SHALL DEPOSIT WITH LANDLORD TWO (2) MONTHS SECURITY DEPOSIT, TWENTY SEVEN THOUSAND FIVE HUNDRED SIXTY TWO DOLLARS AND FIFTY CENTS (\$27,562.50)

DOLLARS TO BE PAID UPON EXECUTION OF THIS LEASE.

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62ND TENANT SHALL BE GUARANTEED 65 PARKING SPOTS, OF WHICH 10 SHALL BE DESIGNATED BY THE TENANTS FRONT ENTRANCE. TENANT SHALL HAVE THE RIGHT TO POST A SIGN IN FRONT OF EACH OF SAID SPACES STATING "RESERVED FOR FIRST PRIORITY GROUP, INC." IN THE EVENT TENANT, ITS EMPLOYEES, OR GUESTS HAVE A PROBLEM PARKING TENANT MAY AT ITS OWN COST AND EXPENSE DESIGNATE THE REMAINDER OF ITS PARKING SPOTS, IN THE AREA SHOWN ON "EXHIBIT "A".

63RD LANDLORD SHALL DELIVER THE POSSESSION OF TENANTS DEMISED PREMISES SUBSTANTIALLY COMPLETE ON/OR BEFORE MARCH 1, 1997, BUT NO LATER THAN APRIL 1, 1997. IN THE EVENT POSSESSION IS DELIVERED AFTER MARCH 31, 1997 TENANT SHALL BE ENTITLED TO A RENT CONCESSION EQUAL TO TWO DAYS FOR EACH DAY BEYOND APRIL 1, 1997 TENANTS SPACE IS NOT SUBSTANTIALLY COMPLETE, FOR THE PURPOSES OF DETERMINING SUBSTANTIALLY COMPLETE THE EXTERIOR COLOR COAT ON THE DRYVIT FACADE MAY BE EXCLUDED. FURTHERMORE IN THE EVENT LANDLORD HAS NOT DELIVERED THE SPACE SUBSTANTIALLY COMPLETE BY JUNE 1, 1997 TENANT MAY CANCEL THIS LEASE. LANDLORD SHALL CONSTRUCT TENANTS IMPROVEMENTS AND ALL WORK AS SET FORTH IN EXHIBIT "B", TO CODE AND WILL BE RESPONSIBLE TO DEFEND OR CURE AT ITS OWN EXPENSE ANY VIOLATIONS ISSUED AGAINST THE DEMISED PREMISES OR THE TENANT, EXCEPT VIOLATIONS ISSUED AS A RESULT OF TENANTS CONSTRUCTION OF IMPROVEMENTS OR FAILURE TO MAINTAIN THE PREMISES AND PARKING AREA FREE OF TENANTS DEBRIS AS PROVIDED IN THIS LEASE.

64TH TENANT SHALL BE ALLOWED, AT ITS OWN EXPENSE, SIGNAGE ON THE BUILDING, SUBJECT TO TOWN CODE AND THE LANDLORDS APPROVAL, WHICH SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED. IN ADDITION TENANT MAY AT ITS OWN COST AND EXPENSE ERECT A LAWN MONUMENT SIGN PROVIDED TOWN CODE DOES NOT LIMIT THE NUMBER OF MONUMENT SIGNS PERMITTED, SUBJECT TO THE LANDLORDS APPROVAL, WHICH SHALL NOT BE UNREASONABLY WITHHELD OR DELAYED. IN THE EVENT ONLY ONE MONUMENT SIGN IS ALLOWED TENANT SHALL SHARE SAME WITH THE OTHER TENANTS IN THE BUILDING. EACH TENANT SHALL PAY ITS PRORATA SHARE OF THE COST OF ANY SUCH SIGN.

65TH THE FOLLOWING CHANGES ARE MADE TO THE FORM (BLUMBERG) PORTION OF THE LEASE

1. IN PARAGRAPH SECOND, 10TH LINE, DELETE: "OR RENTAL"
2. IN PARAGRAPH THIRD, 13TH LINE, CHANGE: "WATER COOLER" TO "WATER COOLED AIRCONDITIONING UNIT OR SYSTEM"
3. IN PARAGRAPH SIXTH, 9TH AND 10TH LINE CHANGE: "TEN" TO "FIVE"
4. IN PARAGRAPH SIXTH AT END ADD: "NOTWITHSTANDING THE ABOVE, IN THE EVENT OF A DEFAULT, OTHER THAN A MONETARY DEFAULT (RENT OR ADDITIONAL RENT), TENANT SHALL HAVE 30 DAYS TO CURE SAID NON-MONETARY DEFAULT PROVIDED TENANT COMMENCES AND DILIGENTLY PURSUES THE CURING OF SAID DEFAULT, AFTER RECEIPT OF A DEFAULT NOTICE.
5. IN PARAGRAPH TEN AT THE END ADD: "LANDLORD SHALL SECURE A ATTORMENT AND NON-DISTURBANCE AGREEMENT FOR THE BENEFIT OF THE TENANT FROM ANY MORTGAGEE HAVING AN INTEREST IN BUILDING OR LAND"
6. IN PARAGRAPH 14TH ADD THE END OF THE PARAGRAPH ADD: "THE

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LANDLORD SHALL SECURE AND KEEP IN FORCE RENTAL INSURANCE, AS PART OF THE BUILDING INSURANCE POLICY LANDLORD PURCHASES. IF THERE IS DAMAGE TO THE BUILDING COVERED BY LANDLORDS ALL RISK POLICY AND PAYMENT IS NOT MADE UNDER THE RENTAL INSURANCE PORTION OF SAID POLICY ARISING OUT OF TENANTS ACTIONS, TENANT SHALL REMAIN LIABLE FOR THE PAYMENT OF SAME.

NOTWITHSTANDING PARAGRAPH 14 THE TENANT SHALL NOT BE RESPONSIBLE FOR THE PAYMENT OF RENT OR ADDITIONAL RENT FOR THAT PERIOD OF TIME WHEN THE PREMISES ARE NOT USABLE BY THE TENANT, DUE TO A CASUALTY LOSS.

IN THE EVENT OF A CASUALTY WHERE ANY PORTION OF THE BUILDING IS DESTROYED, WITHIN 30-DAYS, OF THE CASUALTY LANDLORD MUST DECIDE IF HE WILL REBUILD OR NOT. IN THE EVENT LANDLORD ELECTS NOT TO REBUILD LANDLORD SHALL GIVE TENANT NOTICE AT SAID TIME AND THE LEASE SHALL BE TERMINATED. IN THE EVENT LANDLORD ELECTS TO REBUILD, LANDLORD WILL PROCEED USING ITS BEST EFFORTS TO DILEGENTLY COMPLETE THE RESTORATION OF THE BUILDING.

7. IN PARAGRAPH 15TH AT THE END ADD: "LANDLORD SHALL NOT CHANGE THE LOCATION OF THE ENTRANCES AS SHOWN ON THE PRELIMINARY PLAN MADE A PART OF THE LEASE WITHOUT THE TENANT'S CONSENT.
8. IN PARAGRAPH EIGHTEENTH, FIRST LINE CHANGE: "SEVEN" TO "SIX"
9. IN PARAGRAPH EIGHTEENTH, ADD AT THE END: "NOTWITHSTANDING THE ABOVE, LANDLORD WILL PROVIDE TENANT REASONABLE NOTICE TO ENTER THE PREMISES DURING NON BUSINESS HOURS. IN THE CASE OF AN EMERGENCY ENTRY TO THE PREMISES LANDLORD WILL ATTEMPT TO CONTACT TENANTS DESIGNATED REPRESENTATIVE.
10. IN PARAGRAPH TWENTY FIRST 4TH LINE DELETE: "NOT"

LANDLORD - 51 EAST BETHPAGE HOLDING CORP.

[ILLEGIBLE] /s/

TENANT - FIRST PRIORITY GROUP, INC.

[ILLEGIBLE] /s/

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EAST BETHPAGE ROAD

[GRAPHIC OMITTED]

[MAP]

[OVERHEAD VIEW OF 51 EAST BETHPAGE RD.]

EXHIBIT "B"

51 East Bethpage Road

Office Space-Work Letter

No Common Area

Landlord agrees at its sole expense, and without charge to Tenant to do the following work, all of which, unless otherwise indicated, shall be of material, manufacture, design, capacity and finish selected by Landlord as a standard of the building ("Building Standard").

1. PARTITIONING: The landlord shall provide one (1) lineal foot of partition, consisting of 3 5/8" metal studs and 5/8" sheetrock on each side, for every 15 square feet of Tenant Rentable area. Interior office partitions shall be counted as full length, and demising partitions between tenant spaces and partitions between public corridors and tenant spaces, shall be counted as half length. There shall be no, curves, in any partition. Tenants allowance for partitions at landlords cost shall be consistent (plus 10%) with the preliminary plan attached hereto (Ken Sando 11/25/96). Prior to the placement of ceiling, Landlord shall provide reasonable notice for tenant"s contractors to place all electrical, telephone, coaxial, ethernet cable, etc. above ceiling.

2. CEILINGS: Furnish and Install Building Standard mechanically suspended exposed spline white accoustical ceiling in a continuous grid throughout with 2' X 4' ceiling tiles.

3. FLOOR COVERINGS: Furnish and Install Building Standard wall to wall carpeting as selected from samples provided by the Landlord or Landlord shall allow tenant \$12.00 per square yard for carpeting actually installed (to include cove base) at tenant's own expense during tenant's intitial installation.

4. PAINTING AND WALLCOVERING: Provide initial painting of all sheetrock walls as provided herein to consist of one (1) coat of interior wall primer sealer and one (1) coat of interior flat enamel in pastel colors or white. Colors are to be selected by Tenant from Landlord's color chart.

5. UTILITIES: Furnish and install a separate electrical and gas meter for each tenant to faclitiate tenant control of its own utilities.

6. LIGHTING FIXTURES: Furnish and Install Building Standards recessed flourescent lighting fixtures, 2' X 4' four (4) tube. Fixtures and initial lamps shall be provided at one (1) per every eighty (80) square feet of Tenant's Rentable area.

7. ELECTRICAL OUTLETS: Furnish and Install Building Standards 120 volts, 15 amp, duplex wall receptacles and their associated wiring facilities.

51 East Bethpage Road

Office Space-Work Letter

No Common Area

page two

Landlord shall supply one (1) outlet for every 100 square feet of Tenant's Rentable space.

8. SWITCHES: Ceiling lighting fixtures shall be central switched in open area and switched individually in private offices where required.

9. H.V.A.C.: Each tenant's space will be provided its own gas fired combination H.V.A.C. (central air conditioning) unit(s). Landlord shall provide a H.V.A.C. duct system in the demised premises in order to accommodate Tenant's office partition layout, not to exceed partition allowance stated in Item 1 above.

10. BATHROOM(S): Each Tenants space will be provided Handicapp Accessible bathroom(s) to meet Town Building Code. Landlord will provide a pair of 3 gang bathrooms, a pair of individual bathrooms and a single bathroom to include a shower in between the two executive offices. All bathrooms and kitchen shall be provided hot and cold water.

11. WINDOW COVERING: At Tenant's option and expense, all windows in the rented area may have venetian blinds, the color and style to be approved by the Landlord who's concent shall not be unreasonably withheld or delayed.

12. The premises will be accessible for handicap individuals as required under local, state and/or federal laws and regulations.

13. Landlord shall provide the tenant \$12,000.00 worth of upgrades at no extra charge above the standard materials and preliminary layout designed by Ken Sando dated 11/25/96 and incorporated as part of this lease by reference herein.

FIRST AMENDMENT TO LEASE AGREEMENT

FIRST AMENDMENT TO LEASE AGREEMENT, dated July 14, 1997, by and between 51 EAST BETHPAGE HOLDING CORP., a New York corporation, having a place of business at 1 Ames Court, Plainview, New York 11803 ("Landlord") and FIRST PRIORITY GROUP, INC., a New York corporation, having a place of business at 51 East Bethpage Road, Plainview, New York 11803 ("Tenant").

WHEREAS, Landlord and Tenant have heretofore executed and delivered a Lease dated December 6, 1996 ("Lease");

WHEREAS, Landlord and Tenant have had certain disputes relating to interpretations of certain issues arising under the Lease;

WHEREAS, Landlord and Tenant desire to amend said Lease pursuant to this Agreement to clarify the terms and to resolve any and all disputes previously arising thereunder.

NOW THEREFORE, Landlord and Tenant agree as follows:

1. Rent Commencement Date. Landlord and Tenant agree that the rent commencement date under said Lease shall be June 25, 1997. Tenant agrees that simultaneous with the execution and delivery of this Agreement, Tenant shall deliver a check to Landlord in the amount of \$16,537.50 representing rent from June 25, 1997 to July 31, 1997. Tenant shall thereafter pay rent on August 1, 1997 and on the first day of each month thereafter, subject to the applicable grace periods provided for in the Lease, at the rents provided for in the Lease. Landlord and Tenant agree that the free rent and first months rent paid on execution of the Lease

have been fully realized by the Tenant for the two months immediately preceding the rent commencement date set forth above.

2. Term of Lease. Section 42 of the Lease is hereby deleted and in its place and stead shall be inserted the following clause: The base rental during the term of the Lease shall be paid as follows: Rent in the amount of \$2,756.25 shall be paid for the period June 25, 1997 to June 30, 1997. Thereafter, rent shall be paid in the following amounts for the following periods:

(a) \$13,781.25 per month for July 1, 1997 through June 30, 1998 (\$165,375.00 per year);

(b) \$14,332.50 per month for July 1, 1998 through June 30, 1999 (\$171,990.00 per year);

(c) \$14,905.80 per month for July 1, 1999 through June 30, 2000 (\$178,869.60 per year);

(d) \$15,502.03 per month for July 1, 2000 through June 30, 2001 (\$186,024.36 per year); and

(e) \$16,122.11 per month for July 1, 2001 through June 30, 2002 (\$193,465.32 per year).

3. Punch List. The Landlord agrees to use reasonable efforts to complete the items set forth on the Punch List attached hereto as Schedule A by August 15, 1997. For purposes hereof, the Landlord shall be deemed to have used reasonable efforts to complete said Punch List items if by said date, Landlord has ordered parts and/or materials necessary to complete said work and installs such parts and/or materials within a reasonable time of receipt of

such parts or materials. With respect to landscaping, Landlord agrees to provide landscaping at the premises within a reasonable time after September 1, 1997.

4. Tenant Upgrades. Pursuant to Paragraph 13 of the Lease, Landlord had previously agreed to provide Tenant with \$12,000.00 worth of upgrades at the demised premises. Landlord and Tenant hereby agree that upon Landlord providing an accounting of said extras requested and/or approved by Tenant with invoices that Tenant shall pay any amount in excess of \$12,000.00 within fifteen (15) days of Landlord so providing such accounting with invoices with respect to upgrades requested and/or approved by Tenant. In the event said extras do not exceed \$12,000.00, Landlord shall provide Tenant with a credit against future rents with respect to the amount by which said extras are less than \$12,000.00.

5. No Further Modification. Landlord and Tenant agree that except as provided herein, the Lease remains in full force and effect on the terms and conditions stated therein. The Lease and this Amendment may not be otherwise modified except in a writing executed by both Landlord and Tenant. The Lease and this Agreement contain the entire Agreement between the parties and supersede any and all prior Agreements, whether written or oral.

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IN WITNESS WHEREOF, the parties have hereto executed this Agreement as of the date and year first above written.

51 EAST BETHPAGE HOLDING CORP.

By: s/ Barry Siegel

Name:
Title:

FIRST PRIORITY GROUP, INC.

By: s/ Steven Getlan

Name:
Title:

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