COMPUTER BUSINESS SCIENCES, INC.

80-02 Kew Gardens Road, Suite 5000
Kew Gardens, NY 11415
v. (718) 520-6500
f. (718) 520-0783

DEPOSIT DATE
D831 AUG 19 1998

August 17, 1998

981044-TX

Florida Public Service Commission
Division of Administration
2540 Shumard Oak Blvd., Gerald Gunter Bldg.
Tallahassee, FL 32399-0850

Dear Sir/Madam:

Enclosed you will find an original and six (6) copies of our two Applications: one for Authority to Provide Interexchange Telecommunication Service Within the State of Florida, and one for Authority to Provide Alternative Local Exchange Service Within the State of Florida, complete with exhibits and tariffs and two checks made out to the Florida Public Service Commission for $250 each.

Please do not hesitate to contact me at (718) 520-6500 X149 should you have any comments or questions about the application. We request expeditious treatment of this application so we can begin offering our services immediately in the State of Florida.

Many thanks, and best regards,

Deborah S. Arnott

Deborah S. Arnott
CLEC Regulatory Administrator

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DOCUMENT NUMBER-DATE
08918 AUG 19 98
FPSC-RECORDS/REPORTING

COMPUTER BUSINESS SCIENCES, INC.

80-02 Kew Gardens Road, Suite 5000
Kew Gardens, NY 11415
v. (718) 520-6500
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FPSC-RECORDS/REPORTING

COMPUTER BUSINESS SCIENCES, INC.
80-02 KEW GARDENS ROAD, SUITE 5000
KEW GARDENS, NY 11415

CITIBANK, N.A.
FLUSHING, NY 11366

9332

8/14/98

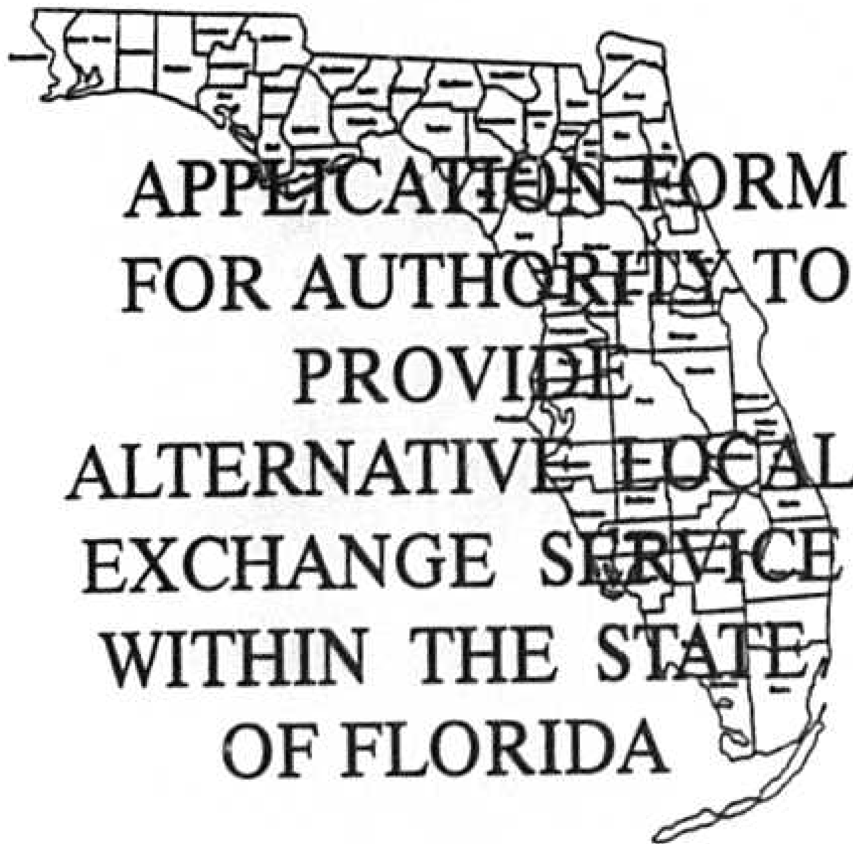
PAY TO THE ORDER OF Florida Public Service Commission $ **250.00

Two Hundred Fifty and 00/100****** DOLLARS

Security features included. Details on back.

Florida Public Service Commission
Div. of Adminis ration
2540 Shumard Oak Blvd
Geral Gunter Bldg
Tallahassee, FL 32399

MEMO CLEC Application



APPLICATION FORM FOR AUTHORITY TO PROVIDE ALTERNATIVE LOCAL EXCHANGE SERVICE WITHIN THE STATE OF FLORIDA

DOCUMENT NUMBER-DATE
08918 AUG 19 98
FPSC-RECORDS/REPORTING

DOCUMENT NUMBER-DATE
08918 AUG 19 98
FPSC-RECORDS/REPORTING

APPLICATION FORM

1. This is an application for (check one):

   (X) Original authority (new company)

   ( ) Approval of transfer (to another certificated company)
   Example, a certificated company purchases an existing company and- desires to retain the original certificate authority.

   ( ) Approval of assignment of existing certificate (to a noncertificated company)
   Example, a non-certificated company purchases an existing company and desires to retain the certificate of authority rather than apply for a new certificate.

   ( ) Approval for transfer of control (to another certificated company)
   Example, a company purchases 51% of a certificated company. The Commission must approve the new controlling entity.

2. Name of applicant:

   Computer Business Sciences, Inc.

3. Name under which the applicant will do business (d/b/a):

   Computer Business Sciences, Inc.

4. If applicable, please provide proof of fictitious name (d/b/a) registration.

   Fictitious name registration number:______________

5. A. National mailing address including street name, number, post office box, city, state, zip code, and phone number.

   80-02 Kew Gardens Road, Suite 5000, Kew Gardens, New York 11415 Telephone (718) 520-6500

   B. Florida mailing address including street name, number, post office box, city, state, zip code, and phone number.

   Computer Business Sciences, Inc., 892 N.W. LeJeunne, Miami, FL 33126 Telephone 888-697-3250

6. Structure of organization: Check appropriate box(s)

   ( ) Individual
   ( ) Foreign Corporation
   ( ) General Partnership
   (X) Corporation
   ( ) Foreign Partnership
   ( ) Limited Partnership

DOCUMENT NUMBER-DATE
08918 AUG 19 8
FPSC-RECORDS/REPORTING

( )Joint Venture ( ) Other, Please explain

7. If applicant is an individual, partnership, or joint venture, please give name, title and address of each legal entity.

N/A

8. State whether any of the officers, directors, or any of the ten largest stockholdershave previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime, or whether such actions may result from pending proceedings. If so, please explain.

None of the officers, directors, or any of the ten largest stockholders of Computer Business Sciences, Inc. have previously been adjudged bankrupt, mentally incompetent, or found guilty of any felony or of any crime.

9. If incorporated, please provide proof from the Florida Secretary of State that the applicant has authority to operate in Florida.

Certificate of Authority to Transact Business in Florida Document No.: F9800003375 (attached)

10. Please provide the name, title, address, telephone number, Internet address, and facsimile number for the person serving as ongoing liaison with the Commission, and if different, the liaison responsible for this application.

Deborah Arnott, CLEC Regulatory Administrator, Computer Business Sciences, Inc., 80-02 Kew Gardens Road, Suite 5000, Kew Gardens, NY 11415 Telephone: 718-520-6500 X149, E-mail: darnott@deb.5netusa.com; Facsimile No. 718-520-0783.

11. Please list other states in which the applicant is currently providing or has applied to provide local exchange or alternative local exchange service.

New York, California, Illinois.

12. Has the applicant been denied certification in any other state? If so, please list the state and reason for denial.

No.

13. Have penalties been imposed against the applicant in any other state? If so, please list the state and reason for penalty.

No.

14. Please indicate how a customer can file a service complaint with your company.

Customer can file a service complaint with our Customer Service Department at 1-800-847-9792 or call our main office at 718-520-6500 to report any complaints or they can send a fax with their written complaint to 718-793-4830 or mail their complaints to Computer Business Sciences, Inc., Customer Service, 80-02 Kew Gardens Road, Suite 5000, Kew Gardens, NY

11415.

15. Please complete and file a price list in accordance with Commission Rule 2524.825.(Rule attached)

    See attached tariff schedule.

16. Please provide all available documentation demonstrating that the applicant has the following capabilities to provide alternative local exchange service in Florida.

    A. Financial capability.

       Regarding the showing of financial capability, the following applies:

       The application should contain the applicant's financial statements for the most recent 3 years, including:

       1. the balance sheet
       2. income statement
       3. statement of retained earnings.

    Further, a written explanation, which can include supporting documentation, regarding the following should be provided to show financial capability.

    1. Please provide documentation that the applicant has sufficient financial capability to provide the requested service in the geographic area proposed to be served.

    2. Please provide documentation that the applicant has sufficient financial capability to maintain the requested service.

    3. Please provide documentation that the applicant has sufficient financial capability to meet its lease or ownership obligations.

       NOTE: This documentation may include, but is not limited to, financial statements, a projected profit and loss statement, credit references, credit bureau reports, and descriptions of business relationships with financial institutions.

       If available, the financial statements should be audited financial statements.

       If the applicant does not have audited financial statements, it shall be so stated. The unaudited financial statements should then be signed by the applicants chief executive officer and chief financial officer. The signatures should attest that the financial statements are true and correct.

SEE ATTCHMENT

    2. Managerial capability.

SEE ATTACHMENT

3. Technical capability.

SEE ATTACHMENT

(If you will be providing local intra-exchange switched telecommunications service, then state how you will provide access to 911 emergency service. If the nature of the emergency 911 service access and funding mechanism is not equivalent to that provided by the local exchange companies in the areas to be served, described in detail the difference.)

AFFIDAVIT

By my signature below, I, the undersigned officer, attest to the accuracy of the information contained in this application and attached documents and that the applicant has the technical expertise, managerial ability, and financial capability to provide alternative local exchange service in the State of Florida. I have read the foregoing and declare that to the best of my knowledge and belief, the information is true and correct. I attest that I have the authority to sign on behalf of my company and agree to comply, now and in the future, with all applicable Commission rules and orders.

Further, I am aware that pursuant to Chapter 837.06, Florida Statutes, "Whoever knowingly makes a false statement in writing with the intent to mislead a public servant in the performance of his official duty shall be guilty of a misdemeanor of the second degree, punishable as provided in s. 775.082 and s. 775.083".

Official: ____________________   8/17/98
Signature   Date

Richard L. Feinstein
Title: Vice President/Finance-Chief Financial Officer
Telephone Number: 718-520-6500

Address: Computer Business Sciences, Inc.
80-02 Kew Gardens Road, Suite 5000
Kew Gardens, NY 11415

FORM PSC/CMU 8 (11/95)
Required by Chapter 364.337 F.S.

25-24.825 Price List.

(1) Prior to providing service, each company subject to these rules shall file and maintain with the Commission a current price list which clearly sets forth the following information for basic local telecommunications services, as defined in s. 364.02(2), F. S. If basic local telecommunications service is offered on a package basis, the following information must be provided for the package:

- (a) current prices,
- (b) customer connection charges,
- (c) billing and payment arrangements, and
- (d) levels of service quality which the company holds itself out to provide for each service.

(2) At the company's option, price list information in paragraph (1) above and other information concerning the terms and conditions of service may be filed for services other than basic local telecommunication services.

(3) A price list revision must be physically received by the Commission's Division of Communications at least one day prior to its effective date.

(4) Price lists must be on 8½ by 11 inch paper in loose-leaf form and must utilize an ongoing page identification system which will allow for the identification of inserted and removed pages. The color of paper on which price lists are filed must be amenable to being clearly photocopied on standard photocopy equipment.

(5) Complete information concerning a company's service offerings, rates and charges, conditions of service, service quality, terms and conditions, service area, and subscribership, information identified by local exchange company exchange must be made available to Commission staff upon request.

Specific Authority: 350.127(2)
Law Implemented: 3,64.04, 364.337(5), F.S. History: New 12/26/95

ITEM 6(A)

FINANCIAL CAPABILITY

Computer Business Sciences, Inc. will finance the construction and operation of its proposed system through a combination of financial resources including its own internal funding, support from its parent corporation, the procurement of financing, and anticipated revenues. In support of its financial showing, attached hereto are the following documents:

2. The most recently prepared balance sheets of CBS and its corporate parent, Fidelity Holdings, Inc., a publicly traded company (FDHG BB:NASDAQ). Copies of Fidelity's 10K, 10QSB and 8K are on file with the SEC and available upon request.

3. The most recently prepared income statements of CBS and Fidelity Holdings.

4. The most recently prepared statement of retained earnings of CBS and Fidelity Holdings.

5. CBS intends to use a private placement to secure the funds necessary to complete its network deployment and sell its services. Mezzanine funding will be used for financing xDSL service equipment, as it is capital intensive. With the xDSL equipment financing we will package it in 1,000 customer multiples. CBS plans to pay off the Mezzanine funding with an IPO next year.

6. Financing will be secured by revenues generated from operating the network and through an interest in the network facilities. An estimate of the fixed and

annual operating costs of operating as a local exchange and interexchange carrier is attached hereto. The attachment demonstrates that CBS will be able to procure the necessary financing for the project and that the project is economically feasible. CBS has submitted a Motion concurrently with this Application seeking confidential treatment of these attachments on the basis that they contain highly proprietary and competitively sensitive information. Annual fixed and operating costs are expected to be well within the financial resources available to CBS through the procurement of financing and anticipated revenues.

COMPUTER BUSINESS SCIENCES, INC.

TRADE AND BANK REFERENCES

TRADE REFERENCES

DK COMMUNICATIONS
PALERMO STREET
HOLLISWOOD, NY
TEL NO. (718) 776-2005
CONTACT: ERIC KASHI

NISSKO TELECOM
7 WEST 45TH ST.
NEW YORK, NY 10036
TEL NO. (212) 575-9207
CONTACT: AVI NISSANIAN

786710 LTD.
1110 FINCH AVENUE WEST
DOWNSVIEW, ONT. CANADA M3J 2T2
TEL NO. (416) 665-7638
CONTACT: DULCIE RAMKAY

BANK REFERENCE
CITIBANK
176-50 UNION TPKE.
FLUSHING, NY 11366
TEL NO. (718) 969-8902
CONTACT: FRAN STAIANO

ITEMS 6(B) and (C)

MANAGERIAL AND TECHNICAL COMPETENCE

Organization

The management of CBS is built around expertise in managing and building networks. They have expertise in regulatory, financing, marketing, and technical deployment of voice and data networks.

The strength of CBS's management team stems from combined expertise in both management and technology. This will prove to be a competitive advantage as the Company matures. In addition, the leadership and alignment characteristics of CBS's management team have resulted in the establishment of broad and flexible goals designed to meet the ever-changing demands of the quickly moving market place requiring our services.

Team Members

Doron Cohen

Mr. Cohen is the President and Chief Executive Officer of Computer Business Sciences, Inc. and has served as the President and Chief Executive Officer of its parent company, Fidelity Holdings, Inc., since its incorporation in November 1995. From 1991 to 1995, Mr. Cohen served as President and Chief Executive Officer of Holtzman Enterprises.

Kimberly Peacock

Ms. Peacock, in her current capacity as Chief Technology Officer of Fidelity Holdings and President of the telephony subsidiary of Fidelity Holdings, Inc., is the chief architect of the Network and associated platforms. Ms. Peacock has been involved in technical planning for over 15 years and brings an incredible wealth of knowledge to CBS. She has served as a consultant for many companies on the Internet and in Telecommunications, including GE Comstor, GE Ameridata, BrookeHill Equities, Kornreich & Kornreich, among others.

Bruce A. Hall

Mr. Hall joined the company as Vice President of Operations in December 1997. Prior to this, Mr. Hall spent almost 30 years in the Telecommunications Industry with Bell Atlantic. He served in many capacities including Vice President of sales with NYNEX Business Information Systems and most recently as Director of Operations for Queens.

Richard L. Feinstein

Mr. Feinstein has served the Company's Chief Financial Officer since December 1997. In January of 1998 he was promoted to Senior Vice President-Finance and Chief Financial Officer of Fidelity Holdings. From 1994 to December 1997, Mr. Feinstein maintained his own financial and management consulting practice. From 1989 to 1994, Mr. Feinstein served as Managing Director and Chief Financial Officer of Employee Benefit Services, Inc. From 1978 to 1989, Mr. Feinstein was a partner in KPMG Peat Marwick.

Paul Vesel

Mr. Vesel has served as the Executive Vice President for Sales and Marketing of Computer Business Sciences, a subsidiary of Fidelity Holdings, since November 1996. From May 1995 to November 1996, Mr. Vesel was employed by MTC Netsource, a telecommunications company, where he was responsible for product development and from 1993 to 1995; he served as Director of European Sales and Marketing for ATC Distribution.

Moise Benedid

Mr. Benedid has served as the President of the Company's Canadian subsidiary Info Systems since August 1996. From November 1994 through July 1996, Mr. Benedid served as Vice President in charge of marketing and technical support for TelePower International, Inc. and from December 1992 to November 1994 he served as President of Powerpoint Microsystems, Inc.

Zvi Barak, PhD

Dr. Barak has served as the Director of Research and Development of the Company's Computer Telephony and Telecommunications division since April, 1996. From 1992 to August 1996, Dr. Barak served as President of Info Systems. He currently serves as the President of Computer Business Sciences Israel Division.

Technical Directors

Dale Harris, PhD

Executive Director, Center for Telecommunications Consulting Professor of Electrical Engineering

Education: B.S., University of Texas at Austin; M.S. and Ph.D., University of California at Berkeley.

Research Interests: Intelligent telecommunications networks; broadband network design and multimedia applications; distance education and asynchronous learning networks.

Professional Experience: Director of Strategic Technology Assessment and Executive Director of the Advanced Technology Division, Pacific Bell (1983-1991); California Institute of Technology faculty (1985); Project Manager of Electronic Messaging Systems, Bank of America (1981-1983); Director of Technology Systems, Letterman Army Institute of Research (1977-1981); Harvard University faculty and staff (1972-1977).

Recent Professional Activities: Year 2000 IEEE Global Communications Conference Technical Program Chairman; Academic Advisory Council for The Corporation for Educational Network Initiatives in California (CENIC); Scientific Advisory Board, Swedish Institute of Computer Science and the Royal Institute of Technology; Editorial Board, Internetwork Magazine; IEEE 1994 Global Communications Conference Technical Program Chairman; Chairman, Bellcore Applied Research Advisory Committee; Vice Chairman, IEEE 1990 Global Communications Conference Executive Committee; National Technological University Management of Technology Industrial Executive Committee; Exchange Carriers Standards Association International Relations Committee; University of Southern California Communication Sciences Institute Advisory Board; University of California at Davis Department of Electrical Engineering Board of Advisors.

Memberships: Tau Beta Pi; Senior Member of IEEE Communications, Computer and Engineering Management Societies; New York Academy of Sciences.

Honors: US Distance Learning Association award for "Most Significant Advancement in Research in the Field of Distance Learning"; Department of the Army Commendation (for information systems development); Muscular Dystrophy Association Fellow; National Institutes of Health Fellow; University of Texas Engineering Fellow.

Publications: 15 journal publications; author of chapters in four books; numerous conference papers.

David L. Tennenhouse, PhD

Dr. Tennenhouse is an Associate Professor of Computer Science and Electrical Engineering at MIT's Laboratory for Computer Science. He is leader of the Telemedia, Networks and Systems Group, which is addressing "systems" issues arising at the confluence of three intertwined technologies: broadband networks, high definition video, and distributed computing.

Dr. Tennenhouse studied electrical engineering at the University of Toronto, where he received his B.A.Sc. and M.A.Sc. Degrees. In 1989 he completed his Ph.D. at the Computer Laboratory of the University of Cambridge. His Ph.D. research focused on

ATM-based site interconnection issues. This work, which was conducted within the Unison Project, led to the early implementation of an ATM-based wide are testbed.

Current Research

At the core of the group's activities are two large systems projects: the ViewStation research program, on distributed video systems, and the Aurora gigabit testbed. The ViewStation program is pioneering a very software intensive approach to the capture, processing, transmission, storage, and display of full motion video sequences. AURORA is one of five gigabit networking testbeds funded by the Corporation for National Research Initiatives under a grant from NSF and ARPA. The TNS group's contributions to AURORA, which are mostly related to gigabit endworking includes work on: local distribution, host interfacing, and end system protocol software.

Fouad Tobagi, PhD

Professor of Electrical Engineering and, by courtesy, Computer Science High-Speed and Multimedia Networking and Communications

Education: Engineering Diploma, Ecole Centrale des Arts et Manufacturers (Paris, France); M.S., Ph.D., Computer Science, University of California, Los Angeles.

A member of the Stanford Faculty since 1978. Professor Tobagi is also a cofounder of Starlight Networks, a venture concerned with multimedia networking and video servers, where he has been serving as chief technical officer since November 1991.

Research Interests: Broadband Integrated Services Digital Networks, High Speed ATM Networks (switching, routing, and congestion control), Multimedia Applications (on-line distance learning and desktop video conferencing), Multimedia Systems (video servers and storage systems for multimedia information, including disk arrays and tertiary mass storage systems), and Multimedia Networking, including network infrastructures (local and wide area networks), network protocols (multipoint session layer protocols, real-time multicase transport protocols, multicase and QoS routing protocols), and network management and control (resource allocation and reservation, admission control).

Professional Experience: Professor Tobagi has served as editor for the IEEE Transactions on Communications, as well as other journals. He was coeditor for a number of special issues of the IEEE Journal on Selected Areas in Communications and of the Proceedings of the IEEE; topics include Local Area Networks, Packet Radio Networks, and Large Scale ATM Switching Systems for B-ISDN. He is currently on the editorial board of the ACM Journal on Multimedia Systems, the Journal on Multimedia Tools and Applications, and the Journal on Wireless Networks. Since 1991, he has also been affiliated with Starlight Networks, Inc., a company concerned with multimedia networking and video servers, where he has been serving as Chief Technical Officer.

Honors: Professor Tobagi is a Fellow of the IEEE. He was the winner of the 1981 Leonard G. Abraham Prize Paper Award in the field of Communications Systems, and winner of the IEEE 1984 Communication Magazine Prize paper award.

Publications: Author of several book chapters and numerous papers; coeditor of Advances in Local Area Networks, a book published in the series "Frontiers in Communications" published by the IEEE Press.

FLORIDA DEPARTMENT OF STATE
Sandra B. Mortham
Secretary of State

June 15, 1998

FLORIDA FILING & SEARCH

Qualification documents for COMPUTER BUSINESS SCIENCES, INC. were filed on June 15, 1998 and assigned document number F98000003375. Please refer to this number whenever corresponding with this office.

Your corporation is now qualified and authorized to transact business in Florida as of the file date.

The certification you requested is enclosed.

A corporation annual report will be due this office between January 1 and May 1 of the year following the calendar year of the file date. A Federal Employer Identification (FEI) number will be required before this report can be filed. If you do not already have an FEI number, please apply NOW with the Internal Revenue by calling 1-800-829-3676 and requesting form SS-4.

Please be aware if the corporate address changes, it is the responsibility of the corporation to notify this office.

Should you have any questions regarding this matter, please telephone (850) 487-6091, the Foreign Qualification/Tax Lien Section.

Lee Rivers
Document Specialist
Division of Corporations

Letter Number: 998A00033248

Department of State

I certify from the records of this office that COMPUTER BUSINESS SCIENCES, INC., is a corporation organized under the laws of New York, authorized to transact business in the State of Florida, qualified on June 15, 1998.

The document number of this corporation is F98000003375.

I further certify that said corporation has paid all fees and penalties due this office through December 31, 1998, and its status is active.

I further certify that said corporation has not filed a Certificate of Withdrawal.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
Seventeenth day of June, 1998

Sandra B. Mortham
Secretary of State

CR2EO22 (2-95)

Department of State

I certify the attached is a true and correct copy of the application by COMPUTER BUSINESS SCIENCES, INC., a New York corporation, authorized to transact business within the State of Florida on June 15, 1998 as shown by the records of this office.

The document number of this corporation is F98000003375.

Given under my hand and the
Great Seal of the State of Florida
at Tallahassee, the Capitol, this the
Fifteenth day of June, 1998

Sandra B. Mortham
Secretary of State

CR2EO22 (2-95)

APPLICATION BY FOREIGN CORPORATION FOR AUTHORIZATION TO TRANSACT BUSINESS IN FLORIDA

IN COMPLIANCE WITH SECTION 607.1503, FLORIDA STATUTES, THE FOLLOWING IS SUBMITTED TO REGISTER A FOREIGN CORPORATION TO TRANSACT BUSINESS IN THE STATE OF FLORIDA:

1. Computer Business Sciences, Inc.
(Name of corporation: must include the word "INCORPORATED", "COMPANY", "CORPORATION" or words or abbreviations of like import in language as will clearly indicate that it is a corporation instead of a natural person or partnership if not so contained in the name at present.)

2. New York
(State or country under the law of which it is incorporated)

3. 11-3304370
(FEI number, if applicable)

4. 12-12-95
(Date of incorporation)

5. Perpetual
(Duration: Year corp. will cease to exist or "perpetual")

6. N/A
(Date first transacted business in Florida. (See sections 607.1501, 607.1502, and 817.155, F.S.)

7. 80-02 Kew Gardens Rd., Suite 5000
Kew Gardens, NY 11415
(Current mailing address)

8. Provide long distance and domestic telecommunications services bundled at discount rates to customers as well as complete wireline communications systems.
(Purpose(s) of corporation authorized in home state or country to be carried out in the state of Florida)

FILED
98 JUN 15 PM 1:53
SECRETARY OF STATE
TALLAHASSEE, FLORIDA

9. **Name and street address of Florida registered agent:**

Name: Robert L. Rimberg

Office Address: 782 NW Le Jeunne

Miami, Florida, 33126
(Zip Code)

10. **Registered agent's acceptance:**

Having been named as registered agent and to accept service of process for the above stated corporation at the place designated in this application, I hereby accept the appointment as registered agent and agree to act in this capacity. I further agree to comply with the provisions of all statutes relative to the proper and complete performance of my duties, and I am familiar with and accept the obligations of my position as registered agent.

(Registered agent's signature)

11. Attached is a certificate of existence duly authenticated, not more than 90 days prior to delivery of this application to the Department of State, by the Secretary of State or other official having custody of corporate records in the jurisdiction under the law of which it is incorporated.

12. Names and addresses of officers and/or directors: (Street address ONLY- P. O. Box NOT acceptable)

A. DIRECTORS (Street address only- P. O . Box NOT acceptable)

Chairman: Bruce Bendell (Chairman Fidelity HOldings, parent co. of CBS

Address: 80.-02 Kew Gardens Rd.

Kew Gardens, NY 11415

Vice Chairman: ______

Address: ______

______

Director: Bruce A. Hall, COO-VP & Director of Operations

Address: 12 Meadowview Dr.

Brookfield, CT 06804

Director: Richard L. Feinstein, CFO

CFO

Address: 44 Hedgerow Lane

Jericho, NY 11753

B. OFFICERS (Street address only- P. O. Box NOT acceptable)

President: Doron Cohen

Address: 47 Parker Blvd.

Monsey, NY 10952

Vice President: Paul Vesel

Address: 11 William ST.

Great Neck, NY 11023

Secretary: Kimberly Peacock

CTO

Address: 118-80 Metropolitan Ave., 4J

Kew Gardens, NY 11415

Treasurer: ______

Address: ______

NOTE: If necessary, you may attach an addendum to the application listing additional officers and/or directors.

13.
(Signature of Chairman, Vice Chairman, or any officer listed in number 12 of the application)

14. Bruce A. Hall, Chief Operating Officer
(Typed or printed name and capacity of person signing application)

TITLE SHEET

FLORIDA TELECOMMUNICATIONS TARIFF

This tariff contains the descriptions, regulations, and rates applicable to the furnishing of service and facilities for telecommunications services provided by Computer Business Sciences, Inc., with principal offices at 80-02 Kew Gardens Road, Kew Gardens, New York 11415. This tariff applies for services furnished within the State of Florida. This tariff is on file with the Florida Public Service Commission, and copies may be inspected, during normal business hours, at the Company's principal place of business.

CHECK SHEET

Sheets 1 through 15 inclusive of this tariff are effective as of the date shown at the bottom of the respective sheet(s). Original and revised sheets as named below comprise all changes from the original tariff and are currently in effect as of the date on the bottom of this page.

SHEET	REVISION
1	Original
2	Original
3	Original
4	Original
5	Original
6	Original
7	Original
8	Original
9	Original
10	Original
11	Original
12	Original
13	Original
14	Original
15	Original
16	Original

TABLE OF CONTENTS

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Section 1 - Technical Terms and Abbreviations 5
Section 2 - Rules and Regulations 6
Section 3 - Description of Service 11
Section 4 - Rates 12

Deborah Arnott, Regulatory Administrator
Computer Business Sciences, Inc.
80-02 Kew Gardens Rd.
Kew Gardens, NY 11415

SYMBOLS

The following are the only symbols used for the purposes indicated below:

D- Delete or Discontinue
I - Change Resulting In An
Increase to A Customer's Bill
M- Moved From Another Tariff Location
N- New
R- Change Resulting In A Reduction to A Customer's Bill
T- Change In Text or Regulation But No Change In Rate or Charge

Deborah Arnott, Regulatory Administrator
Computer Business Sciences, Inc.
80-02 Kew Gardens Rd.
Kew Gardens, NY 11415

TARIFF FORMAT

A. Sheet Numbering - Sheet numbers appear in the upper right corner of the page. Sheets are numbered sequentially. However, new sheets are occasionally added to the tariff. When a new sheet is added between sheets already in effect, a decimal is added. For example, a new sheet added between sheets 14 and 16 would be 14.1.

B. Sheet Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current sheet version on file with the FCC. For example, the 4th revised Sheet 14 cancels the 3rd revised Sheet 14. Because of various suspension periods, deferrals, etc. the FCC follows in their tariff approval process, the most current sheet number on file with the Commission is not always the tariff page in effect. Consult the Check Sheet for the sheet currently in effect.

C. Paragraph Numbering Sequence - There are nine levels of paragraph coding. Each level of coding is subservient to its next higher level:

2.1.
2.1.1.
2.1.1 A.
2.1.1 A.1 .
2.1.1 A.1 .(a).
2.1.1 A.1 .(a).I.
2.1.1 A.1 .(a).L(i).

D. Check Sheets - When a tariff filing is made with the FCC, an updated check sheet accompanies the tariff filing. The check sheet lists the sheets contained in the tariff, with a cross reference to the current revision number. When new pages are added, the check sheet is changed to reflect the revision. All revisions made in a given filing are designated by an asterisk. There will be no other symbols used on this page if these are the only changes made to it (i.e., the format, etc. remains the same, just revised revision levels on some pages). The tariff user should refer to the latest check sheet to find out if a particular sheet is the most current on file with the FCC.

1. SECTION I - TECHNICAL TERMS AND ABBREVIATIONS

Access Line - An arrangement which connects the customer's location to a Computer Business Sciences, Inc. network switching center.

Authorization Code - A numerical code, one or more of which are available to a customer to enable him/her to access the carrier, and which are used by the carrier both to prevent unauthorized access to its facilities and to identify the customer for billing purposes

Company or Carrier- Computer Business Sciences, Inc.

Customer- The person, firm, corporation or other entity which orders service and is responsible for payment of charges due and compliance with the Company's tariff regulations.

Day - From 8:00 AM up to but not including 5:00 PM local time Monday through Friday.

Evening - From 5:00 PM up to but not including 11 -.00 PM local time Sunday through Friday.

Holidays - Computer Business Sciences, Inc.'s recognized holidays are New Year's Day, Martin Luther King, Jr. Day, Presidents Day, St. Patrick's Day, Memorial Day, July 4th, Labor Day, Thanksgiving Day, Christmas Day.

Night/Weekend - From 11:00 PM up to but not including 8-00 AM
Sunday through Friday, and 8:00 AM Saturday up to but not including 5:00 PM Sunday.

Deborah Arnott, Regulatory Administrator
Computer Business Sciences, Inc.
80-02 Kew Gardens Rd.
Kew Gardens, NY 11415

2. SECTION 2 - RULES AND REGULATIONS

2.1 Undertaking of Computer Business Sciences, Inc.

Computer Business Sciences, Inc. services and facilities are furnished for communications originating at specified points within the State of Florida under terms of this Tariff.

Computer Business Sciences, Inc. installs, operates, and maintains the communication services provided here under in accordance with the terms and conditions set forth under this Tariff. It may act as the customer's agent for ordering access connection facilities provided by other carriers or entities when authorized by the customer, to allow connection of a customer's location to the Computer Business Sciences, Inc. network. The customer shall be responsible for all charges due for such service arrangement.

The Company's services and facilities are provided on a monthly basis unless ordered on a longer term basis, and are available twenty-four hours per day, seven days per week.

2.2 Limitations

2.2.1. Service is offered subject to the availability of facilities and the provisions of this tariff.

2.2.2. Computer Business Sciences, Inc. reserves the right to discontinue furnishing service, or limit the use of service necessitated by conditions beyond its control; or when the customer is using service in violation of the law or the provisions of this Tariff.

2.2.3. All facilities provided under this Tariff are directly controlled by Computer Business Sciences, Inc. and the customer may not transfer or assign the use of service or facilities, except with the express written consent of the Company. Such transfer or assignment shall only apply where there is no interruption of the use or location of the service or facilities.

SECTION 2 - RULES AND REGULATIONS

2.2 Limitations (Cont.)

2.2.4. Prior written permission from the Company is required before any assignment or transfer. All regulations and conditions contained in this Tariff shall apply to all such permitted assignees or transferees, as well small conditions for service.

2.3 Liabilities of The Company

2.3.1. Computer Business Sciences, Inc.'s liability for damages arising out of mistakes, interruptions, omissions, delays, errors, or defects in the transmission occurring n the course of furnishing service or facilities, and not caused by the negligence of its employees or its agents, in no event shall exceed an amount equivalent to the proportionate charge to the customers for the period during which the aforementioned faults in transmission occur.

2.3.2. Computer Business Sciences, Inc. shall be indemnified and held harmless by the customer against:

A. Claims for libel, slander, or infringement of copyright arising out of the material, data, information, or other content transmitted over the Company's facilities.

B. All other claims arising out of any act or omission of the customer in connection with any service or facility provided by Computer Business Sciences, Inc..

SECTION 2 - RULES AND REGULATIONS

2.4 Interruption of Service

2.4.1. Credit allowance for the interruption of service which is not due to the Company's testing or adjusting, negligence of the customer, or to the failure of channels or equipment provided by the customer, are subject to the general liability provisions set forth in 2.3.1 herein. It shall be obligation of the customer to notify The Company immediately of any interruption in service for which a credit allowance is desired. Before giving such notice, the customer shall ascertain that the trouble is not being caused by any action or omission by the customer within his control, or is not in Wiring or equipment, if any, furnished by the customer and connected to the Company's facilities.

2.4.2. For purposes of credit computation, every month shall be considered to have 720 hours.

2.4.3. No credit shall be allowed for an interruption of a continuous duration of less than twenty four hours.

2.4.4. The customer shall I be credited for an interruption of two hours or more at the rate of 1/720th of the monthly charge for the facilities affected for each hour or major fraction thereof that the interruption continues.

Credit Formula:

$$\text{Credit} = \frac{A}{720} \times B$$

"A" - outage time in hours

"B" - total monthly charge for affected facility

Deborah Arnott, Regulatory Administrator

Computer Business Sciences, Inc.

80-02 Kew Gardens Rd.

Kew Gardens, NY 11415

SECTION 2 - RULES AND REGULATIONS

2.5 Restoration of Service

The use and restoration of service shall be in accordance with the priority system specified in part 64, Subpart D of the Rules and Regulations of the Federal Communications Commission.

2.6 Deposits

The Company may at times require a deposit from the customer.

2.7 Advance Payments

For customers whom the Company feels an advance payment is necessary, Computer Business Sciences, Inc. reserves the right to collect an amount not to exceed one (1) month's estimated charges as an advance payment for service. This will be applied against the next month's charge, and if necessary a new advance payment will be collected for the next month.

2.8 Taxes

All state and local taxes (i.e., gross receipts tax sales tax, municipal utilities tax) are listed as separate line items and are not included in the quoted rates.

Deborah Arnott, Regulatory Administrator
Computer Business Sciences, Inc.
80-02 Kew Gardens Rd.
Kew Gardens, NY 11415

SECTION 2 – RULES AND REGULATIONS

2.10 Timing of Calls

The customer's long distance usage charge is based on the actual usage of Computer Business Sciences, Inc.'s network. Usage begins when called party picks up the receiver. When the called party picks up is determined by hardware answer supervision in which the local telephone company sends a signal to the switch or the software utilizing audio tone detection. When software answer supervision is employed, up to 60 seconds of ringing is allowed before it is billed as usage of the network. A call is terminated when the calling or called party hangs up.

2.11 Minimum Call Completion Rate

A customer can expect a call completion rate (number of calls completed/number of calls attempted) of not less than 90% during peak use periods for all FG D services (1+ dialing).

2.12 Special Services

For the purpose of this tariff, a Special Service is deemed to be any service requested by the customer for which there is no prescribed rate in this tariff. Special Service charges will be developed on an individual case basis and filed in this tariff.

2.12.1. Special Service Regulations

Special Service charges will be based on the estimated cost of furnishing such services including the cost of operating and maintaining such a service, the cost of equipment and materials used in providing such a service, the cost of installation including engineering, labor supervision, transportation, and the cost of any other specific item associated with the particular Special Service request.

SECTION 3 - DESCRIPTION OF SERVICE

In addition to it's reselling of International and Domestic minutes, Computer Business Sciences ("CBS") enters the market via its voice over IP technology and takes advantage of its unregulated untariffed ability to sell domestic and international long distance at discounts to carriers, enterprise customers, small and mid size business as well as residential customers. CBS's primary strategy is to deploy xDSL services and take advantage of the demand for high speed internet access while providing a complete bundled communications package to residential and small businesses. To its knowledge, CBS will be the first U.S. carrier to deploy xDSL as a complete bundled product. All other current providers of xDSL make the customer order a second line to the home. CBS will be the first to provide local dialtone, data, and video seamlessly over the same copper span that currently delivers to the customer dial-tone only.

For the provision of interexchange telecommunications service, CBS will bundle its ATM network with DS-3 facilities from an authorized facilities-based carrier. Once customers transmit from their homes and transmissions arrive at the RBOCs central offices, they will be connected onto our ATM network. Voice transmissions will be routed directly to a CBS switch and to tandems which are connected with the RBOC. Calls outside the region will be packetized and transmitted over our ATM network; they will then be depacketized at the terminating region and sent out over tandems that are connected with the incumbent local exchange carrier in that region.

Services that will offered in addition to International calling include:

Local Dial Tone
Traditional long distance
High Speed Internet Access
Residential broadband
Virtual private network
Movies-on-demand/Pay TV
Traditional Cable Television
Home Shopping
Banking
Networking
Telemarketing
Telemedicine
Distance Learning Capabilities

In the first fiscal year of operations, CBS plans to be in 18 cities in the United States with xDSL service, with an average of 3,500 customers in each city by fiscal year-end. By the end of its second fiscal year, the number of cities in which the Company is providing xDSL services expands to 62, with an average of 3,500 customers in each. In year three, the customer base is projected to increase by 25% to an average of 4,375 per city by fiscal year-end.

The Rates to follow will describe how our services are broken down.

Deborah Arnott, Regulatory Administrator
Computer Business Sciences, Inc.
80-02 Kew Gardens Rd.
Kew Gardens, NY 11415

4. SECTION 4 - RATES

4.1 CBS's Long Distance Service

CBS Long Distance Service is an interexchange telecommunications service that enables an end-user to place calls by accessing the CBS network directly. The service is accessed by establishing an account with the Company, having an authorization code issued, and dialing a 7 digit access code. The end-user accesses the network by dialing either (area code) ___ - ____ or a toll-free number (800) ___ - ____ . CBS Long Distance Service is available 24 hours a day, 7 days a week.

The per minute rates for CBS Long Distance Service are as follows

Using the (area code) XXX-XXXX access code- $0.09 per minute

Using the (800) XXX-XXXX access code: $0.18 per minute

The above rates apply to each minute or fraction thereof.

The following rates will apply where CBS's bundled services utilitizing DSL are available:

Local Exchange Dial Tone: Flat Rate $15 monthly

Bundled Services:
Internet Access: Flat Rate $20 monthly
High Speed Access: Flat Rate $65 monthly
Cable: Flat Rate $30 monthly
One time non-recurring: $250

SECTION 4 - RATES

4.2 Special Promotions

The company will, from time to time, offer special promotions to its customers waiving certain charges. These promotions will be approved by the FCC with specific starting and ending dates and under no circumstances run for longer than 90 days in any 12 month period.

4.3 Special Rates For The Handicapped

4.3.1. Directory Assistance

There shall be no charge for up to fifty calls per billing cycle from lines or trunks serving individuals with disabilities. The Company shall charge the prevailing tariff rates for every call in excess of 50 within a billing cycle."

4.3.2. Hearing and Speech Impaired Persons

Intrastate toll message rates for TDD users shall be evening rates for daytime calls and night rates for evening and night calls. 4.2.5. Hearing or Speech Impaired Persons

Rates for certain calls are reduced pursuant to Section 4.2.2 for a residence or single-line business customer who meet the following requirements:

A. The customer is certified to the Company as having a hearing or speech impairment that prevents telephone voice communication.

B. The customer uses a telecommunications device for the deaf (TDD) or other non-voice equipment for telecommunications.

C. The customer makes written application to the Company for reduced rates.

D. The customer designates to the Company one and only one telephone number associated with that customer's service and telecommunications device.

SECTION 4 - RATES

4.4 Telecommunications Relay Service

For intrastate toll calls received from the relay service, the Company will when billing relay calls discount relay service calls by 50 percent off of the otherwise applicable rate for a voice nonrelay call except that where either the calling or called party indicates that either party is both hearing and visually impaired, the call shall be discounted 60 percent off of the otherwise applicable rate for a voice nonrelay call. The above discounts apply only to time-sensitive elements of a charge for the call and shall not apply to per call charges such as a credit card surcharge.

4.4.1 If at the request of the customer, CBS obtains facilities not normally used to provide service to its customers, the cost incurred will be billed as a Special Service.

A. If at the request of the customer, CBS provides technical assistance not normally required to provide service, the costs involved will be billed as a Special Service.

B. When special signaling, conditioning, equipment or other features are required to make customer-provided equipment compatible with CBS service, the cost of providing these features will be billed as a Special Service.

C. When additional testing is requested in excess of the normal testing required to provide service.

4.5 Directory Assistance

Directory Assistance is available to customers of any of CBS's services provided via contract with the RBOCs. A charge of 60 cents/minute will apply to each Directory Assistance call. The charge applies to each call regardless of whether the Directory Assistance Bureau is able to furnish the requested telephone number. Up to two requests may be made on each Directory Assistance call. Directory Assistance charges will not count towards any volume discounts. Directory Assistance charges will be included with other usage charges when calculating volume discounts and in satisfying minimum usage requirements.

PETER C. COSMAS CO. CPA'S
400 MADISON AVE.
NEW YORK, NEW YORK 10017
212-752-5353

November 13, 1997

To The Board of Directors
Computer Business Sciences, Inc.

We have compiled the accompanying combined balance sheet of Computer Business Sciences, Inc. and subsidiaries as of September 30 1997 and the related statements of Income and, retained earnings for the Nine months then ended, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all the disclosures and the statement of cash flows required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusion about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Peter C. Cosmas Co. CPA's

COMPUTER BUSINESS SCIENCES, INC.
BUSINESS AND PRINCIPLES OF COMBINATION AND REPORTING

Computer Business Sciences, Inc. and Subsidiaries (The Company) provide a broad range of telecommunication services. Included in its telecommunications product lines are (i) its proprietary software which enables consumers to place long-distance telephone calls at discounted rates and (ii) its variety of sophisticated interactive voice response applications. The operations of the Company's leasing subsidiary consist of providing leases and other financing.

The combined financial statements consist of the combined operations of Computer Business Sciences, Inc. 786710 (Ontario) Limited, C.B.S. Computer Business Sciences LTD. And Major Fleet & Leasing Corp. all of which are under common control. All significant intercompany balances and transactions have been eliminated.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

FIDELITY HOLDINGS, INC.
(Registrant)

Bruce Bendell, President

Dated: June 8, 1998

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-KSB

(Mark One)

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 [Fee Required]

For the fiscal year ended December 31, 1997

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

for the transition period from ___ to ___

Commission file number 0-29182

Fidelity Holdings, Inc.
(Name of Small Business Issuer in Its Charter)

Nevada	11-3292094
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

80-02 Kew Gardens Road, Suite 5000

Kew Gardens, New York	11415
(Address of Principal Executive Offices)	(Zip Code)

Issuer's Telephone Number, Including Area Code (718) 520-6500

Securities registered pursuant to Section 12(b) of the Exchange Act: None

Securities registered pursuant to Section 12(g) of the Exchange Act:

Common Stock, par value $.001 per share
(Title of Class)

Check whether the issuer: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No___

Check if there is no disclosure of delinquent filers in response to Item 405 of Regulation S-B is not contained in this Form, and no disclosure will be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-KSB or any amendment to this Form 10-KSB.

Issuer's revenues for its most recent fiscal year: $3,862,284.

The approximate aggregate market value of the registrant's common stock held by non-affiliates, computed by

reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of April 7 , 1998 was $6,016,606. The number of shares outstanding of the registrant's common stock on April 7, 1998, was 6,895,700 shares.

PART I

Item 1. Description of Business.

> **The statements which are not historical facts contained in this Annual Report are forward looking statements that involve risks and uncertainties, including, but not limited to, possible delays in the Company's expansion efforts, changes in telephony and communication markets and technologies, govrnment regulation, the nature of possible supplier or customer arrangements which may become available to the Company in the future, possible technological obsolescence, uncollectible accounts receivable, slow moving inventory, lack of adequate financing, increased competition and unfavorable general economic conditions. The Company's actual results may differ materially from the results discussed in any forward looking statement.**

General

Fidelity Holdings, Inc. ("the Company") was incorporated in Nevada on November 7, 1995. The Company is a holding company and, accordingly, derives its revenues solely from its operating subsidiaries. The Company's first full year of operations was 1996. The operating subsidiaries of the Company are grouped into three divisions: (i) Computer Telephony and Telecommunications; (ii) Leasing; and (iii) Plastics and Utility Products. The proposed Major Auto Acquisition (see "Planned Acquisition", below), will add a fourth, Automotive Sales. Unless otherwise indicated, all references to the Company include reference to the subsidiaries of the Company.

One of the primary purposes of the holding company is the consolidation of the retail automotive industry and the acquisition and development of synergistic technological businesses to enhance its ability to sell automotive products and exploit its technological capabilities through sales of telecommunications products and services. Through its planned acquisition of Major Auto, the Company will become one of the largest-volume retailers in New York City of new and used vehicles.

Through its Computer Telephony and Telecommunications division, the Company provides a broad range of telecommunications services. Included in its telecommunications product lines are its (i) proprietary software which enables consumers to place long-distance telephone calls at discounted rates and (ii) a variety of sophisticated interactive voice response applications. This division also developed, and presently markets and sells, a proprietary computer software system that provides multi-lingual accounting and business management applications.

The Company is planning to exploit its technological capabilities in telephony by emphasizing high speed, broadband, multimedia transmission over telephone, including voice, data, videoconferencing and other applications. Additionally, the Company is in the preliminary process of developing a commercial mobile satellite technology in connection with the Israel Aircraft Industry's ELTA division.

The Company's Plastics and Utility Products division currently consists of a development-stage company which was acquired in 1996. Its proprietary prototypes include a line of spa and bath fixtures for use in whirlpool baths, spas, tubs and swimming pools and a light-weight, structurally strong, prefabricated conduit for underground electrical cables. As this division's products are still under development, no commercial sales have as yet been made.

The operations of the Company's Leasing division consist of providing leases and other financing. Such activities are directed primarily toward the automotive vehicle market and are to be expanded to the purchasers of the Company's telecommunications hardware products.

Recent Developments

On October 23, 1997, the Company filed a registration statement on Form SB-2 (the "Registration Statement") with respect to the proposed offering, by Hobbs Melville Securities Corp., as underwriter, of 1,150,000 shares of the Company's common stock ("Common Stock") at an offering price of $6.00 per share. The Registration Statement was subsequently withdrawn by the Company on March 18, 1998, without its having been declared effective by the Securities and Exchange Commission (the "SEC").

Planned Acquisition

The Company and its wholly-owned subsidiary, Major Acquisition Corp., have entered into a merger agreement with Major Automotive Group, Inc. ("Major Auto") and its sole stockholder, Bruce Bendell, who is the Company's chairman and the beneficial owner of approximately 39.6% of the Company's outstanding common stock. Bruce Bendell owns all of the issued and outstanding shares of common stock of Major Chevrolet, Inc. ("Major Chevrolet") and Major Subaru, Inc. ("Major Subaru") and 50% of the issued and outstanding shares of common stock of Major Dodge, Inc. ("Major Dodge") and Major Chrysler, Plymouth, Jeep Eagle, Inc. ("Major Chrysler, Plymouth, Jeep Eagle"), which, collectively, operate five franchised automobile dealerships (collectively, the "Major Auto Group").

Pursuant to the merger agreement, Bruce Bendell will contribute to Major Auto all of his shares of common stock of Major Chevrolet, Major Subaru, Major Dodge and Major Chrysler, Plymouth, Jeep Eagle. Major Acquisition Corp. will then acquire from Bruce Bendell all of the issued and outstanding shares of common stock of Major Auto in exchange for shares of a new class of the Company's preferred stock. Harold Bendell, Bruce Bendell's brother, owns the remaining 50% of the issued and outstanding shares of common stock of Major Dodge and Major Chrysler, Plymouth, Jeep Eagle. Major Acquisition Corp. will purchase Harold Bendell's shares for $4 million in cash under a stock purchase agreement. In addition, Major Acquisition Corp.will acquire two related real estate components (the "Major Real Estate", defined hereinafter) from Bruce Bendell and Harold Bendell (collectively "the Bendells") for their aggregate appraised value of $3 million.

The preferred stock to be issued to Bruce Bendell will be called the "1997-MAJOR Series of Convertible Preferred Stock." It will have voting rights and will be convertible into the Company's Common Stock. The number of shares of Common Stock into which the new class will be convertible is the greater of (i) 1.8 million shares and (ii) that number of shares that have a market value of $6,000,000. The market value per share for this purpose will be the mean between the closing bid and ask prices for the Common Stock over the 20 trading days immediately prior to the date of issuance of the preferred stock. See "Description of Securities-Preferred Stock." The foregoing acquisitions from Major Auto and Harold Bendell are collectively referred to herein as the "Major Auto Acquisition."

The merger agreement allocates the value of the consideration payable to Bruce Bendell as follows: (i) 61% to Major Chevrolet; (ii) 5.8% to Major Subaru; (iii) 16.6% to Major Dodge; and (iv) 16.6% to Major Chrysler, Plymouth, Jeep Eagle. The stock purchase agreement allocates the value of the consideration payable to Harold Bendell 50% to each of Major Dodge and Major Chrysler, Plymouth, Jeep Eagle. The Major Auto dealerships were valued for purposes of the proposed merger at eight times adjusted earnings before interest and taxes for their respective 1996 fiscal years. Adjusted earnings includes officers' salaries, expenses not directly related to operations, non-recurring legal expenses and LIFO adjustments. The Company believes that the eight times earnings multiple is a relatively common pricing/valuation convention in the automobile industry.

The closing of the Major Auto Acquisition is presently scheduled to coincide with the closing of a loan with Falcon Financial, LLC ("Falcon") (see below) which is anticipated to occur no later than April 30, 1998. The parties have the right to agree to an earlier date. A condition to the closing is that all manufacturers' approvals have been obtained. If this condition remains unsatisfied on the scheduled closing date, the merger agreement and the stock purchase agreement provide three alternatives: (i) the Company can elect not to close; (ii) the parties may agree to extend the closing date to provide additional time to obtain such approvals; or (iii) the Company may elect to consummate the Major Auto Acquisition with Major Auto owning, and Harold Bendell selling, only those dealerships with respect to which the manufacturers' approvals have been

obtained. In the latter case, the number of shares issuable to Bruce Bendell and the monetary amount payable to Harold Bendell will be reduced in accordance with the value allocations described above, but the parties are obligated to use their best efforts during the 90-day period following the closing to obtain the missing approvals so that the non-included dealership subsidiaries can be transferred to the Company at a later time. To date, Subaru Distributors Corp. has consented to the change in ownership of the Subaru dealership and General Motors Corporation (General Motors") has consented to the change in ownership of the Chevrolet dealership. The Company and Major Auto are still awaiting the consent of Chrysler Corporation to the change in ownership of the Dodge and/or its Chrysler, Plymouth, Jeep and Eagle franchises. In addition, as part of the Major Auto Acquisition, it is planned that the Bendells will sell their interests in the showroom and service facility ("Major Real Estate"), which Major Dodge, Major Chrysler, Plymouth, Jeep Eagle and Major Subaru lease from them, to Major Acquisition Corp. for its appraised value of $3 million.

To finance the cash portion of the Major Auto Acquisition, aggregating $7 million ($4 million for Harold Bendell and $3 million to purchase the Major Real Estate) Major Acquisition Corp. will borrow $7.5 million from Falcon. Major Auto Acquisition Corp. has received from Falcon a letter of commitment dated March 16, 1998 which provides, *inter alia*, for a 15 year term loan with interest equal to the yield on the ten-year U.S. Treasury bond rate at the time of closing plus 450 basis points. Prepayment will not be permitted for the first five years, after which prepayment may be made, in full only, along with the payment of a "Yield Maintenance Amount."

The collateral securing this transaction includes the Major Real Estate and, subject to the interests of any current or prospective "floor plan or cap loan lender," the assets of Major Acquisition Corp. Major Acquisition Corp. will be required to comply with certain financial covenants related to net worth and cash flow. The loan is conditional, *inter alia*, upon the constituent companies of the Major Auto Group being franchises of the respective manufacturers and upon the consent of Chrysler Corporation to the acquisition by Major Acquisition Corp. of the Major Dodge and Major Chrysler, Plymouth, Jeep, Eagle dealerships, which transaction is required to be completed prior to closing. Furthermore, the Company will provide an unconditional guarantee of this loan.

Potential Acquisition

In 1997, the Company signed a Letter of Intent (the "Original Lichtenberg Letter of Intent") with the shareholders of Lichtenberg Robbins Buick, Inc., d/b/a Lichtenberg Buick, and Lichtenberg Motors, Inc. d/b/a Lichtenberg Mazda (collectively, the "Lichtenberg Group"), in contemplation of the acquisition by the Company or one of its wholly-owned subsidiaries of all of the issued and outstanding common stock of Lichtenberg Group. The Original Lichtenberg Letter of Intent contemplated that the parties would negotiate definitive documentation that will provide for such acquisition for an aggregate purchase price equal based on the pro forma after-tax earnings of Lichtenberg Group for the twelve months ending December 31, 1996. A portion of the purchase price would be payable in cash and the balance would be payable in Common Stock of the Company. Either party will have the right to terminate the transactions contemplated by the Original Lichtenberg Letter of Intent if, among other things, lower-than-expected earnings result in a purchase price of less than $1.8 million. The definitive documentation is also expected to provide that Peter Lichtenberg, who presently manages Lichtenberg Group, would continue to manage such dealerships after such acquisition. The Company and the shareholders of Lichtenberg Group, including Peter Lichtenberg, have been negotiating the terms of a purchase contract relating to such acquisition. Since signing the Original Lichtenberg Letter of Intent, the Lichtenberg Group has acquired two additional franchised dealerships, Chrysler and Subaru. Accordingly, negotiations are proceeding to revise and update the Original Lichtenberg Letter of Intent to incorporate the acquisition by the Company of the additional dealerships and to revise other provisions. Based upon preliminary financial and other information in the Company's possession relating to the business and operations of Lichtenberg Group, the Company does not believe that such acquisition, if consummated, would have a material impact on the financial position of the Company. In connection with the proposed Major Auto Acquisition, the Company has been advised by General Motors that Major Auto does not currently meet General Motors' criteria to allow acquisition of additional General Motors' dealerships without seeking approval for each acquisition. The effect of this is that should the Company determine to acquire Lichtenberg Group or other additional General Motors' dealerships in the future, it will be required to obtain General Motors' approval on a case-by-case basis.

The foregoing transaction is in the preliminary stages and is subject to significant further negotiation and due diligence as

part of the preparation and execution of definitive agreements. There can be no assurance that this transaction will occur.

Automotive Sales Division

General

Major Auto, which the Company proposes to acquire (see "Planned Acquisition"), is one of the largest volume automobile retailers in New York City. Major Auto owns and operates the following five franchised automobile dealerships in the New York metropolitan area: (i) Chevrolet; (ii) Chrysler and Plymouth; (iii) Dodge; (iv) Jeep and Eagle; and (v) Subaru. Major Auto also distributes General Motors vehicles in Russia. Through its dealerships, Major Auto sells new and used automobiles, provides related financing, sells replacement parts and provides vehicle repair service and maintenance.

Major Auto's President, Bruce Bendell, has approximately 26 years experience in the automobile industry. He began selling and leasing used vehicles in 1972 and has owned and managed franchised automobile dealerships since he acquired Major Auto's Chevrolet dealership in 1985. Under Mr. Bendell's leadership, Major Auto has expanded from a single-franchise dealership having approximately $10 million in revenues and 25 employees in 1985 to a five-franchise dealership group having approximately $144 million in revenues and 175 employees in 1997. (Note that the dollar amounts and statistics cited for Major Auto for 1997 in this Annual Report, and all other dollar amounts and statistics cited for Major Auto elsewhere herein are based on Major Auto's preliminary financial statements and related data. Such information is subject to independent audit which has not yet been completed. Audited Consolidated Financial Statements and related notes thereto for Major Auto and pro forma combining financial statements for Major Auto and the Company will be filed by amendment to this Annual Report, as soon as practicable after they become available to the Company.

Industry Background

Automobile manufacturers distribute their new vehicles through franchised dealerships. According to industry data from the National Automobile Dealers Association ("NADA data"), in 1997, total dollar sales, consisting of the sale of all new and used vehicles and service and parts, of all franchised new-car dealerships increased 4% to a record high of $509 billion. Franchised dealerships located in the New York State had an estimated total dollar sales of $17.9 million.

According to NADA data, on average, new vehicle sales constitute 58% of a franchised dealership's total sales. Unit sales of new vehicles rose 0.7% in 1997 to a total of 15.1 million units sold. At an average retail selling price of $22,400 per vehicle, new vehicle sales totaled approximately $338 billion in 1997. From 1992 to 1997 sales revenue from the sale of new vehicles increased approximately 53%. The annual net profit of the typical United States franchised dealer's new vehicle department is estimated to be $46,760 retailed.

According to NADA data, on average, used vehicle sales constitute 30% of a franchised dealerships' total sales. In 1997, franchised new vehicle dealers sold 12.0 million retail used vehicles. At an average selling price of $12,100 per vehicle, used vehicle sales totaled in approximately $145 billion in 1997. From 1992 to 1997 sales revenue from the retail sale of used vehicles increased approximately 88% and the combined sales revenue from the retail and wholesale sale of used vehicles increased approximately 81%. The annual net profit of the typical United States franchised dealer's used vehicle department is estimated to be $147,525 including wholesale and retail. The NADA data cites that for all United States dealerships, the net profit from sales of used vehicles is approximately 2 ½ times the net profit from the sales of new vehicles. No assurance can be given that results of Major Auto's operations will conform to NADA's industry data.

The following table sets forth information regarding vehicle sales by franchised new vehicle dealerships for the periods indicated:

UNITED STATES FRANCHISED DEALER'S VEHICLES SALES

	1992	1993	1994	1995	1996	1997
	(Units in millions; dollars in billions)					
New vehicle unit sales	12.9	13.9	15.1	14.8	15.1	15.1
New vehicle sales revenue(1)	$221.0	$253.0	$290.0	$303	$328.0	$338.2
Used vehicle unit sales - retail	9.3	9.9	10.9	11.4	11.9	12.0
Used vehicle retail sales revenue	$ 77.3	$ 90.4	$111.0	$126.0	$137.0	$145.2
Used vehicle unit sales - wholesale	5.8	6.4	6.8	7.0	7.2	7.1
Used vehicle wholesale sales revenue	$ 22.0	$ 24.0	$ 27.7	$ 30.3	$ 33.4	$ 34.6

(1) Sales revenue figures were generated by multiplying the total unit sales by the average retail selling price of the vehicle for the given year.

Source: National Automobile Dealers Association (NADA) Data 1998 (1997 data preliminary and estimated)

In addition to revenues from the sale of new and used vehicles, automotive dealerships derive revenues from repair and warranty work, sale of replacement parts, financing and credit insurance and the sale of extended warranty coverage. According to NADA data, revenues resulting from service and parts sales increased approximately 4% in 1997 for franchised dealerships, a portion of which is accounted for by the increase in the amount of used vehicle reconditioning. Revenue from parts and services constitutes, on average, approximately 12% of a franchised dealership's total sales and generates an annual net profit of $149,000.

Automotive dealerships' profits vary widely and depend in part upon the effective management of inventory, marketing, quality control and responsiveness to customers. According to NADA data, in 1997, total franchised dealership gross profits were, on average, $2.8 million with an average net profit of $308,000.

To reduce the costs of owning a new vehicle, automobile manufacturers in recent years have offered favorable short-term lease terms. This has attracted consumers to short-term leases and has resulted in consumers returning to the new vehicle market sooner than if they had purchased a new vehicle with longer-term financing. In addition, this has provided new car dealerships with a continuing source of off-lease vehicles and has also enabled dealerships' parts and service departments to provide repair service under factory warranty for the lease term.

The automotive dealership industry has been consolidating in recent years. Until the 1960s, automotive dealerships were typically owned and operated by a single individual who controlled a single franchise. However, because of competitive and economic pressures in the 1970s and 1980s, particularly the oil embargo of 1973 and the subsequent loss of market share experienced by United States automobile manufacturers to imported vehicles, many automotive dealerships were forced to close or to sell to better-capitalized dealer groups. Continued competitive and economic pressure faced by automotive dealers and an easing of restrictions imposed by automobile manufacturers on multiple-dealer ownership have led to further consolidation. According to NADA data, the number of franchised dealerships has declined from 36,336 in 1960 to 22,700 at the beginning of 1997.

Major Auto believes that franchised automobile dealerships will continue to consolidate because the capital required to operate dealerships continues to increase, many dealership owners are approaching retirement age and certain automobile manufacturers want to consolidate their franchised dealerships to strengthen their brand identity. For example, management believes that General Motors Corporation is implementing a strategy to reduce its franchised dealerships by 1,500 from 8,400 by the year 2000. Major Auto believes that dealership groups that have significant equity capital and experience in acquiring and running dealerships will have an opportunity to acquire additional franchised dealerships.

Operating Strategy

Major Auto's operating strategy is to increase customer satisfaction and loyalty and to increase operating efficiencies. The Company intends to pursue the same operating strategy as Major Auto after completion of the Major Auto Acquisition. Key

elements of this operating strategy are as follows:

Use of Technology. Major Auto believes that it has achieved a competitive advantage through the use of technology. Major Auto was one of the first dealership groups to provide its customers with a 1-800 telephone number and price quotations via facsimile. During the past several years, Major Auto has sold approximately 25-50 vehicles per month from leads provided by electronic media, such as Bloomberg (since 1994) and the Internet (since 1995). Major Auto presently enables its customers to obtain credit approvals over the telephone via its proprietary Talkie-AutoCom, a customized application of the Company's "Talkie" telephone interactive voice response system (see "Computer Telephony and Telecommunications Division — Talkie"), that operates 24 hours per day, seven days per week and in nine different languages. Major Auto is presently expanding its use of Talkie-AutoCom to permit customers to obtain answers to the most frequently asked questions, obtain price quotes, place orders, schedule and confirm service appointments, obtain directions to the dealership and request faxes of product and price information. Major Auto is also intending to expand its use of Talkie-AutoCom to call its customers automatically to notify them of required maintenance, sales and promotions and to solicit customer satisfaction information. In addition, Major Auto intends to explore new ways to use technology to provide better customer service. Major Auto has developed and is in the process of beta-testing an Internet-based marketing system called MajorAuction.Com to provide electronically, visual and textual information regarding vehicles sold by Major Auto and enable customers to: (i) purchase a new or used vehicle on-line; (ii) participate in a real-time auction for a specific vehicle; and (iii) arrange for the related financing. See "Computer Telephony and Telecommunications Division-Talkie."

Leverage the Sale of International Calling Time. Major Auto will offer customers pre-paid international telephone calling time in connection with the purchase or lease of its automobiles. To accomplish this, Major Auto will utilize the Company's proprietary Talkie technology, which is able to provide users with international calling time at sharply discounted rates. Because Major Auto will purchase telephone time from the Company or one its master agents at below-market rates, the cost to Major Auto of implementing this program will be minimal compared with the savings to be realized by its customers. Major Auto's primary market, the New York metropolitan area, is home to many diverse ethnic groups who have family and friends whom they call frequently in their native countries. By offering pre-paid international telephone calling time with the purchase or lease of a vehicle, Major Auto believes that it can add value to its customers and thereby increase customer satisfaction and loyalty. See "Computer Telephony and Telecommunications Division-Talkie."

Focus on Used Vehicle Sales. A key element of Major Auto's operating strategy is to focus on the sale of used vehicles. In 1997, approximately 12.0 million used cars were soldretail by dealers, fifty percent more than the number of such sales in 1980. Sales of used vehicles are generally more profitable than sales of new vehicles. Management believes that the New York metropolitan area is one of the largest markets for used car sales in the United States and that Major Auto sells more used cars in the New York metropolitan area than any other automobile dealership or dealership group. Major Auto strives to attract customers and enhance buyer satisfaction by offering multiple financing and leasing options and competitive warranty products on every used vehicle it sells. Major Auto believes that a well-managed used vehicle operation affords it an opportunity to: (i) generate additional customer traffic from a wide variety of prospective buyers; (ii) increase new and used vehicle sales by aggressively pursuing customer trade-ins; (iii) generate incremental revenues from customers financially unable or unwilling to purchase a new vehicle; and (iv) increase ancillary product sales to improve overall profitability. To maintain a broad selection of high-quality used vehicles and to meet local demand preferences, Major Auto acquires used vehicles from trade-ins and a variety of sources nationwide, including direct purchases from individuals and fleets, and manufacturers' and independent auctions. Major Auto believes that the price at which it acquires used vehicles is the most significant factor contributing to the profitability of its used vehicle operations. Major Auto believes that, because of the large volume of used vehicles that it sells each month and the over 25 years of experience in the used vehicle business of its President, Bruce Bendell, it is able to identify quality used vehicles, assess their value and purchase them for a favorable price.

Emphasize Sales of Higher Margin Products and Services. Major Auto generates substantial incremental revenue and achieves increased profitability through the sale of certain ancillary products and services such as financing, extended service contracts and vehicle maintenance. Major Auto provides its employees with special training and compensates them, in part, with commissions based on their sales of such products and services. Major Auto believes that these ancillary products and services enhance the value of purchased or leased vehicles and increase customer satisfaction.

Provide a Broad Range of Products and Services. Major Auto offers a broad range of products and services, including a wide range of new and used cars and light trucks, vehicle financing, replacement parts and service. At its four locations, Major Auto offers, collectively, seven makes of new vehicles, including Chevrolet, Chrysler, Plymouth, Dodge, Jeep, Eagle and Subaru. In addition, Major Auto sells a wide variety of used vehicles at a wide range of prices. Major Auto believes that offering numerous makes and models of vehicles, both new and used, appeals to a wide variety of customers, minimizes dependence on any one automobile manufacture and reduces its exposure to supply problems and product cycles.

Operate Multiple Dealerships in Target Market. Major Auto intends to become the leading automotive dealer in its target market by operating multiple dealerships in that market. To accomplish this, Major Auto intends to acquire new franchises in its existing market and to expand its existing franchises to new markets. This should enable Major Auto to achieve economies of scale in advertising, inventory management, management information systems and corporate overhead.

Target Sales to Ethnic Groups. Because the New York metropolitan area, Major Auto's primary market, is ethnically diverse, Major Auto targets its selling efforts to a broad range of ethnic groups. In addition to offering pre-paid international telephone calling time, Major Auto employs a multi-lingual sales force and intends to expand its electronic media to accommodate multiple languages.

Employ Professional Management Techniques. Major Auto employs professional management techniques in all aspects of its operations, including information technology, employee training, profit-based compensation and cash management. Each of Major Auto's four dealership locations, its centralized used vehicle operation, and its two service and parts operations is managed by a trained and experienced general manager who is primarily responsible for decisions relating to inventory, advertising, pricing and personnel. Major Auto compensates its general managers based, in part, on the profitability of the operations they control rather than on sales volume. Major Auto's senior management meets weekly with its general managers and utilizes computer-based management information systems to monitor each dealership's sales, profitability and inventory on a daily basis and to identify areas requiring improvement. Major Auto believes that the application of its professional management techniques provides it with a competitive advantage over other dealerships and dealership groups and enables it to increase its profitability.

Growth Strategy

The Company intends to expand its business by acquiring additional dealerships and improving their performance and profitability by implementing its operating strategy. As part of its growth strategy, the Company intends to focus its efforts on dealerships or dealer groups that, among other criteria, possess either the sole franchise of a major automobile manufacturer or a significant share of new vehicle sales in each targeted market and that it believes are underperforming. In evaluating potential acquisition candidates, the Company will also consider the dealership's or dealer group's profitability, customer base, reputation with customers, strength of management and location (e.g., along a major thoroughfare or interstate highway), and the possibility that the Company will be able to acquire additional franchises in that market to achieve larger market share. Major Auto believes that the most attractive acquisition candidates can be found in the New York metropolitan area, but the Company may consider acquisitions in other markets. The Company's financing of such acquisitions may involve spending cash, incurring debt or issuing equity securities, which could have a dilutive effect on the then outstanding capital stock of the Company. The Company has been advised by General Motors that Major Auto does not currently meet General Motors' criteria to allow acquisition of additional General Motors' dealerships without seeking approval for each acquisition. The effect of this is that should the Company determine to acquire additional General Motors' dealerships in the future, including its potential acquisition of Lichtenberg Group, it will be required to obtain General Motors' approval on a case-by-case basis. See "Potential Acquisitions."

Upon completing an acquisition, the Company intends to implement its operating strategy, which includes selling more new and used vehicles, increasing finance revenues, enhancing employee training, lowering purchasing costs for used car inventories, supplies and outside vendor expenses. The Company also intends to install its management information system in acquired dealerships as soon as possible after the acquisition, which will allow its senior management to carefully monitor

each aspect of the dealership's operations and performance. Whenever possible, the Company intends to implement its strategies and operation procedures prior to the closing of an acquisition to enable it to accelerate the implementation of its operating strategy after closing. See "Operating Strategy."

The Company believes that Major Auto's management team has considerable experience in evaluating potential acquisition candidates, determining whether a particular dealership can be successfully integrated into Major Auto's existing operations and implementing its operating strategy to improve their performance and profitability following the acquisition. For example, Bruce Bendell, Major Auto's President, acquired a Nissan dealership in Oyster Bay, New York in January 1997. The Nissan dealership is not owned or operated by Major Auto, but is majority-owned by Mr. Bendell and minority-owned by another individual otherwise unaffiliated with the Company or Mr. Bendell. Upon Mr. Bendell's acquisition of the Nissan dealership, it was selling 90 new and 20 used vehicles per month and was not generating any profits from such sales. Under Mr. Bendell's leadership, the dealership has expanded its sales to over 200 new and used vehicles per month. The Company also believes that an increasing number of acquisition opportunities will become available to it. See "Industry Background." The Company and Mr. Bendell are currently negotiating a letter of intent concerning the Company's acquisition of Oyster Bay Nissan. The acquisition would be subject to the completion of the Major Auto Acquisition. There can be no assurance that the Company and Mr. Bendell will agree on acceptable terms. Based upon preliminary financial and other information in the Company's possession relating to the business and operations of Oyster Bay Nissan, the Company does not believe that such acquisition, if consummated, would have a material impact on the financial position of the Company. However, if the purchase price for such acquisition were to have a significant cash component, the Company would likely be required to raise additional capital, either by incurring debt or issuing equity, to finance the consummation of such acquisition.

With the exception of the Major Auto Acquisition, the negotiations with respect to Oyster Bay Nissan described above and the transaction described under "Potential Acquisition" above, the Company does not presently have any other material plans, proposals, arrangements or understandings with respect to potential acquisitions.

Dealership Operations

Major Auto owns and operates five automobile dealerships at four locations in Long Island City, New York. Major Auto conducts its parts and service business and its used vehicle business from three additional locations in Long Island City. Major Auto offers the following seven makes of new vehicles: Chevrolet, Chrysler, Plymouth, Dodge, Jeep, Eagle and Subaru. Each location is run by a separate general manager who is responsible for overseeing all aspects of the business conducted at that location. Each of the parts and service locations has two general managers, one for parts and one for service. Each general manager meets with Major Auto's senior management, including Bruce and Harold Bendell, on a weekly basis.

Following the acquisition of Major Auto by the Company, Bruce and Harold Bendell will continue to be responsible for senior-level management of the dealerships. The Bendell brothers and the Company expect that this prospective continuity of senior management will facilitate obtaining the manufacturers' consents to the transfer of the dealerships to the Company. The Bendell brothers' management control will be accomplished through (i) their ownership of 100 shares of the Company's 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock (of which shares Bruce Bendell has a proxy to vote the 50 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock owned by Harold Bendell for a seven-year period commencing on January 7, 1998) which carries voting rights allowing them to elect a majority of the Board of Directors of Major Auto, and through (ii) a related management agreement. See "Description of Securities-Preferred Stock-1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock" and "Certain Relationships and Related Transactions" below. Should either of the Bendell brothers cease managing the dealerships, the management agreement provides that ownership of his 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock shares and his management rights under the management agreement will be automatically transferred to the other, and should both brothers cease managing the dealerships for any reason, the shares and management rights will be automatically transferred to a successor manager designated in a successor addendum to each dealership agreement or, failing such designation, to a successor manager designated by the Company (subject to approval by the applicable manufacturers).

New Vehicle Sales. Major Auto sells the complete product line of cars, sport utility vehicles, minivans and light trucks

manufactured by Chevrolet, Chrysler, Plymouth, Dodge, Jeep, Eagle and Subaru. In 1997, Major Auto's dealerships sold 4,839 new vehicles generating total sales of approximately $111,468,679, which constituted approximately 69% of Major Auto's total revenues. Major Auto's gross profit margin on new vehicle sales in 1997 was approximately 7% which is consistent with the industry average for 1997 of 7%. The relative percentages of Major Auto's new vehicle sales among makes of vehicles in 1997 was as follows:

Manufacturer	1997 Percentage of New Vehicle Sales
Chevrolet	56%
Chrysler, Plymouth, Jeep and Eagle	22%
Dodge	16%
Subaru	6%

The following table sets forth, for the periods shown, information with respect to Major Auto's new vehicle sales:

NEW VEHICLE SALES
(dollars in thousands)

	1995	1996	1997
Unit sales	4,375	5,062	4,834
Sales revenue	$90,000	$109,000	$111,000
Gross Profit	$ 7,200	$ 8,000	$ 7,700
Gross Profit Margin	8.0%	7.3%	7.0%

Major Auto purchases substantially all of its new vehicle inventory directly from the respective manufacturers who allocate new vehicles to dealerships based upon the amount of vehicles sold by the dealership and the dealership's market area. As required by law, Major Auto posts the manufacturer's suggested retail price on all new vehicles, but the final sales price of a new vehicle is typically determined by negotiation between the dealership and the purchaser.

In addition to its dealership operations, Major Auto has a distributorship agreement with General Motors Corporation ("General Motors") pursuant to which Major Auto distributes in Russia new vehicles manufactured by General Motors. Major Auto has realized revenues of approximately $2,890,000, $9,400,000 and $8,005,000 during its 1995, 1996 and 1997 fiscal years, respectively, from its distribution of General Motors vehicles in Russia. Major Auto's gross profits from such sales were approximately $178,000, $572,000, and $552,700 for its 1995, 1996 and 1997 fiscal years, respectively. Under its distributorship arrangement, Major Auto accepts orders from General Motors' automobile dealers in Russia for both standard and custom General Motors vehicles. Major Auto generally receives a deposit on the purchase price of the vehicle from the Russian dealer and releases the vehicle to the dealer upon full payment of the balance of the wholesale purchase price plus a percentage of the dealer's profit on the sale. Major Auto intends to expand its distributorship operation in the future to include the sale of used vehicles.

Approximately 29% of Major Auto's unit sales of new vehicles are fleet sales, which are generally sales to commercial customers that register ten or more vehicles in a given year, and include taxi cab companies, police departments and small businesses. Major Auto has advised the Company that it believes that its fleet sales, and its service of fleet vehicles, protect it from some of the fluctuations in the retail automobile buying market, provide a source of off-fleet vehicles for its used vehicle operations and enhance its reputation and customer satisfaction. Fleet sales are generally awarded to a dealership on the basis of a blind competitive bidding process.

Used Vehicle Sales. Major Auto offers a wide variety of makes and models of used vehicles for sale. In 1997, Major Auto sold 3,127 used vehicles generating total sales of approximately $40,800,000, which constituted approximately 25% of Major Auto's total revenues. Major Auto's gross profit margin on used vehicle sales in 1997 was approximately 14% as compared with the industry average for 1997 of 11.4%. Major Auto is the largest seller of used vehicles (based on unit sales and sales revenue) in the New York metropolitan area.

Major Auto has consolidated its used vehicle operations for its various dealerships at a single site. Major Auto acquires the used vehicles it sells through customer trade-ins, at "closed" auctions which may be attended by only new vehicle dealers and which offer off-lease, rental and fleet vehicles, and at "open" auctions which offer repossessed vehicles and vehicles being sold by other dealers.

Major Auto has advised the Company that it believes that the market for used vehicles is driven by the escalating purchase price of new vehicles and the increase in the quality and selection of used vehicles primarily due to an increase in the number of popular cars coming off short-term leases.

The following table sets forth, for the periods shown, information with respect to Major Auto's used vehicle sales:

USED VEHICLE SALES

(dollars in thousands)

	1995	1996	1997
Unit sales	2,145	2,231	3,127
Sales revenue	$17,520	$22,840	$40,800
Gross Profit	$2,730	$3,300	$5,700
Gross Profit Margin	15.6%	14.4%	14%

Parts and Service. Major Auto provides parts and service primarily for the makes of new vehicles that it sells, but also services other makes of vehicles. In 1997, Major Auto's parts and service operations generated total revenues of approximately $11,403,829, which constituted approximately 7% of Major Auto's total revenues at a gross profit margin of approximately 33%.

The increased use of electronics and computers in vehicles has made it difficult for independent repair shops to retain the expertise to perform major or technical repairs. In addition, because motor vehicles are increasingly more complex and there are longer warranty periods, Major Auto has advised the Company that it believes that repair work will increasingly be performed at dealerships, which have the sophisticated equipment and skilled personnel necessary to perform the repairs.

Major Auto has advised the Company that it considers its parts and service department to be an integral part of its customer service efforts and a valuable opportunity to strengthen customer relations and deepen customer loyalty. Major Auto attempts to notify owners of vehicles purchased at its dealerships when their vehicles are due for periodic service, thereby encouraging preventative maintenance rather than post-breakdown repairs.

Major Auto's parts and service business provides a stable, recurring revenue stream to its dealerships. In addition, Major Auto has advised the Company that it believes that, to a limited extent, these revenues are countercyclical to new vehicle sales, since vehicle owners may repair their existing vehicles rather than purchasing new vehicles. Major Auto has advised the Company that it believes that this helps mitigate the effects of a downturn in the new-vehicle sales cycle.

Major Auto does not operate a body shop, but instead contracts with third parties for body repair work.

The following table sets forth, for the periods shown, information with respect to Major Auto's sales of parts and services:

SALES OF PARTS AND SERVICES

(dollars in thousands)

	1995	1996	1997
Sales revenue	$11,070	$12,150	$11,400
Gross Profit	$ 3,450	$ 3,270	$ 3,750
Gross Profit Margin	31.2%	26.9%	33%

Vehicle Financing. Major Auto provides a wide variety of financing and leasing alternatives for its customers. Major Auto has advised the Company that it believes that its customers' ability to obtain financing at its dealerships significantly enhances Major Auto's ability to sell new and used vehicles. Major Auto has advised the Company that it believes that its ability to provide its customers with a variety of financing options provides Major Auto with a competitive advantage over many of its competitors, particularly smaller competitors that do not have sufficient sales volumes to attract the diversity of financing sources available to Major Auto.

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In most instances, Major Auto assigns its vehicle finance contracts and leases to third parties, instead of directly financing vehicle sales or leases, which minimizes the credit risk to which Major Auto is exposed. Major Auto typically receives a finance fee or commission from the third party who provides the financing. In certain limited instances in which Major Auto determines that its credit risk is manageable, estimated by Major Auto to be approximately 5% of its vehicles sales and leases, Major Auto directly finances the purchase or lease of a vehicle. In such instances, Major Auto will bear the credit risk that the customer will default, but will have the right to repossess the vehicle upon default. Major Auto maintains relationships with a wide variety of financing sources, including commercial banks, automobile finance companies, other financial institutions and the Company's subsidiary Major Fleet. Major Fleet purchases less than 10% of Major Auto's leases, and none of Major Auto's finance contracts.

Sales and Marketing

Major Auto has advised the Company that it believes marketing and advertising are significant to its operations. As is typical in its industry, Major Auto receives a subsidy for a portion of its expenses from the automobile manufacturers with whom Major Auto has franchise agreements. The automobile manufacturers also assist Major Auto to develop its own advertising by providing it with market research.

Major Auto's marketing effort is conducted over most forms of media including television, newspaper, direct mail, billboards and the Internet. Major Auto's advertising seeks to promote its image as a reputable dealer offering quality products at affordable prices and with attractive financing options. Each of Major Auto's dealerships periodically offer price discounts or other promotions to attract additional customers. The individual dealerships' promotions are coordinated by Major Auto and, because Major Auto owns and operates several dealerships in the New York City market, it realizes cost savings through volume discounts and other media concessions.

Major Auto's operations have been enhanced by its ability to achieve economies of scale with respect to its marketing and advertising. Nationwide, the average cost of marketing and advertising per new vehicle sold in 1997 was approximately $347. Notwithstanding that advertising costs in the New York metropolitan area are generally higher than the national average, Major Auto's cost of marketing and advertising per vehicle sold have consistently been less than the national average. These lower costs result from the fact that Major Auto: (i) has favorable contracts with four major area daily newspapers; (ii) advertises in lower-cost niche markets (such as local ethnic markets, employee purchase programs, and discount buying services); and (iii) utilizes telephonic marketing and electronic marketing via services such as the Internet and Bloomberg.

Relationships with Manufacturers

Each of Major Auto's dealerships operates under a separate franchise or dealer agreement which governs the relationship between the dealership and the relevant manufacturer. In general, each dealer agreement specifies the location of the dealership for the sale of vehicles and for the performance of certain approved services in the specified market area. The designation of such areas, the allocation of such areas and the allocation of new vehicles among dealerships is discretionary with the relevant manufacturer. Dealer agreements do not generally provide a dealer with an exclusive franchise in the designated market area. A dealer agreement generally requires that a dealer meet specified standards regarding showrooms, the facilities and equipment for servicing vehicles, the maintenance of inventories, the maintenance of minimum net working capital, personnel training and other aspects of the dealer's business. The dealer agreement also gives the relevant manufacturer the right to approve the dealer's general manager and any material change in management or ownership of the dealership. The dealer agreement provides the relevant manufacturer with the right to terminate the dealer agreement under certain circumstances, such as : (i) a change in control of the dealership without the consent of the relevant manufacturer; (ii) the impairment of the financial condition or reputation of the dealership; (iii) the death, removal or withdrawal of the dealership's general manager; (iii) the conviction of the dealership or the dealership's general manager of certain crimes; (iv) the dealer's failure to adequately operate the dealership or to maintain wholesale financing arrangements; (v) the bankruptcy or insolvency of the dealership; or (vi) the dealer's or dealership's material breach of other provisions of the dealer agreement. Many of the dealership agreements require the consent of the relevant manufacturer to the dealer's acquisition of additional dealerships. In addition Major Auto's dealership agreement with General Motors, with respect to its Chevrolet dealership,

gives General Motors a right of first refusal to purchase such dealership, which means that whenever Major Auto proposes to sell its Chevrolet dealership, it must first offer General Motors the opportunity to purchase that dealership.

The dealership agreement that the Company will enter into with General Motors upon completion of the Major Auto Acquisition will impose several additional restrictions on the Company. Following the completion of the Major Auto Acquisition, the Company's Chevrolet franchise, and any other General Motors' franchises that the Company may subsequently acquire, could be at risk if: (i) any person or entity acquires more than 20% of the Company's voting stock with the intention of acquiring additional shares or effecting a material change in the Company's business or corporate structure, or (ii) if the Company takes any corporate action that would result: (a) in any person or entity owning more than 20% of the Company's voting stock for a purpose other than passive investment; (b) an extraordinary corporate transaction such as a merger, reorganization, liquidation or transfer of assets; (c) a change in the control of the Company's Board of Directors within a rolling one-year period; or (d) the acquisition of more than 20% of the Company's voting stock by another automobile dealer or such dealer's affiliates. If General Motors determines that any of the actions described in the preceding sentence could have a material or adverse effect on its image or reputation in the General Motors' dealerships or be materially incompatible with General Motors' interests, the Company must either (x) transfer the assets of the General Motors' dealerships to General Motors or a third party acceptable to General Motors for fair market value or (y) demonstrate that the person or entity will not own 20% of the Company's voting stock or that the actions in question will not occur.

In addition, the General Motors dealer agreement will require that the Company comply with General Motors' Network 2000 Channel Strategy ("Project 2000"). Project 2000 includes a plan to eliminate 1,500 General Motors dealerships by the year 2000, primarily through dealership buybacks and approval by General Motors of inter-dealership acquisitions, and encourages dealers to align General Motors divisions' brands as may be requested by General Motors. The dealer agreement will require that the Company bring any General Motors dealership into compliance with the Project 2000 plan within one year of the acquisition. Failure to achieve such compliance may result in termination of the dealer agreement and a buyback of the related dealership assets at book value by General Motors. The Company believes that Major Auto's Chevrolet dealership currently complies with the Project 2000 guidelines.

The Company has also agreed that its dealerships offering new vehicles manufactured by General Motors will not attempt to sell new vehicles of other manufacturers.

New York law, and many other states' laws, limit manufacturers' control over dealerships. In addition to various other restrictions imposed upon manufacturers, New York law provides that notwithstanding the terms of the dealer agreement with the relevant manufacturer, the manufacturer may not: (i) except in certain limited instances, terminate or refuse to renew a dealership agreement except for due cause and with prior written notice; (ii) attempt to prevent a change in the dealer's capital structure or the means by which the dealer finances dealership operations; or (iii) unreasonably withhold its consent to a dealer's transfer of its interest in the dealership or fail to give notice to the dealer detailing its reasons for not consenting.

Major Auto has solicited the consents of the relevant manufacturers to the Major Auto Acquisition and the change of control of the respective dealerships to result therefrom. To date, Major Auto has received the consent of Subaru Distributors Corp., with respect to the Subaru dealership, and General Motors, with respect to the Chevrolet dealership, and is awaiting the consent of Chrysler Corporation, with respect to the Chrysler, Plymouth, Dodge, Jeep and Eagle dealerships.

Competition

The market for new and used vehicle sales in the New York metropolitan area is one of the most competitive in the nation. In the sale of new vehicles, Major Auto competes with other new automobile dealers that operate in the New York metropolitan area. Some competing dealerships offer some of the same makes as Major Auto's dealerships and other competing dealerships offer other manufacturer's vehicles. Some competing new vehicle dealers are local, single-franchise dealerships, while others are multi-franchise dealership groups. In the sale of used vehicles, Major Auto competes with other used vehicle dealerships and with new vehicle dealerships which also sell used cars that operate in the New York metropolitan area. In addition, Major Auto competes with used car "superstores" that have inventories that are larger and more varied than Major Auto's.

Major Auto has advised the Company that it believes that the principal competitive factors in vehicle sales are the marketing campaigns conducted by automobile manufacturers, the ability of dealerships to offer a wide selection of popular vehicles, pricing (including manufacturers' rebates and other special offers), the location of dealerships, the quality of customer service, warranties and customer preference for particular makes of vehicles. Major Auto believes that its dealerships are competitive in all of these areas.

In addition, Major Auto, due to the size and number of automobile dealerships it owns and operates, is larger than the independent operators with which it competes. Major Auto's size has historically permitted it to attract experienced and professional sales and service personnel and has provided it the resources to compete effectively. However, as the Company enters other markets, it may face competitors that are larger and that have access to greater resources.

Major Auto has advised the Company that it believes that its principal competitors within the New York metropolitan area are United Auto Group, a publicly traded company, and Potamkin Auto Group, Burn's Auto Group and Auto-Land, each of which is privately held.

Governmental Regulation

Automobile dealers and manufacturers are subject to various Federal and state laws established to protect consumers, including the so-called "Lemon Laws" which require a dealer or manufacturer to replace a new vehicle or accept it for a full refund within a specified period of time, generally one year, after the initial purchase if the vehicle does not conform to the manufacturer's express warranties and the dealer or manufacturer, after a reasonable number of attempts, is unable to correct or repair the defect. Federal laws require that certain written disclosures be provided on new vehicles, including mileage and pricing information. In addition, Major Auto's financing activities are subject to certain statutes governing credit reporting and debt collection.

The imported automobiles purchased by Major Auto are subject to United States custom duties and, in the ordinary course of its business, Major Auto may from time to time be subject to claims for duties, penalties, liquidated damages or other charges. Currently, United States customs duties are generally assessed at 2.5% of the customs value of the automobiles imported, as classified pursuant to the Harmonized Tariff Schedule of the United States.

As with automobile dealerships generally, and parts and service operations in particular, Major Auto's business involves the use, handling and contracting for recycling or disposal of hazardous or toxic substances or wastes, including environmentally sensitive materials such as motor oil, waste motor oil and filters, transmission fluid, antifreeze, freon, waste paint and lacquer thinner, batteries, solvents, lubricants, degreasing agents, gasoline and diesel fuels. Accordingly, Major Auto is subject to Federal, state and local environmental laws governing health, environmental quality, and remediation of contamination at facilities it operates or to which it sends hazardous or toxic substances or wastes for treatment, recycling or disposal. Major Auto has advised the Company that it believes that it is in material compliance with all environmental laws and that such compliance will not have a material adverse effect on its business, financial condition or results of operations.

Computer Telephony and Telecommunications Division

The Company, through Computer Business Sciences, Inc., a New York corporation ("Computer Business Sciences"), 786710 Ontario Limited, an Ontario corporation doing business as Info Systems, Inc. ("Info Systems"), C.B.S. Computer Business Sciences Ltd., an Israeli corporation ("Computer Business Sciences (Israel)"), and Reynard Service Bureau, Inc., a Florida corporation ("Reynard"), the four wholly-owned subsidiaries comprising its Computer Telephony and Telecommunications division, currently develops, manufactures, markets, sells and services two product lines. The first product line utilizes "Talkie" technology, which consists of proprietary computer software and hardware that (i) permits end users of the technology to place long-distance international telephone calls at discounted rates and (ii) offers end users a broad range of interactive voice response applications such as voice-mail, automatic receptionist, automated order entry, conference calling and faxing. The second product line, "Business Control Software," is a proprietary computer software system that provides multi-lingual general accounting and business management applications.

The Company is planning to exploit its technological capabilities in telephony by emphasizing high speed, broadband, multimedia transmission over telephone, including voice, data, videoconferencing and other areas. Additionally, the Company is developing a mobile satellite technology in connection with the Israel Aircraft Industry's ELTA division which is expected to allow passengers on automobiles, trains and buses to receive high quality broadcast television and interactive broadband multimedia internet service (see "Computer Telephony and Telecommunications Division — Planned Activities").

The Company originally acquired the technology for its telecommunications products (see Talkie" below) in April 1996 through its acquisition from Dr. Zvi Barak and Sarah Barak of all of the issued and outstanding stock of Info Systems. A portion of the purchase price for such stock consists of twenty monthly installment payments of $15,000 from the Company to the Baraks. In order to secure such installment payments, the Company has granted a security interest to the Baraks in the stock of Info Systems and the other assets purchased by the Company from the Baraks. The monthly installment payments commenced in September 1996 and are scheduled to continue through June 1998. To date, the Company has withheld $85,000 of such installment payments as collateral for the Baraks' obligation to make certain indemnification payments to the Company. The Company has agreed to pay the Baraks the $85,000 by July 1998.

Talkie

"Talkie" is the trademark for, and the name used by the Company to describe, the technology relating to the Company's telephonic and interactive voice response software applications. The Company has three products that use Talkie technology. The first product, the "Talkie Power Web Line Machine," is a computer based telephone "switch" that enables small or start-up telephone companies to purchase blocks of international telephone calling time from suppliers such as AT&T and MCI and resell the time in smaller units to callers at discounted rates. The second product is a group of related telephonic and interactive voice response software programs, such as voice-mail, automatic receptionist, automated order entry, conference calling and faxing. The third product, called "Talkie-Globe," is an international call-back, debit card and long-distance reselling system.

The Talkie Power Web Line Machine is a programmable electronic telephone switch based on personal computer technology. It consists of a proprietary software program, and hardware components most of which are available from a number of different sources. The machine currently contains 96 channels, but may be expanded to carry up to 120 channels. Each channel provides 43,200 available minutes of telephone time per 30-day month that may be sold. As is typical of industry utilization of available telephone time, approximately 30%-40% of these available minutes are actually sold. Of the 43,200 available minutes, approximately 10,560 are considered peak time (defined to be the 480 minutes comprising the typical eight-hour work day in the destination country and assuming 22 work days in the typical 30-day month) and the balance are considered off-peak time, however the determination of actual peak minutes in a destination country is based upon demand for calling time, which in turn is based upon such factors as calling patterns and the differences in time zones between the country from which a call is placed and the destination county. Peak minutes are generally able to be sold at higher rates than off-peak minutes.

The Talkie Power Web Line Machine includes an integrated programmable telephone call switching system known as the Talkie Web Smart Switch. The programmability of this switching system allows the machine to handle a variety of international telephone-based services including resale of long-distance telephone time the Company purchases in bulk, international call-back services (described below), telemarketing, Internet access and facsimile transmission.

Historically, the Company, through its subsidiary Computer Business Sciences, sold the Talkie Power Web Line Machines to various service providers (known as "master agents"). A master agent then established a telephone connection between a foreign country and the Talkie Power Web Line Machine, which is located at the Company's offices in Kew Gardens, New York. This connection is typically a dedicated telephone line that runs from the Talkie Power Web Line Machine to certain equipment located in the foreign country that is used to connect the dedicated line to the local telephone lines. The master agent typically leased the dedicated telephone line, which has a specific capacity for simultaneous calls, from MCI Communications Corp. or Sprint Corporation for a fixed monthly fee. Callers in the foreign country place a local call to connect to the dedicated telephone line and are provided a United States dial tone by the Talkie Power Web Line Machine. The caller then dials the number for the desired destination and the call is carried over the dedicated telephone line to the

Under the terms of its master agent agreement, the Agent (i) paid Computer Business Sciences a deposit of $629,000 at the time the agreement was executed toward the purchase of the 15 machines that the Agent is obligated to purchase and (ii) issued to Computer Business Sciences 45% of its then issued and outstanding common stock. In return, (i) the Company issued to the Nissko Principals, including Yossi Koren, who subsequently became a director of the Company, (a) warrants, exercisable through the date that is 60 days after the effectiveness of any public offering of the Company's securities, to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of $1.25 per share (the "Class A Warrants") and (b) warrants, exercisable through March 19, 1998 (which have since expired by their terms), to acquire an aggregate of 750,000 shares of the Company's Common Stock at an exercise price of $1.25 per share (the "Class B Warrants") and (ii) Computer Business Sciences agreed to make a $10,000 contribution to the capital of the Agent upon its purchase of each of the first 15 machines. Certificates evidencing the Class A Warrants and the Class B Warrants have not yet been issued. (See "Restructuring of Nissko Arrangements" below.)

To secure certain payments under the master agent agreement with the Agent, Bruce Bendell, the Company's Chairman, and Doron Cohen, the Company's Chief Executive Officer, President and Treasurer, have each pledged to the Agent 500,000 shares of the Company's Common Stock. In the event that certain financial covenants are not met or superseded by definitive documentation resulting from the MOU (as hereinafter defined), the Nissko Principals will have the right to foreclose on the pledged Common Stock.

If the proceeds of liquidating the pledged shares are sufficient to cover the deficit, the Nissko Principals will be required to transfer to Mr. Bendell and Mr. Cohen in equal shares the remaining 55% of the Agent's issued and outstanding common stock. Messrs. Bendell and Cohen have agreed that upon receipt of that stock, they will transfer it to the Company in exchange for reimbursement by the Company for the market value of their shares of the Company's Common Stock foreclosed upon by the Nissko Principals.

Restructuring of Nissko Arrangements

The Company has entered into a Memorandum of Understanding (the "MOU") with the Agent, the Nissko Principals, and with the remaining limited partner of Nissko, Robert L. Rimberg. The transactions contemplated by the MOU are conditioned on the consummation of the Major Auto Acquisition. The MOU provides that: (i) Nissko will transfer to the Agent, and the Agent will assume, all of the assets and liabilities of Nissko; and (ii) Computer Business Sciences will acquire all of the issued and outstanding shares of common stock of the Agent in a tax-free reorganization. Upon execution of the MOU, an aggregate $653,750 deposit that the Nissko Principals and Mr. Rimberg had previously paid towards the full exercise price of the Class A Warrants was converted to a partial exercise of the Class A Warrants. Upon such conversion, the Company issued an aggregate of 523,000 shares of its Common Stock to the Nissko Principals and Mr. Rimberg, 173,583 of which were issued to Yossi Koren, a director of the Company. Permitted resales will be expressly subject to the voting rights of Bruce Bendell who holds a proxy to vote 500,000 of these shares during the two-year restriction period. Subsequently, the parties agreed to remove the contractual two-year restriction on sales of these shares to make such restriction consistent with current restrictions under the Securities Act of 1933.

The MOU provides that upon execution of definitive documentation containing the terms and conditions outlined in the MOU, (i) each of the Nissko Principals will receive 257,500 shares of the Company's Common Stock and Mr. Rimberg will receive 27,500 shares of the Company's Common Stock, resales of all of which shares will be subject to restrictions on transfer and voting that are identical to those described immediately above, and (ii) each of the Nissko Principals will receive warrants to acquire up to 68,917 shares of the Company's Common Stock and Mr. Rimberg will receive warrants to acquire up to 20,250 shares of the Company's Common Stock, in each case for $1.25 per share. Such warrants represent the unexercised balance of the Class A Warrants remaining after the conversion of the $653,750 partial payment into a partial exercise as described above.

Nissko Jewelry Trading, Inc. ("NJT"), a company 33-1/3% owned by Mr. Koren, has entered into agreements for the Agent's benefit with MCI, Sprint and Bell Atlantic (formerly NYNEX). These agreements provide for the purchase by NJT

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on behalf of the Agent of telephone time or transmission lines. The MOU provides that the Company will indemnify NJT against any liability it may incur under these agreements and will place 200,000 shares of its Common Stock into an escrow account to secure this indemnification obligation.

Upon the effectiveness of the definitive documentation relating to the transactions contemplated by the MOU the Agent's master agent agreement will terminate and the pledge by each of Mr. Bendell and Mr. Cohen of 500,000 shares of the Company's Common Stock, referred to above, will be released.

It is the Company's intention to reacquire the territorial rights and Talkie Power Line Web Machines from its other master agents in exchange for shares of Common Stock at fair value. The Company has reached tentative agreement with each such agent and is presently negotiating definitive memoranda of understanding.

Interactive Voice Response Software Programs

The second product group, interactive voice response software programs, consists of the following applications:

Talkie-Ad: permits callers to browse through pre-recorded messages based on their search criteria, similar to a talking classified ad.

Talkie-Attendant: automated receptionist features, including dial "0" for operator, name directories, call blocking, call screening, music or company messages while on hold, paging, personalized menus, call queuing and conversation recording.

Talkie-Audio: delivers pre-recorded information in response to telephone inquiries and can serve as a talking bulletin board.

Talkie-Conference: permits the user to schedule a conference call and then, when the conference call is to occur, either calls the participants or permits them to dial in, and provides the chairperson with various options during the call.

Talkie-Dial: places a telephone call, using a user-supplied list of telephone numbers and delivers voice information with the capability of asking questions, accepting answers and updating the system to reflect the answers.

Talkie-Fax: permits the user to program a facsimile into the system and transmit it to a user-supplied list of numbers and permits users to transmit to callers upon their request written information programmed into the system such as directions, product information, price lists or news releases.

Talkie-Form: permits the user to set up a questionnaire and collect answers to pre-recorded questions.

Talkie-Mail: permits the user to record, send, receive and retrieve voice messages from personal mailboxes.

Talkie-Query: responds to callers' inquiries using information stored in the system database.

Talkie-Trans: accepts orders, issues orders (including delivery instructions) and faxes order confirmations.

Users of the Talkie interactive voice response system can also customize the foregoing applications to create new applications using Talkie-Gen, which is an application generator that uses a simple programming language.

In addition to the applications listed above, users may also purchase any of the following off-the-shelf applications:

Talkie-Dating: permits the user to supply a dating service that will permit the user's customers to place and browse through personal ads, register for service and record and listen to messages.

Talkie-Follow-Me: permits the user to supply a telephone tracking service that enables the user's customers to obtain a single telephone number that will continually forward incoming calls to a user-defined series of telephone numbers (such

as work, cellular, home, pager and voice-mail).

Talkie-Wake-Up/Reminder: permits the user to supply a wake-up or reminder service that will call a user supplied number with a user-supplied message at a specified time.

All of the Talkie interactive voice response applications operate in up to nine languages.

Info Systems also provides customers with industry-specific and customized applications of its interactive voice response technology. For example, Info Systems has developed a product called Talkie AutoCom for use by automobile dealers. See "Automotive Sales Division-Operating Strategy."

The Talkie interactive voice response software package is sold by the Company through Info Systems, its wholly-owned Canadian subsidiary.

Talkie-Globe, the trademark for, and the name used by the Company to describe, its third telecommunications product, is a software-based integrated call-back, debit-card and long-distance reselling system and includes all of the Talkie interactive voice response software programs. Typically, international callers based in countries where the telephone system is a state-owned monopoly must pay high per-minute rates fixed by the state-owned company. One method of securing a lower rate is the "call-back" system offered by Info Systems' Talkie-Globe. Using Talkie-Globe, the foreign caller first places a telephone call from the foreign country to the United States or Canadian telephone number where the Talkie-Globe system is located and hangs up without the call being connected so that no charge is assessed for the call. Talkie-Globe recognizes the telephone number from which the foreign call was placed and then places a call to that telephone number from the location in the United States or Canada where the Talkie-Globe system is located to the foreign caller and provides the foreign caller with a dial tone. The foreign caller then places a telephone call through the United States or Canada to the desired destination. The foreign caller thus pays for two calls: (i) the call back from the Talkie-Globe system located in the United States or Canada to the caller in the foreign market and (ii) the call that the caller places through the United States or Canada to the desired destination. The sum of the costs of the two calls placed from the Talkie-Globe system located in the United States or Canada will be lower than the cost of a single call placed directly from the applicable foreign market to the desired destination. The Talkie-Globe system also has a debit card feature, which permits a caller to purchase a stated value of calling time, and debits that value as the caller uses the prepaid calling time.

Talkie-Globe is sold by the Company through Info Systems, its wholly-owned Canadian subsidiary.

Business Control Software

The Company's business control software is an interconnected series of accounting and business management software applications that includes the following systems: general ledger, accounts receivable, accounts payable, sales order, purchase order, inventory control, bills of materials, job costing and production control. The business control software can assist users, among other things, to define market trends, analyze sales force effectiveness, determine the profitability of a job, department or company, or determine a geographical sales spread. One of the software's principal features is its ability to process information in multiple currencies. For example, a Japanese distributor transacting business in France and Italy can use the software to maintain data relating to sales, purchases and costs in French francs and Italian lira and to generate reports in Japanese yen (or in several multiple currencies simultaneously) while automatically posting currency exchange rates. In addition, the business control software is a multi-lingual system of software applications that permits multiple users, each selecting a different language, to access simultaneously a common database.

The business control software sold by the Company is sold through Info Systems, its wholly-owned Canadian subsidiary.

Marketing and Sales

From inception through December 31, 1997, the Company sold 21 Talkie Power Web Line Machines to six master agents. The aggregate amount of gross revenues resulting from these sales is $4,865,493, which accounts for approximately 66.7% of the Company's total revenues since its inception. The Company's gross profit margin on sales of the Talkie Power

Web Line Machines since its inception is 75.5%. Each master agent had been required to purchase a minimum annual volume of machines. The minimum purchase requirement had been ten machines or machines having an aggregate sales price of $1.8 million, whichever is less. "Master agents" were smaller companies wishing to enter the international telephone time resale market without incurring the high cost of purchasing, installing and maintaining traditional telephone switching equipment. Although the master agents purchased the machines, the purchase terms required that the machines be located at the Company's premises and that all maintenance be performed by the Company (as described below). An added benefit to master agents of housing the machines at the Company's premises is that a Bell Atlantic Switch is located there and the physical connection between the machines and such switch is short. Because of this, the Company pays a relatively inexpensive charge (a component of which is based upon the length of the connection from such switch) to connect to such switch and experiences no connection delays resulting from the length of the connection.

Historically, the Company's strategy with respect to the Talkie Power Web Line Machine has been threefold. First, it sold additional machines through its existing master agents as they expanded their businesses by providing telephone service to additional foreign markets. Second, as demand for the machines increased, it intended to add additional master agents and/or replace any existing master agents who were not complying with their master agent agreements and to enter into strategic partnerships with such new and replacement master agents that would permit the Company to share in the revenue generated by the master agents' sale of telephone time. Third, it intended continually to adapt advancing computer and telecommunications technology to improve and customize the performance of the machines. Currently, the Company is in the process of buying out its master agents and intends to operate its Talkie Power Web Line Machines on its own behalf.

The Company installs, maintains and services all Talkie Power Web Line Machines at the Company's offices in Kew Gardens, New York, where the machines are housed. Historically, for these services, the Company received both a fixed fee and a volume-based fee. To date, billing arrangements have been informal, and the cost to each master agent has been calculated by determining the aggregate maintenance and service costs for all the machines, adding a percentage markup and charging each master agent its ratable portion based upon the number of machines it has purchased. The Company also customized the performance of the machines for the respective master agents and for use in particular countries, for which it has received a fee that is negotiated by the Company and the applicable master agent based upon the complexity of the customization. As noted above, all master agents have been required by contract with the Company to locate their purchased Talkie Power Web Line Machines at the Company's principal office and to have all required installation, service and maintenance performed by the Company. In addition to the services it provides with respect to the Talkie Power Web Line Machines, the Company also has provided services for the various other Talkie products and for the Business Control Software, if requested by the users.

The Company typically sells its interactive voice response software programs to entrepreneurs who wish to operate a telephone-based service business with low overhead and fixed costs. The typical interactive voice response software package requires only a personal computer and voice card for use and costs $715. Each of the off-the-shelf applications costs an additional $795. The Company intends to focus its efforts with respect to its Talkie interactive voice response software programs on the market for industry-specific and customized applications in which it generally realizes higher profit margins. As the Company targets a given industry, it expects to hire sales personnel familiar with that industry and to attend trade shows to market its product. In addition, the Company intends to expand sales of its interactive voice response system into Europe and South America.

The Company typically sells four to five of its Talkie-Globe systems per month to entrepreneurs who wish to provide a telephone business with low overhead and fixed costs and to small foreign telephone companies. Users of Talkie-Globe purchase international calling time from long-distance telephone companies such as MCI Communications Corp. and resell such time at a mark-up. The typical Talkie-Globe system consists of three personal computers, proprietary software and a voice card and costs approximately $25,000.

The Company realized gross revenues of $537,655 during 1996, and $679,890 during 1997, from the sale of its Talkie interactive voice response software programs and of Talkie-Globe (excluding intercompany sales), which constituted approximately 15.7% and17.6% of the Company's gross revenues for such years, respectively. The Company's gross profit margin on sales of its Talkie interactive voice response software programs was approximately 54.3% for 1996 and approximately 66.7% for 1997.

The Company advertises its Talkie interactive voice response software programs and Talkie-Globe in telephone and telecommunications industry trade publications. In addition, Info Systems attends telephone and telecommunications industry trade shows, which has resulted in reviews of these products in trade publications.

The Company is not currently allocating resources to market its Business Control Software, but performs software service contracts and provides annual program updates to the program's users.

Planned Activities

The Company is seeking to expand its operations in the area of telephony by building a multimedia, carrier class, broadband network that will be carried over currently deployed, twist pair copper facilities which support most existing home and business telephone functions. The initial trial rollout, Phase I, presently projected for the third quarter of 1998, targets twenty-two cities and expands to sixty-three cities by the end of that year.

Phase I, using an asynchronous transport mode ("ATM") technology, is expected to offer guaranteed quality of service, carrier class-level voice over internet ("Voice/IP") long distance service at aggressively competitive rates. Phases II and III of this enterprise, utilizing state-of-the-art digital subscriber line ("DSL") equipment, are expected to provide a wide array of Voice/IP services including local dial tone, call-back, dial-around, traditional long distance and high speed internet access. Additionally, because this technology permits broadband service over existing copper wires, the Company is planning to offer, at very competitive prices, additional services such as virtual private networks ("VPN"), movies on demand and pay TV, home shopping, banking, telemarketing, tele-medicine, video conferencing and distance learning.

Additionally, in April 1998, the Company signed a memorandum of understanding with ELTA Electronics Industries Ltd. ("ELTA"), a division of Israel Aircraft Industries, to form a joint venture to develop a commercial Mobile Interactive Satellite Receiving Terminal (MIST) system for use onboard public, private and commercial transportation, including automobiles, trains and buses, among others. As part of the agreement, the Company will retain a 50 percent stake in the joint venture.

Once complete, the MIST system is expected to allow passengers to receive high quality broadcast television and interactive broadband multimedia internet service through the use of Direct Broadcast Satellites. The information will then be routed through a video Integrated Receiver and Decoder which will decompress video signals once received and transmit them to a TV monitor or PC. Passengers would then use a control panel to select from a variety of viewing options.

Each system is expected to also include a cellular and/or commercial satellite telephone system utilizing the Company's proprietary routing and switching technology. Passengers would then use multi-purpose communications terminals located on the vehicle to receive over 150 television channels, internet and cellular service at affordable prices.

No assurance can be given that the Company will be successful in developing the foregoing products or services, or that if successfully developed, such products or services will reult in revenues to the Company.

Research and Development

The Company's wholly-owned subsidiary Computer Business Sciences (Israel) engages in research and development (i) to improve its existing telecommunications software, and to adapt the software to changing personal computer environments, (ii) to expand the software to new uses and (iii) to develop new software, products and applications. Computer Business Sciences (Israel) is headed by Dr. Zvi Barak, who was responsible for the development of the Talkie technology and related Talkie products and of the business control software.

The Company spent no money on research and development in 1995 with respect to its Computer Telephony and Telecommunications division and spent approximately $332,000 and $207,000 on research and development in 1996 and 1997, respectively, with respect to such division.

Intellectual Property

The Company has registered the name "Talkie" as a trade-mark in Canada. The Company has filed applications with the United States Patent and Trademark Office to register the names "Talkie" and "Talkie-Globe" and "BCS Software" as trademarks in the United States. As an additional method of protecting its proprietary technology, the Company requires that all of the Talkie Power Web Line Machines that it sells remain at the Company's offices in Kew Gardens, New York and that all installation, service and maintenance of the machines be performed solely by the Company. The Company also relies on trade secret protection, confidentiality agreements and other laws to protect its technology, but believes that these rights may not necessarily prevent third parties from developing or using similar or related technology to compete against the Computer Telephony and Telecommunications division's products.

Competition

The Company knows of no person or company that offers a product that is a feature-for-feature competitor to the Talkie Power Web Line Machine. While other companies manufacture and sell traditional telephone switching equipment, such equipment is expensive to purchase and maintain as compared to the Talkie Power Web Line Machine. Moreover, the proprietary nature of the Talkie Power Web Line Machine's software program provides the Company a significant head start over a potential competitor who wishes to develop a competing product.

Associates competes, and the Company will compete, with other providers of international telephone service. The market for international telephone service is highly competitive. In additional to the major service providers such as AT&T, MCI and Sprint, there are numerous smaller service providers as well as resellers, who do not own and operate equipment but purchase telephone time from service providers at a discount and resell that time to the public. The Company believes that a primary competitive factor in the industry is pricing. Because Associates uses the Talkie Power Web Line Machine, which is less costly to purchase and maintain than traditional switching equipment, Associates is able to offer telephone calling time at lower rates than competitors whose rate structure must account for the higher cost of such traditional switching equipment. In addition, because the Talkie Power Web Line Machine is able to process both data as well as voice, Associates is able to offer Internet access, which relatively few of its competitors offer. However, Associates and the other master agents presently face, and the Company may face, increasing competition as a result of deregulation in foreign countries, which could result in competition from other service providers with large, established customer bases and close ties to governmental authorities in their home countries and decreased prices for direct-dialed international calls. Master agents' customers may no longer be willing to use the master agents' or the Company's services, which would adversely affect the Company's ability to sell the Talkie Power Web Line Machine and/or limit the Company's gross margins on phone services sold for its own account and, thereby, reduce the Company's income.

The Company's Talkie interactive voice response software programs compete with products sold by approximately two dozen entities in North America, including AT&T, Northern Telecom and others. However, in the more limited market for industry-specific and custom interactive voice response applications, the Company knows of only one direct competitor. The Company's Talkie-Globe system competes with telephone callback products sold by approximately 6 other entities.

As a result of its reliance on the Company's proprietary software rather than hardware components to operate, the purchase price and maintenance costs of the Company's Talkie interactive voice response software programs and Talkie-Globe are believed to be generally lower than those of competing products. In addition, because software is easier to alter than hardware components, the Company is able to customize its products or modify its products to incorporate changing technology more quickly and at a lower cost than its competitors.

Notwithstanding the Company's competitive advantages however, many of the producers of products competitive with the Company's, and companies wishing to enter the market in which the Company's products compete, have well established reputations, customer relationships and marketing and distribution networks. Many also have greater financial, technical, manufacturing, management and research and development resources than those of the Company, may be more successful than the Company in manufacturing and marketing their products and may be able to use their greater resources and to leverage existing relationships to obtain a competitive advantage over the Company.

Leasing Division

In October 1996, the Company acquired all of the issued and outstanding shares of stock of Major Fleet & Leasing Corp. ("Major Fleet"). Major Fleet has historically provided lease financing solely for motor vehicles. The Company intends to expand the operations of Major Fleet to provide lease financing to purchasers of the Talkie Power Web Line Machine.

Major Fleet typically arranges for sale or lease to its customers of new or used vehicles of all makes and models. Major Fleet will purchase the desired vehicle from an automobile dealer and either resell it to its customer for a markup over its cost, or lease the vehicle to the customer and provide the related lease financing. If a customer of Major Fleet wants to purchase or lease a new vehicle that is available from one of Major Auto's dealerships, in almost all cases, Major Fleet will acquire the vehicle from Major Auto and then resell or lease it to its customer. Major Fleet estimates that it acquires approximately 50% of the vehicles it sells and leases from Major Auto.

In most instances, Major Fleet will broker vehicle finance contracts for, or assign its leases to, third parties instead of directly financing vehicle sales or leases. This minimizes the credit risk to which Major Auto is exposed. In these instances, Major Fleet typically receives a finance fee or commission from the third party who provides the financing. In certain instances, Major Fleet directly finances the lease of a vehicle. When Major Fleet provides lease financing, it bears the credit risk that its customers will default in the payment of the lease installments. In order to minimize its risk of loss, Major Fleet carefully evaluates the credit of its lease customers. It also requires that its lease customers have adequate collision and liability insurance on the leased vehicle and that Major Fleet be named as loss payee and additional insured on the customer's collision and liability insurance policies. Major Fleet does not finance the purchase of the vehicles, so if a customer desires purchase financing, the customer will need to obtain financing from a third party, however, as discussed above, Major Fleet will broker financing contracts.

Plastics and Utility Products Division

The Company, through its subsidiary Premo-Plast, Inc. ("Premo-Plast"), presently the only company in its Plastics and Utility Products division, is currently conducting research and development with respect to two products lines: (i) a line of spa and bath fixtures for use in whirlpool baths, spas, tubs and swimming pools and (ii) an armored conduit system for use by utility companies.

Spa Fixtures

Premo-Plast has been engaged in research and development related to a line of fixtures to be placed through the walls of water containers such as spa tubs. To date, the Company has focused its research on fixtures such as the jets used to introduce water mixed with air bubbles into a whirlpool bath, spa or tub and has designed and developed prototypes of such fixtures.

The construction of a whirlpool bath, spa or tub is typically a large thin-walled shell (most often fiberglass coated plastic), through which protrude a number of fixtures such as air and water jets. Inserting these fixtures requires two workers. First, the "inside" worker drills a pilot hole where the fixture is to be inserted. Then, the "outside" worker drills a much larger hole to clear the mounting thread on the fixture, and at the same time smooths an area on the rough outside wall of the spa around the hole in order to allow a tight seal to the washer that will surround the hole when the fixture is installed. Next, the inside worker places a sealing washer on the shaft of the fixture and inserts the shaft through the drilled hole. The outside worker places a second washer on the outside end of the fixture and applies silicone sealant (or, in some cases, applies silicone sealant without a second washer), and adds a retaining nut to secure the assembly. The inside worker must steady the fixture from the inside of the spa, while the outside worker tightens the nut from the outside. The degree of tightness is critical, as too much tightening will squeeze out the silicone sealant, and too little will result in a weak seal. Either condition will cause

a leak. Once the nut is tightened, the fixture must set in place, undisturbed, for several hours to permit the silicone to harden and form a water-tight seal.

The Company has acquired the rights to a proprietary plumbing fixture installation method and has designed and developed a line of fixtures that enable installation in a whirlpool bath, spa or tub in significantly less time than is normally required to install such fixtures. One person, working from inside the whirlpool bath, spa or tub, drills the pilot hole and final-size hole. Next, a rubber grommet is placed in the hole. A grommet resembles a small donut with flanges around the inside and outside; the flanges on the grommet are placed into contact with the drilled hole. Next, the worker presses the fixture into the grommeted hole, which can be done from either the inside or the outside of the whirlpool bath, spa or tub. The barrel of the fixture expands the sides of the grommet against the sides of the hole, sealing the hole (by contrast to the traditional fixture, the seal takes place at the sides, not the front and back, so no sealant is required). The barrel is ribbed to prevent the fixture from being pushed back inside the whirlpool bath, spa or tub. Because there are relatively few steps involved in the Company's installation method, there is less risk of error. In addition, because no silicone sealant is used, the fixture does not need to set in place, which permits immediate use and minimizes the risk of leaks.

The Company acquired the technology for the proprietary fixture installation method through its acquisition from John Pinciaro of all of his right, title and interest therein and two United States patent applications related thereto. The Company and Mr. Pinciaro will participate jointly in exploitation of the fixture installation method. In October 1997, the Company formed a new subsidiary, whose shares are owned 80% by the Company's existing subsidiary Premo-Plast and 20% by Mr. Pinciaro.

Status of Development of Spa Fixtures

Since its acquisition of the technology relating to the fixture installation method, the Company has further developed that technology and has designed and produced working prototypes of the various fixtures for use in connection with such method. The Company is currently testing the prototype fixtures and installation method. In addition, the Company has finalized a limited number of components and beta testing has been completed. The Company's management expects that, given availability of the funding, the Company will begin production testing in the second quarter of 1998 and will commence commercial sales of its spa and bath fixtures by the third quarter of 1998.

Company's Strategy with respect to Spa and Bath Fixture Technology

According to industry data, approximately 250,000 whirlpool baths and spas and approximately 600,000 tubs are sold annually. Management of Premo-Plast estimates that each whirlpool bath requires approximately 35-45 fixtures and that each tub requires approximately 4-6 fixtures.

The Company's strategy with respect to the fixture technology is to establish its proprietary installation method and its fixtures as the industry standard for whirlpool baths, spas and tubs. The company has a threefold plan to implement this strategy upon its commencement of commercial production of the fixtures. First, the Company intends to expand its workforce by hiring employees, most of whom have already been identified and approached by the Company, experienced in the areas of design, production and marketing.

Second, the Company intends initially to sell its fixtures and license the right to use its installation method to several designated regional manufacturers and producers of whirlpool baths, spas and tubs. All of these manufacturers and producers were consulted by John Pinciaro, from whom the Company acquired the rights to the proprietary fixture installation method and presently an employee of Premo-Plast, prior to and during the period of development of such method. All of these manufacturers and producers expressed in writing their interest in the installation method and a desire to utilize that method and the Company's fixtures once commercially available, although none are required to do so. Among these producers is ThermoSpas, Inc., a company wholly-owned and operated by Mr. Pinciaro.

Third, the Company intends to publicize its installation method and fixtures generally to the whirlpool bath, spa and tub industry and to attend major trade shows.

Armored Conduit

In November 1995, shortly after its formation, the Company acquired from Progressive Polymerics, Inc. two United States patents and a Canadian patent application covering an armored conduit product. The Company is presently involved in litigation relating to the purchase price for such patents and patent application. See "Legal Proceedings." The primary application for the armored conduit is protection for underground electrical distribution lines. In many major cities electric utility companies deliver service via lines that are run through underground conduits. The underground conduit method of distribution is becoming increasingly common in other cities as the preferred method for delivering electric service to newly constructed subdivisions, replacing above-ground lines mounted on wood or metal poles.

Originally, underground conduit was made from hollow creosoted wood or transite pipe made from a mixture of asbestos and concrete. Currently, conduit is typically made from either (i) PVC duct encased in concrete, (ii) cement or concrete tubing or (iii) fiberglass tubing. Each of these types of conduit has distinct disadvantages. PVC duct becomes brittle and inflexible in cold weather, and melts and bonds to the electric wire if there is excess heat from an overload condition. Cement or concrete cracks easily during transportation and installation and, unless installed at the proper depth, as a result of above-ground vibrations and stresses. If there is a problem with a portion of a conduit system (whether PVC duct, cement, concrete or fiberglass) once installed, the entire system must be removed and replaced.

The product covered by the Company's armored conduit patents is assembled underground from prefabricated pieces that are typically two to four feet in length. Each piece consists of a pre-formed plastic shell that is filled with pourable cement. Each pre-formed shell has a rectangular cross-section, with a linear ribbed exterior and tubular interior. Each end of the pre-formed shell has an extension that can be coupled to the next section in end-to-end fashion.

Potentially, the design of the armored conduit offers several advantages over other types of conduit. First, because the armored conduit system is assembled from pre-fabricated pieces, if there is a problem with a single piece, only that piece, rather than the entire conduit system, needs to be replaced. The problem piece will be replaced with a replacement piece that has a top and bottom half. The bottom half of the replacement piece will first be put in place and coupled to the pieces on either side. The wires will then be placed in the bottom half of the interior tube. The top half of the replacement piece will then cover the wires and be coupled to the pieces on either side. Second, the linear ribs on the exterior of the pre-formed shells increase the structural strength of the shells and permit them to be interlocked when stacked for storage or shipment, thereby reducing the risk of damage. Third, the outer plastic shell of the armored conduit system protects it from water, chemicals and other elements to which underground conduit systems are exposed. As a result of all of these advantages, the armored conduit system can be expected to be more durable than existing types of conduit.

The Company has been engaged in limited research and development activities relating to the armored conduit, and expects, given the availability of funding, to pursue further research and development.

Research and Development

Research and development with respect to the armored conduit technology and the spa and bath fixture technology is conducted by the Company through its wholly-owned subsidiary Premo-Plast.

The Company spent no money on research and development in 1995 with respect to its Plastics and Utility Products division and estimates that it spent approximately $3,650 and $33,750, respectively, in 1996 and 1997 on research and development with respect to such division. Such division currently has no customers.

Intellectual Property

The Company owns two United States patents, issued in June 1993 and May 1994, respectively, relating to the armored conduit technology and also owns a Canadian patent application relating to such technology. In addition, the Company has filed two applications for a United States patent relating to the spa and bath fixtures and related installation method. The

Company is presently pursuing such applications with the United States Patent and Trademark Office. The Company has also filed two applications relating to the spa and bath fixtures and related installation method under the Patent Cooperation Treaty designating Australia, Canada, China, Japan and the European Patent Office (up to 18 countries) as recipient countries. Under such treaty, the Company will have the option to individually file separate applications in the designated countries at an appropriate future date. In addition, the Company relies on confidentiality agreements and other laws to protect its technology. The Company believes that it may be possible for third parties to develop technology that provides the same features as the Company's plastic products without infringing the Company's rights or making use of its proprietary technology.

Competition

If the Company's armored conduit is developed into a commercially viable product, it will compete with PVC duct encased in concrete, cement or concrete tubing and metal tubing, all of which are established methods. The Company's spa and bath fixtures will compete with existing types of such fixture. Because the Company's fixtures and installation method permit single-person assembly rather than the two-person assembly required by existing products and installation methods, the Company believes that use of its fixtures will result in significantly reduced assembly time and costs.

Many of the producers and distributors of products competitive with the Company's spa and bath fixtures and armored conduit may have well established reputations, customer relationships and marketing and distribution networks. They may also have greater financial, technical, manufacturing, management and research and development resources than those of the Company. While the Company believes that its spa and bath fixtures and installation method and its armored conduit will have significant advantages over existing products, the Company's competitors may be more successful than the Company in manufacturing and marketing their products and may be able to leverage existing relationships to obtain a competitive advantage over the Company.

Item 2. Description of Property.

Neither the Company nor any of its subsidiaries owns any real estate or plants. All of the operations of the Company and its subsidiaries are conducted from locations leased from unaffiliated third parties. Following the Major Auto Acquisition, the Company will own the Major Real Estate.

The Company leases approximately 6,800 square feet on two floors in Kew Gardens, New York. The lease for the floor that the Company currently uses for executive offices and to house the Talkie Power Web Line Machines consists of approximately 2,800 square feet and expires on March 31, 2001, but the Company has the option to extend the lease for one additional five-year term. The current annual rent under such lease is $69,448.50, but will be increased by 3.5% on a compounded and cumulative basis each lease year. If the Company elects to extend such lease, the base rent for the extension period will be the greater of the base rent on March 31, 2001 at the termination of the original lease period or the then fair market rental of the premises.

The lease for the other floor in Kew Gardens, New York consists of approximately 4,000 square feet and is occupied pursuant to the terms of a sublease between Major Fleet, as lessee, and an unrelated third party, as lessor. The lease expires on January 14, 2000 and contains no renewal provisions. The current annual rent under such lease is $73,992. Pursuant to an informal arrangement, (i) Computer Business Sciences pays such rent on behalf of Major Fleet, (ii) a portion of the leased space is used by Computer Business Sciences for additional office space and (iii) a portion of the leased space is used by Associates to operate the customer service division of its reselling operations.

The Company believes that its current facilities are suitable and adequate for its current needs, but expects to require additional facilities to accommodate its anticipated expansion.

Computer Business Sciences (Israel) leases from an unrelated third party approximately 1,517 square feet of office space in Raanana, Israel. The lease expires on September 1, 1999, but Computer Business Sciences (Israel) has an option to renew the lease for an additional two-year period. The current annual rent under such lease is $22,620 and will increase by 6% on July 1, 1999.

Info Systems leases from an unrelated third party approximately 1,415 square feet of office space in Downsview, North York, Canada. The lease expires on October 31, 1998, but Info Systems has an option to renew the lease for an additional two-year period. The current annual rent under such lease is $19,810 and is not subject to escalation.

Major Subaru subleases from an unrelated third party approximately 2,500 square feet of office and automobile showroom space in Woodside, New York. This lease expires on January 31, 1999 and contains no renewal provisions. The current annual rent under such lease is $69,457.56. Pursuant to an informal arrangement between Major Subaru and Major Fleet, Major Fleet occupies the space and pays the rental payments.

In addition, upon the consummation of the Major Auto Acquisition, the Company will have an interest in the following leases, under which Major Auto presently pays aggregate annual rental payments of $638,000:

Major Chrysler, Plymouth, Jeep Eagle leases from an unrelated third party approximately 17,400 square feet of office and automobile showroom and storage space in Long Island City, New York. This lease expires on October 31, 2001, but Major Chrysler, Plymouth, Jeep Eagle has the option to extend the lease for one additional ten-year term.

Major Dodge leases from Bruce Bendell and Harold Bendell approximately 12,000 square feet of office and automobile showroom space in Long Island City, New York. The lease expires on December 31, 1998 and contains no renewal provisions.

Major Chrysler, Plymouth, Jeep Eagle, Major Dodge and Major Subaru lease from Bendell Realty L.L.C., a company wholly owned by Bruce Bendell and Harold Bendell, approximately 40,000 square feet in Long Island City, New York which is used as a service facility. The lease expires on December 31, 1998 and contains no renewal provisions.

The above properties that are leased from the Bendells will be acquired by Major Acquisition Corp. in connection with the Major Auto Acquisition; see "Planned Acquisition" above.

Major Auto leases from an unrelated third party approximately 2,000 square feet of lot space in Astoria, New York adjacent to the main Major Dodge showroom. This lease expired on June 30, 1997 at which time the annual rent was $30,300. Major Auto is currently renegotiating such lease and remains in possession of the premises under an oral month-to-month lease. Major Auto does not believe that this property is material to the operation of Major Auto.

Major Chevrolet leases from an unrelated third party two adjacent automobile dealership facilities in Long Island City, New York, comprising approximately 250,000 square feet. This lease expires on February 1, 2004, but Major Chevrolet has the option to extend the lease for up to three additional five-year terms.

Item 3. Legal Proceedings.

On November 22, 1996, the Company and its wholly-owned subsidiaries Computer Business Sciences and Info Systems filed an action in the New York Supreme Court, Queens County against Michael Marom ("Marom") and M.M. Telecom, Corp. ("MMT"). The Company and its subsidiaries are seeking damages of $5,000,000 for breach of contract, libel, slander, disparagement, violation of copyright laws, fraud and misrepresentation. The Company and its subsidiaries allege in their complaint that Marom and MMT have violated the terms of a License and Exclusivity Agreement pursuant to which MMT guaranteed the purchase of a certain amount of Talkie-Globe Software products and was granted an exclusive license to advertise the Talkie-Globe product, to train customers and to provide technical support. On February 4, 1997, the defendants filed a counterclaim against the Company and its subsidiaries seeking damages of $50,000,000 for breach of contract and violation of the Lanham Act. The defendants allege in their counterclaim that Computer Business Sciences misappropriated and altered software developed by Marom in order to prevent competition with the Company's Talkie-Globe. Both parties to the litigation have filed responses to the counterclaims. The litigation is proceeding and the parties are currently in the process of discovery.

On May 7, 1997, the Company and its wholly-owned subsidiary Computer Business Sciences filed an action in the New

York Supreme Court, New York County, against Network America, Inc. ("Network"). The Company and its subsidiary are seeking damages of $1,000,000 for breach of contract, misrepresentation, fraud and tortious interference with the Company's business and operations. The Company and its subsidiary allege in their complaint that the information and representations provided to the Company by Network, on the basis of which the Company entered into a Letter of Intent to acquire Network, were intentionally fraudulent and misleading. On August 18, 1997, Network filed an answer which denied the allegations and a counterclaim seeking damages of $2,000,000 for the Company's alleged misappropriation of proprietary information and violation of a NonCompetition Agreement entered into by the parties to the litigation. The litigation is proceeding and the parties are currently in the process of discovery.

The Company believes that its asserted claims have merit and that there is no basis to the asserted counterclaims, and that a judgment against the Company and its subsidiaries with respect to either action would not have a material adverse effect on the Company's financial condition.

The Company has received notice of a claim by Mr. Daniel Tepper, of Los Angeles, California. Mr. Tepper had contacted the Company claiming to have acquired, through foreclosure of a security interest, 12,000 shares of its Common Stock originally issued to Progressive Polymerics International, Inc. ("PPYM") in a private placement. He requested that the Company issue certificates representing the shares in question that did not bear a legend restricting their transfer, on the basis that the shares had been held by his predecessor in interest for a length of time sufficient to allow their unrestricted resale in accordance with Rule 144 promulgated under the Securities Act. The Company was advised by counsel that it should not issue the unlegended share certificates requested by Mr. Tepper unless he showed that he acquired the relevant shares in a transaction allowing him to take advantage of his predecessor's holding period for the shares in question.

The Company's legal counsel contacted Mr. Tepper in November 1997, seeking to verify details of the claimed foreclosure in order to verify Mr. Tepper's eligibility to take advantage of his predecessor's holding period for the shares in question. Mr. Tepper never responded to that inquiry. Instead, on December 23, 1997, Mr. Tepper, acting through counsel, asserted a number of claims against the Company, including claims arising out of transactions dating back to the 1995 acquisition by the Company of the armored conduit patents. See "Description of Business-Plastics and Utility Products Division-Armored Conduit."

The Company has been advised by counsel that Mr. Tepper's claims are without merit. However, one of the allegations made by Mr. Tepper prompted an inquiry by the Company into one of the circumstances of that transaction.

On October 15, 1996 the Company, Progressive Polymerics, Inc. ("Progressive") and PPYM signed a First Amendment to the Patent Sale and Purchase Agreement (the "First Amendment") between them dated November 14, 1995. The First Amendment, which was dated September 30, 1996, settled a claim by the Company against Progressive and PPYM related to undisclosed additional development costs related to the armored conduit patents. The Company commenced litigation against Progressive and PPYM in which it sought a reduction in the purchase price for the armored conduit patents. The First Amendment changed the purchase price from $500,000 in cash to the sum of (i) $100,000 in cash, (ii) 160,000 shares of the Company's Common Stock and (iii) warrants to purchase a further 160,000 shares of the Company's Common Stock.

The Company was advised by the President of PPYM, Terrence Davis, prior to signing the First Amendment, that the First Amendment had been approved by a majority of the shareholders of PPYM. However, Mr. Tepper's claim included an assertion that the version of the First Amendment that PPYM's shareholders approved failed to include a provision, added just prior to signing, giving the Company the right to repurchase 80,000 of the 160,000 shares issued to PPYM.

Upon receipt of Mr. Tepper's claim, the Company contacted Mr. Davis, who confirmed on January 5, 1998 that the version of the First Amendment approved by PPYM's shareholders did not include the repurchase provision. The reason given by Mr. Davis was that, as President of PPYM, he believed he had the authority to agree to the repurchase provision on PPYM's behalf without shareholder approval.

The Company has accordingly revived its legal action that was pending against PPYM and Progressive at the time of the First Amendment, in which it sought modification of the purchase price due pursuant to the Patent Sale and Purchase Agreement with PPYM. The Company has obtained an order to show cause seeking return of the $100,000 paid at the time

the First Amendment was signed and return of the 160,000 shares, which will effectively terminate the First Amendment.

The Company, assuming it is successful in the prosecution of the litigation as just described, will then seek to recover damages from and Progressive related to the misrepresentations concerning additional development expenditures required in connection with the patents covered by the Patent Sale and Purchase Agreement. These misrepresentations were the subject of the legal action referred to in the preceding paragraph.

Item 4. Submission of Matters to a Vote of Security-Holders.

None.

PART II

Item 5. Market For Common Equity and Related Stockholder Matters.

Market Information

On April 2, 1996, the Company's Common Stock was approved for trading on theNASDAQ OTC Bulletin Board. From the time of the listing through March 31, 1998, the high bid price was $6.375 and the low bid price was $3.50; quarter-end high and low bids were (as reported by Nasdaq Trading & Market Services) which quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission, and may not reflect actual transactions:

Quarter Ended	High Bid	Low Bid
March 31, 1998	$4.625	$4.00
December 31, 1997	$5.375	$4.00
September 30, 1997	$4.375	$3.50
June 30, 1997	$5.50	$4.00
March 31, 1997	$6.375	$3.625
December 31, 1996	$4.875	$3.75
September 30, 1996	$4.75	$3.50
June 30, 1996	$5.00	$4.00

Shareholders

As of April 7, 1998 there were 261 holders of record of the Company's Common Stock.

Dividends

The Company has never declared dividends on any class of 'its securities and has no present intention to declare any dividends on any class of its securities in the future.

Recent Sales of Unregistered Securities

The securities described below of the Company were sold by the Company during 1997 without being registered under the Securities Act. All such sales made in reliance on Section 4(2) of the Securities Act were, to the best of the Company's knowledge, made to investors that, either alone or together with a representative that assisted such investor in connection with the applicable investment, had such sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks connected with the applicable investment.

1. In January 1997, in connection with an informal consulting agreement between the Company and Ronald Premo, the Company issued to Mr. Premo, 7,500 shares of Common Stock. The consulting services included analyzing the Company armored conduit plastics products, identifying business opportunities for the Company's Plastics and Utilities Products Division and introducing the Company to manufacturers, distributors and others in the plastics industry. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act. In March 1997, in connection with an Employment Agreement between the Company and Ronald Premo, the Company issued to Mr. Premo, 30,000 shares of Common Stock, 10,000 of which shares will vest upon the completion of each of his first three years of employment with the Company. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

2. In February 1997, in connection with the agreement of Ronald Shapss to perform certain consulting services for the Company, the Company issued to Mr. Shapss 50,000 shares of Common Stock for an aggregate purchase price of $500. Such services included assisting the Company in obtaining financing and in identifying and consummating potential acquisitions. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

Effective May 1997, pursuant to such agreement, the Company granted to Mr. Shapss at no cost options to acquire up to

50,000 shares of Common Stock at an exercise price of $4.50 per share, the fair market value of the Common Stock on February 18, 1997, the date of such agreement. Such options are exercisable for five years from the date of grant. Such options were issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

3. In July 1997, the Company issued to Lewis Glogower, as part of the termination of Mr. Glogower's employment with the Company, 3,000 shares of Common Stock. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

4. In September 1997, in connection with the execution of the MOU relating to Computer Business Sciences' acquisition of the Agent an aggregate $653,750 deposit that the Nissko Principals and Robert L. Rimberg had previously paid towards the full exercise price of the Class A Warrants was converted to a partial exercise of the Class A Warrants. Upon such conversion, the Company issued an aggregate of 523,000 shares of its Common Stock to the Nissko Principals and Mr. Rimberg. All of such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

5. In November 1997, in connection a Consulting Agreement between Computer Business Sciences and Bruce A. Hall, the Company issued to Mr. Hall 10,000 shares of Common Stock, 3,334 of which shares will vest after the completion of Mr. Hall's first year of consulting and 3,333 of which shares will vest after completion of each of Mr. Hall's second and third years of consulting. Such Common Stock was issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act and Regulation S under the Securities Act.

6. In April 1998, the Company issued $600,000 principal amount of its 10% Convertible Subordinated Debentures due 1999 (the "Debentures") to one institutional investor and two accredited investors, for aggregate proceeds to the Company of $600,000. Such Debentures were issued in reliance upon the exemption from registration contained in Section 4(2) of the Securities Act.

Item 6. Management's Discussion and Analysis of Financial Condition.

The following discussion of the operations, financial condition, liquidity and capital resources of the Company and its subsidiaries should be read in conjunction with the Company's audited Consolidated Financial Statements and related notes thereto included elsewhere herein. The discussion of the operations, financial condition, liquidity and capital resources of Major Auto as well as audited Combined Financial Statements and related notes thereto for Major Auto and pro forma combining financial statements for Major Auto and the Company will be filed by amendment to this Annual Report, as soon as practicable after they become available to the Company.

This Annual Report also contains, in addition to historical information, forward-looking statements that involve risks and uncertainties. The Company's actual results could differ significantly from the results discussed in the forward-looking statements.

Results of Operations - Year Ended December 31, 1997 and Year Ended December 31, 1996

Revenues. Revenue for the year 1997 resulted in a net increase of $427,809 or 12.5% to $3,862,284. Revenue for the year 1996 was $3,434,475. The sources for such increase (decrease) were:

Computer Telephony and Telecommunications	$(266,277)
Leasing	$ 694,086

The 1997 amounts reflect a full year of operations for both divisions, whereas in 1996 the Computer Telephony and Telecommunications division only began operations during the second quarter and the Leasing division was not acquired until the beginning of the fourth quarter. Also, it should be noted that, during the third quarter, as a result of a decision to operate Talkie Power Web Line machines for itself, the Company stopped the sale of such machines to master agents.

Cost of sales. Cost of sales for 1997, all of which relates to the Computer Telephony and Telecommunications division, was $823,397 compared with $965,792 in the 1996 period. This is a decrease of $(142,395) or 14.7% and is consistent with the change in operational direction of this division.

Gross profit. Gross profit for the Computer Telephony and Telecommunications division in 1997 was $2,085,854 which represented a decrease of $123,882, or 6% from the prior year's gross profit of $2,209,736. Additionally, gross profit as a percentage of the related revenue increased to 71.7% in 1997 over the 69.6% gross profit percentage in 1996. Both the dollar decrease and the gross profit percentage of revenues increases are consistent with the decreased sales and increased operating efficiencies.

Selling, general and administrative expense. Selling, general and administrative expenses ("SG&A") increased a total of $790,023 to $1,916,924 in 1997 from $1,126,901 in 1996. Of this increase $165,035 relates to the Computer Telephony and Telecommunications division and $624,988 is from the Leasing division. SG&A for the Computer Telephony and Telecommunications division increased from $935,529 for 1996 (this division commenced operations in the second quarter of 1996) to $1,100,564 for 1997, a 17.6% increase. This increase is reflective of an almost full level of normal activity in 1997 compared with the start-up activities in 1996. The increase in selling, general and administrative expense for the Leasing division in 1997 is the result of a full year of activity in this division which was not acquired until the fourth quarter of 1996.

Interest expense. Interest expense was $121,092 for the year ended December 31, 1997 compared with $24,132 for 1996. The increase of $96,960 relates primarily to the debt incurred to finance the vehicles and equipment leased by the Company's Leasing division during the current year. There was no comparable amount in the prior year.

Loss from joint venture. The loss from the Nissko Joint Venture was $137,475 in 1997. In the comparable prior period, operations of this joint venture had just commenced and resulted in a loss of $32,410.

Results of Operations - Fiscal Year Ended December 31, 1996 and Fiscal Year Ended December 31, 1995

Revenues. Inasmuch as 1996 was the first full year of operations for the Company, all revenue increases resulted from the commencement of previously planned activities and from companies acquired during that year. Revenues from operating divisions were as follows:

Computer Telephony and Telecommunications	$3,175,528
Leasing	$ 258,947

Included in the Computer Telephony and Telecommunications division's sales were $2,637,873 from the sale of hardware and $537,635 from the sale of software.

Cost of sales. Cost of sales, aggregating $965,792 for the year ended December 31, 1996 includes the direct costs of materials, labor and overhead included in the Company's products sold through its Computer Telephony and Telecommunications division.

Gross profit. The year 1996 was the first full year of operations for the Company's Computer Telephony and Telecommunications division. Gross profit for that division for the year ended December 31, 1996 aggregated $2,209,736 or 70.0% of sales. The Company anticipates that, over time, annual sales will increase and greater operating efficiencies will be achieved through experience, training and economies of scale. Management believes that as a result, gross profit for the Company's Computer Telephone and Telecommunications division will increase in terms of both

dollars and percentage of sales.

Selling, general and administrative expense. Selling, general and administrative expenses, which amounted to $1,126,901 in 1996 ($2,042 in 1995), include payroll and related expense attributable to senior management (although Mr. Bendell, Chairman, and Mr. Cohen, Chief Executive Officer, President and Treasurer of Company waived compensation from the Company in 1996), finance, systems, sales, marketing and office administration, personnel, facilities costs and general office expenses pertaining to these functions, as well as outside professional fees. The increase in such expenses between 1996 and 1995, which were $933,487 for the Computer Telephony and Telecommunications division and $191,372 for the Leasing division are attributable to the commencement of planned activities for the former and the acquisition in October 1996 of the latter.

Interest expense. The increase in interest expense of $19,757 to $24,132 in 1996 from $4,375 in 1995 relates primarily to the debt used to finance the vehicles and equipment leased by the Company's Leasing division which was acquired in October 1996 and, to a lesser extent, to interest on debt due from the acquisition of the Company's Computer Telephony and Telecommunications division in April 1996.

Loss on joint venture. In March 1996, the Company's Computer Telephony and Telecommunications division formed a joint venture (the "Nissko Joint Venture") named Nissko Telecom, L.P., a limited partnership. The general partner of Nissko Telecom, L.P. is one of the Company's master agents. The Company has a 45% interest in the Nissko Joint Venture, whose purpose is to market and sell the available telephone time generated by the Company's Talkie Power Web Line Machines purchased by this master agent. Because 1996 was the start-up year, the Nissko Joint Venture incurred expenses disproportionate to its revenue generation and suffered from start-up inefficiencies. This resulted in a loss to the Company of $32,410.

Liquidity and Capital Resources – December 31, 1997

The Company's primary source of liquidity for the year ended December 31, 1997 was $1,624,601 from its net income of $369,139, as adjusted by net non-cash charges, which aggregated $1,255,462. This net increase in cash was more than offset by (a) the net increase in assets of $1,730,584 (resulting primarily from an increase in accounts receivable of $1,471,082, primarily attributable to the Computer Telephony and Telecommunications division as a result of the strategic decision to acquire the master agents' territories and equipment. The receivables are expected to be collected as part of the acquisition.) and (b) a net decrease in liabilities amounting to $189,974 (primarily attributable to decreases in due to affiliates of $102,097 and accrued expenses of $121,349, partially offset by an increase in accounts payable of $32,689). The net result was a use of cash in operating activities of $295,957.

The Company's investing activities, i.e., additions to property and equipment, primarily cars and trucks purchased for the Leasing division, used cash of $708,108 which was significantly offset by $646,737 provided by the Company's financing activities, of which $653,750 resulted from the proceeds from the exercise of warrants to purchase common stock. Cash from lines of credit and long-term debt were substantially offset by payments of long-term debt.

The foregoing activities, i.e., operating, investing and financing, resulted in a net cash decrease of $357,295 for the year ended December 31, 1997.

The Company believes that the funds generated through existing and planned operations, together with existing cash, available credit from banks and other lenders, future equity offerings and the consummation of the Major Auto Acquisition will be sufficient to finance its current operations, planned expansion and internal growth for at least the next 24 months.

Liquidity and Capital Resources – December 31, 1996

After its initial investor financing during the first quarter of 1996, the Company's primary source of liquidity was its cash flow from operations. Net cash provided by operating activities in 1996 was $147,942 on net income of $675,966 (net of non-cash charges of $725,433), offset by changes in working capital of $1,263,958. Such changes in working capital are principally attributable to (i) increases, by the Leasing division, in net financing leases of $1,612,675 and (ii) increases, by the Computer Telephony and Telecommunications division, in inventories, amounting to $15,026. These increases were offset, in part, by the increase in amounts due to affiliates of $26,127.

Net cash used in investing activities in 1996 was $815,962 and related, primarily, to the acquisition of the Company's computer Telephony and Telecommunications division.

Cash flow generated from financing activities in 1996 aggregated $1,203,179. The net proceeds from the issuance of common stock and the exercise of warrants accounted for $973,500 of this amount.

The Company, through its Leasing division, has arrangements with various banks and automotive lenders to finance leased vehicles and equipment.

Item 7. Financial Statements

Item 8. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

PART III

Item 9. Directors, Executive Officers, Promoters and Control Persons; Compliance With Section 16(a) of the Exchange Act.

The names, ages and principal occupations of the Directors and Executive Officers of the Company are as follows:

Name	Age	Position, Term In Office
Bruce Bendell	43	Chairman of the Board
		President, Chief Executive Officer, Treasurer and a
Doron Cohen	41	Director
Richard L. Feinstein	54	Chief Financial Officer
Glenn H. Bank	46	Secretary
Yossi Koren	48	Director

The following is a brief description of the professional experience and background of the directors and executive officers of the Company:

Bruce Bendell. Mr. Bendell has served as the Company's Chairman of the Board since its incorporation in November 1995. Mr. Bendell has served as the President and a director of Major Chevrolet and its affiliates since December 1985.

Doron Cohen. Mr. Cohen has served as the President, Chief Executive Officer, Treasurer and a director of the Company since its incorporation in November 1995. From 1991 to 1995, Mr. Cohen served as President and Chief Executive Officer of Holtman Enterprises, a construction and interior design company.

Richard L. Feinstein. Mr. Feinstein has served as the Company's Chief Financial Officer since December 1997. From 1994 to December 1997, Mr. Feinstein maintained his own financial and management consulting practice. From 1989 to 1994, Mr. Feinstein served as Managing Director and Chief Financial Officer of Employee Benefit Services, Inc. From 1978

to 1989, Mr. Feinstein was a partner in KPMG Peat Marwick and a predecessor firm.

Glenn H. Bank. Mr. Bank has served as the Secretary of the Company since June 1997. Mr. Bank has been a practicing attorney since 1979. Mr. Bank is a sole practitioner with an office in New York City.

Yossi Koren. Mr. Koren has served as a director of the Company since April 1996. Mr. Koren founded Nissko Jewelry Trading, Inc., a jewelry manufacturer based in New York City, in 1983 and has served as its Chief Executive Officer since that time.

The following persons, although not executive officers of the Company, are regarded by management as key personnel:

Zvi Barak. Mr. Barak has served as the Director of Research and Development of the Company's Computer Telephony and Telecommunications division since April, 1996. From 1992 to August 1996, Mr. Barak served as President of Info Systems.

Moise Benedid. Mr. Benedid has served as the President of the Company's Canadian subsidiary Info Systems since August 1996. From November 1994 through July 1996, Mr. Benedid served as Vice President in charge of marketing and technical support for TelePower International, Inc., where he was responsible for the sale in Canada of franchises based on the "Talkie" technology. From December 1992 to November 1994, Mr. Benedid served as President of Powerpoint Microsystems, Inc., and from August 1989 to December 1992, he served as President of Computer Junction, a Toronto-based computer retail store.

Bruce Hall. Mr. Hall has served as Vice President of Operations of the Company since March 1998. From November 1997 to March 1998, Mr. Hall was a consultant to the Company. For the thirty years prior to that time, he was with Bell Atlantic (NYNEX), most recently as their Director of Operations for the Borough of Queens, New York.

Michael S. Lukin. Mr. Lukin has served as the President of the Company's subsidiary Computer Business Sciences (Israel) since October 1996. From January 1996 to October 1996, Mr. Lukin served as a securities broker for Weiner, Abrahms, and from 1990 to January 1996 he served as a securities broker for Kern Suslow Securities.

John Pinciaro. Mr. Pinciaro serves as Vice-President of the Company's subsidiary Premo-Plast since January 1, 1997 and will serve as the President of the subsidiary of the Company formed in October 1997 to exploit the Company's spa fixture technology. Mr. Pinciaro has served as the Chief Executive Officer of ThermoSpas, Inc., a manufacturer and distributor of spas, since it inception in 1983.

Ronald K. Premo. Mr. Premo has served as the President of the Company's subsidiary Premo-Plast since January 1997. In 1993, Mr. Premo founded and has since operated R.K. Premo & Associates, a manufacturer's representative agency for the plastics industry. From 1987 to 1993, Mr. Premo was a Manufacturer's Representative for R.W. Mitscher, Inc.

Paul Vesel. Mr. Vesel has served as the Executive Vice President for Sales & Marketing of the Company's subsidiary Computer Business Sciences since November 1996. From May 1995 to November 1996, Mr. Vesel was employed by MTC Netsource, a telecommunications company, where he was responsible for product development and from 1993 to 1995, he served as Director of European Sales and Marketing for ATC Distributing. From November to 1993, Mr. Vesel was a Managing Partner of Focus International, an international trade and marketing consulting company.

The term of office of each person elected as a Director will continue until the Company's next Annual Meeting of Shareholders or until his successor has been elected.

Compliance with Section 16(a) of the Exchange Act

Section 16(a) of the Securities Exchange Act of 1934 requires the Company's officers and directors, and persons who own more than ten percent of a registered class of the Company's equity securities, to file reports of ownership and changes in ownership with the Securities and Exchange Commission (the "SEC"). Officers, directors and greater than ten percent stockholders are required by SEC regulations to furnish the Company with copies of all Section 16(a) forms they file.

Based solely on its review of the copies of such forms received by it, or written representations from certain reporting persons, the Company believes that during Fiscal 1997, its officers, directors, and greater than ten-percent beneficial owners have not complied with all applicable Section 16(a) filing requirements. The process of bringing such persons in compliancewith all applicable Section 16(a) filing requirements is currently being undertaken.

Item 10. Executive Compensation.

Summary Compensation Table

The following table sets forth information for each of the Company's fiscal years ended December 31, 1997 and 1996 concerning compensation of (i) all individuals serving as the Company's Chief Executive Officer during the fiscal year ended December 31, 1997 and (ii) each other executive officer of the Company whose total annual salary and bonus equaled or exceeded $100,000 in the fiscal year ended December 31, 1997:

			Annual Compensation		
Other Name and Principal Position	Year	Salary($)	Bonus($)	($)Annual	All Other Compensation($)
Doron Cohen	1997	206,500(1)	0	0	0
President, Chief Executive Officer and Treasurer (since November 7, 1995)	1996	200,000	0	0	0
Bruce Bendell	1997	178,080(2)	0	0	0
Chairman (since November 7, 1995)	1996	158,640(2)	0	0	162,500(3)
Zvi Barak	1997	150,000	0	23,000(4)	0
Director of Research and Development (Since April 18, 1996)	1996	105,000	0	23,000(4)	0

(1) Mr. Cohen waived his salary from the Company for the years ended December 31, 1997 and 1996. This salary will not accrue. Mr. Cohen was paid a salary in 1997 and1996 of $56,500 and $50,000, respectively, from Computer Business Sciences.

(2) Mr. Bendell waived his consultant's fee from the Company for the years ended December 31, 1997 and 1996. This fee will not accrue. Mr. Bendell received $28,080 and $8,640 as management fees from Major Fleet for management services performed in 1997 and during the fourth quarter of 1996, respectively.

(3) Represents warrants to acquire 50,000 shares of Common Stock issued to Mr. Bendell on October 2, 1996 as a signing bonus under a management agreement with the Company to manage the operations of Major Fleet. These warrants are valued based upon the difference between the exercise price of $1.25 per share and the closing bid price on the OTC Bulletin Board of $4.50 per share on the date of issuance.

(4) Includes $5,000 for life and disability insurance premiums and $18,000 annual automobile allowance.

Option Grants Table

No individual grants of stock options were made during the fiscal year ended December 31, 1997 to any of the executive officers of the Company named in the Summary Compensation Table.

Aggregated Option Exercises and Fiscal Year-End Option Value Table

No stock options were exercised during the fiscal year ended December 31, 1997 by any of the executive officers named in the Summary Compensation Table. The value of unexercised options held by any such persons as of December 31, 1997 was as follows for Bruce Bendell (the only such option holder):

Total number of shares underlying unexercised options	50,000
Exercisable options	50,000
Unexercisable options	- 0 -
Value of in-the-money options	$162,500(1)

(1) Represents warrants to acquire 50,000 shares of Common Stock issued to Mr. Bendell on October 2, 1996 as a signing bonus under a management agreement with the Company to manage the operations of Major Fleet.

Compensation of Directors

Directors of the Company are not compensated for their services. The Company reimburses directors for their expenses of attending meetings of the Board of Directors.

As of November 7, 1995, the Company's date of incorporation, the Company entered into a Consulting Agreement with Bruce Bendell, its Chairman, pursuant to which he serves as a business, management and financial consultant to the Company for a period ending on December 31, 1998, subject to successive one-year extensions at the option of the Company. Mr. Bendell receives an annual consulting fee as determined by the Company's Board of Directors from time to time, but not less than $150,000. The consulting fee is subject to a yearly cost-of-living adjustment and may also be retroactively increased based upon the Company's profits per outstanding share of Common Stock for the applicable year. The available percentage increase in consulting fee as a result of profits ranges from 5% for break-even results to 150% for earnings per share exceeding $1.00 per share. Mr. Bendell is also entitled to a bonus in such amounts and at such times as determined by the Company's Board of Directors. In addition, the agreement provides that Mr. Bendell is entitled to various fringe benefits and is entitled to participate in any incentive, stock option, deferred compensation or pension plans established by the Company's Board of Directors. Mr. Bendell has agreed not to disclose confidential information relating to the Company and has agreed not to compete with, or solicit employees or customers of, the Company during specified periods following the breach or termination of his agreement to serve as a consultant to the Company.

Employment Contracts and Termination of Employment, and Change in Control Arrangements

Doron Cohen. As of November 7, 1995, the Company's date of incorporation, the Company entered into an Employment Agreement with Doron Cohen, pursuant to which he serves as the Company's President, Chief Executive Officer and Treasurer for a period ending on December 31, 1998, subject to successive one-year extensions at the option of the Company. W. Cohen receives an annual base salary as determined by the Company's Board of Directors from time to time,

but not less than $150,000. The annual salary is subject to a yearly cost-of-living adjustment and may also be retroactively increased based upon the Company's profits per outstanding share of Common Stock for the applicable year. The available percentage increase in salary as a result of profits ranges from 5% for break-even results to 150% for earnings per share in excess of $1.00 per share. Mr. Cohen is also entitled to a bonus in such amounts and at such times as determined by the Company's Board of Directors. In addition, the agreement provides that Mr. Cohen is entitled to various fringe benefits under the agreement and is entitled to participate in any incentive, stock option, deferred compensation or pension plans established by the Company's Board of Directors. Mr. Cohen has agreed not to disclose confidential information relating to the Company and has agreed not to compete with, or solicit employees or customers of, the Company during specified periods following discontinuance of his employment for any reason other than a termination for cause.

Zvi Barak. As of April 18, 1996, the Company entered into an Employment Agreement with Zvi Barak, pursuant to which he serves as the Company's Director of Research & Development for a period ending on April 30, 2001, subject to a one-year extension at the option of the Company. Mr. Barak receives an annual base salary as determined by the Company's Board of Directors from time to time, but not less than $150,000. The annual salary is subject to a yearly cost-of-living adjustment and may also be retroactively increased based upon the Company's profits per outstanding share of Common Stock for the applicable year. The available percentage increase in salary as a result of profits ranges from 5% for break-even results to 150% for earnings per share in excess of $1.00 per share. Mr. Barak is also entitled to a bonus in such amounts and at such times as determined by the Company's Board of Directors and to an annual royalty incentive in an amount equal to 2% of gross revenues received from sales of new products developed under his direction. In addition, the agreement provides that Mr. Barak is entitled to various fringe benefits under the agreement, including an annual allowance of $5,000 for disability insurance and $18,000 for the purchase or lease of an automobile, and is entitled to participate in any incentive, stock option, deferred compensation or pension plans established by the Company's Board of Directors. Pursuant to the agreement, the Company established a research and development facility in Israel and, in the event that Mr. Barak elects to establish residence outside of Israel, the Company has agreed to establish another research and development facility in the location where Mr. Barak establishes his residence. The Company spent approximately $25,000 to open the research and development facility in Israel and spends approximately $27,600 per month to operate such facility. Mr. Barak is obligated to pay the expenses of relocating himself to Israel and to any subsequent residence. Mr. Barak has agreed not to disclose confidential information relating to the Company's business and has agreed not to compete with, or solicit employees or customers of, the Company during specified periods if he resigns, is terminated for cause or if his employment agreement expires without being renewed.

Indemnification of Directors and Officers

Under the Nevada General Corporation Law, as amended, a director, officer, employee or agent of a Nevada corporation may be entitled to indemnification by the corporation under certain circumstances against expenses, judgments, fines and amounts paid in settlement of claims brought against them by a third person or by or in right of the corporation.

The Company is obligated under its Articles of Incorporation to indemnify any of its present or former directors who served at the Company's request as a director, officer or member of another organization against expenses, judgments, fines and amounts paid in settlement of claims brought against them by a third person or by or in right of the corporation if such director acted in good faith or in a manner such director reasonably believed to be in, or not opposed to, the best interests of the Company and, with respect to any criminal action or proceeding, if such director had no reason to believe his or her conduct was unlawful. However with respect to any action by or in the right of the Company, the Articles of Incorporation prohibit indemnification in respect of any claim, issue or matter as to which such director is adjudged liable for negligence or misconduct in the performance is his or her duties to the Company, unless otherwise ordered by the relevant court. The Company's Articles of Incorporation also permit it to indemnify other persons except against gross negligence or willful misconduct.

The Company is obligated under its bylaws to indemnify its directors, officers and other persons who have acted as representatives of the Company at its request to the fullest extent permitted by applicable law as in effect from time to time, except for costs, expenses or payments in relation to any matter as to which such officer, director or representative is finally adjudged derelict in the performance of his or her duties, unless the Company has received an opinion from independent counsel that such person was not so derelict.

In addition, pursuant to indemnification agreements that the Company has entered into with each of its directors, the Company is obligated to indemnify its directors to the fullest extent permitted by applicable corporate law and its Articles of Incorporation. The indemnification agreements also provide that, upon the request of a director and provided that director undertakes to repay amounts that turn out not to be reimbursable, that director is entitled to reimbursement of litigation expenses in advance of the final disposition of the legal proceeding.

The Company's indemnification obligations are broad enough to permit indemnification with respect to liabilities arising under the Securities Act. Insofar as the Company may otherwise be permitted to indemnify its directors, officers and controlling persons against liabilities arising under the Securities Act or otherwise, the Company has been advised that in the opinion of the Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

The Nevada General Corporation Law, as amended, also permits a corporation to limit the personal liability of its officers and directors for monetary damages resulting from a breach of their fiduciary duty to the corporation and its stockholders. The Company's Articles of Incorporation limit director liability to the maximum extent permitted by The Nevada General Corporation Law, which presently permits limitation of director liability except (i) for a director's acts or omissions that involve intentional misconduct, fraud or a knowing violation of law and (ii) for a director's willful or grossly negligent violation of a Nevada statutory provision that imposes personal liability on directors for improper distributions to stockholders. As a result of the inclusion in the Company's Articles of Incorporation of this provision, the Company's stockholders may be unable to recover monetary damages against directors as a result of their breach of their fiduciary duty to the Company and its stockholders. This provision does not, however, affect the availability of equitable remedies, such as injunctions or rescission based upon a breach of fiduciary duty by a director.

The Company does not maintain any liability insurance for the benefit of its officers or directors and has no present plans to obtain such insurance.

Item 11. Security Ownership of Certain Beneficial Owners and Management.

The following tables sets forth information with respect to the beneficial ownership of each class of the Company's securities as of December 31, 1997, before and after giving effect to the sale of Common Stock offered hereby, respectively, by (i) each director of the Company, (ii) each executive officer of the Company, (iii) all directors and executive officers of the Company as a group and (iv) each person known to the Company to own more than 5% of any class of it securities:

	Common Stock		1996 Major Series of Convertible Preferred Stock(2)	
Name and Address(3)	Number	Percent	Number	Percent
Bruce Bendell	2,850,010 (4)	39.6%	5,000(5)	50%
Doron Cohen	2,500,000 (6)	36.3%	-	
Glenn H. Bank	1,400			
Yossi Koren	504,100 (7)	7.0%		
Zvi Barak	250,000 (8)	3.6%		
Richard L. Feinstein				
All directors and executive officers as a group	6,105,518(9)	81.2%		
Avraham Nissanian	506,329(10)	7.0%		
Chmuel Livian	502,759(11)	7.0%	-	
Harold Bendell	350,000 (12)	4.9%	125,000(13)	50%

* Represents less than 1% of the outstanding shares of Common Stock.

(1) Based on 6,895,700 shares of Common Stock outstanding on December 31, 1997.

(2) Based on 250,000 shares of the 1996-MAJOR Series of Convertible Preferred Stock outstanding on December 31, 1997.

(3) The address for each beneficial owner is c/o Fidelity Holdings, Inc., 80-02 Kew Gardens Rd., Suite 5000, Kew Gardens, NY 11415.

(4) Includes (i) 10 shares of Common Stock owned by Bruce Bendell's wife and the following shares of Common Stock which Bruce Bendell has the right to acquire within 60 days: (a) 250,000 shares of Common Stock, the minimum number of shares of Common Stock into which the 125,000 shares of the 1996-MAJOR Series of Convertible Preferred Stock beneficially owned by Bruce Bendell are convertible and (b) 50,000 shares of Common Stock which Bruce Bendell has the right to acquire upon the exercise of warrants. Does not reflect a proxy giving Mr. Bendell the sole right to vote an additional 500,000 shares of Common Stock issued pursuant to the MOU for a period of two years. See "Description of BusinessComputer Telephony and Telecommunications Division-Talkie-Restructuring of Nissko Arrangements." Does not reflect Mr. Cohen's agreement to give Bruce Bendell a proxy to vote 750,000 of Mr. Cohen's shares during the two-year period commencing on October 14, 1997.

(5) All of such shares of the 1996-MAJOR Series of Convertible Preferred Stock are held in a trust created under the law of Gibraltar. Bruce Bendell is the principal beneficiary of such trust.

(6) Does not reflect Mr. Cohen's agreement to give Bruce Bendell a proxy to vote 750,000 of Mr. Cohen's shares during the two-year period commencing on October 14, 1997.

(7) Includes (i) 1,350 shares of Common Stock owned by members of Mr. Koren's immediate family, (ii) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nissko Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Koren, and (iii) 325,667 shares of Common Stock representing approximately one-third of the 977,000 shares of Common Stock that the Nissko Principals have the right to acquire within 60 days upon the exercise of the Class A and Class B Warrants. The MOU provides that upon execution of the definitive documentation, Mr. Koren will receive (i) 257,500 shares of the Company's Common Stock, transfer of which will be restricted for two years as described under "Description of Business--Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nissko Arrangements," and (ii) warrants to acquire up to 68,917 shares of Common Stock which will be exercisable within 60 days. Such warrants represent a portion of the unexercised balance of the Class A Warrants. The Class B Warrants (exercisable for 750,000 shares of Common Stock in the aggregate) have expired by their terms. See "Description of Business--Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nissko Arrangements."

(8) Includes 125,000 shares of Common Stock owned by Mr. Barak's wife.

(9) Includes (i) 126,360 shares of Common Stock owned by immediate family members of directors and executive officers as a group, (ii) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nissko Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Koren, and (iii) 625,667 shares of Common Stock that the directors and executive officers as a group have the right to acquire within 60 days.

(10) Includes (i) 3,360 shares of Common Stock owned by members of Mr. Nissanian's immediate family, (ii) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nissko Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Nissanian, and (iii) 325,667 shares of Common Stock representing approximately one-third of the 977,000 shares of Common Stock that the Nissko Principals have the right to acquire within 60 days upon the exercise of the Class A and Class B Warrants. The Class B Warrants have expired by their terms. The MOU provides that upon execution of the definitive documentation, Mr. Nissanian will receive (i) 257,500 shares of the Company's Common Stock, transfer of which will be restricted for two years as described under

"Description of Business-Computer Telephony and Telecommunications DivisionTalkie-Restructuring of Nissko Arrangements," and (ii) warrants to acquire up to 68,917 shares of Common Stock which will be exercisable within 60 days. Such warrants represent a portion of the unexercised balance of the Class A Warrants. The Class B Warrants (exercisable for 750,000 shares of Common Stock in the aggregate) have expired by their terms. See "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nissko Arrangements."

(11) Includes (i) 3,508 shares of Common Stock representing one-third of the 10,526 shares of Common Stock owned by Nissko Jewelry Trading, Inc., a company 33-1/3% owned by Mr. Livian, and (ii) 325,667 shares of Common Stock representing approximately one-third of the 977,000 shares of Common Stock that the Nissko Principals have the right to acquire within 60 days upon the exercise of the Class A and Class B Warrants. The MOU provides that upon execution of the definitive documentation, Mr. Livian will receive (i) 257,500 shares of the Company's Common Stock, transfer of which will be restricted for two years as described under "Description of Business-Computer Telephony and Telecommunications DivisionTalkie-Restructuring of Nissko Arrangements," and (ii) warrants to acquire up to 68,917 shares of Common Stock which will be exercisable within 60 days. Such warrants represent a portion of the unexercised balance of the Class A Warrants. The Class B Warrants (exercisable for 750,000 shares of Common Stock in the aggregate) have expired by their terms. See "Description of Business-Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nissko Arrangements."

(12) Includes the following shares of Common Stock which Harold Bendell has the right to acquire within 60 days: (i) 250,000 shares of Common Stock, the minimum number of shares of Common Stock into which the 125,000 shares of the 1996-MAJOR Series of Convertible Preferred Stock beneficially owned by Harold Bendell are convertible and (ii) 50,000 shares of Common Stock which Harold Bendell has the right to acquire upon the exercise of warrants,

(13) All of such shares of the 1996-MAJOR Series of Convertible Preferred Stock are held in a trust created under the law of Gibraltar. Harold Bendell is the principal beneficiary of such trust.

Item 12. Certain Relationships and Related Transactions

See "Executive Compensation-Employment Contracts and Termination of Employment, and Change in Control Arrangements" for a description of (i) the Employment Agreement between the Company and Doron Cohen, its President, Chief Executive Officer and Treasurer and one of its directors, and (ii) the Employment Agreement between the Company and Zvi Barak, its Director of Research and Development.

See "Executive Compensation-Compensation of Directors" for a description of the Consulting Agreement between the Company and Bruce Bendell, its Chairman.

See "Executive Compensation-Indemnification of Directors and Officers" for a description of indemnification agreements between the Company and each of its directors.

In October 1996, the Company acquired from Bruce Bendell, the Company's Chairman, and his brother Harold Bendell all of the issued and outstanding stock of Major Fleet. In exchange for their shares of the common stock of Major Fleet, each of the Bendells received (i) 125,000 shares of the Company's 1996-MAJOR Series of Convertible Preferred Stock and (ii) as a result of Major Fleet's financial performance prior to the closing of the exchange, 50,000 shares of the Company's Common Stock. See "Description of Securities-Preferred Stock."

In connection with the Company's acquisition of Major Fleet, the Bendells and the Company entered into a management agreement pursuant to which the Bendells have the exclusive right and obligation to manage the motor vehicle leasing activities of Major Fleet. The management agreement is for a term ending on December 31, 2001. In connection with the management agreement, the Company issued to each of the Bendells warrants to purchase 50,000 shares of the Company's Common Stock for $1.25 per share. The management agreement also provides that the Bendells will receive a management fee annually in an amount equal to the balance remaining after deducting from the annual gross revenues of the motor vehicle leasing activities of Major Fleet the following: (i) Major Fleet's costs of financing and operating its vehicle leasing activities,

(ii) a corporate management fee in an amount equal to 15% of Major Fleet's net income to cover overhead costs of the Company allocable to Major Fleet and (iii) income derived from the leases to which Major Fleet was a party on the date of closing of the Company's acquisition of Major Fleet.

Following the planned acquisition of Major Auto by the Company, Bruce and Harold Bendell will continue to be responsible for senior-level management of the dealerships. The Bendell brothers and the Company expect that this continuity of senior management will facilitate obtaining the manufacturers' consents to the transfer of the dealerships to the Company. The Bendell brothers' management control will be accomplished through (i) their ownership of 100 shares of the Company's 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock (of which shares Bruce Bendell has a proxy to vote the 50 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock owned by Harold Bendell for a seven-year period commencing on January 7, 1998) which carries voting rights allowing them to elect a majority of the Board of Directors of Major Auto, and through (ii) a related management agreement, discussed immediately below, See "Description of Securities-Preferred Stock- 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock" below.

To further facilitate obtaining the required manufacturers' consents, the Bendells and the Company have entered into a management agreement pursuant to which the Bendells will have the exclusive right and obligation to manage the automobile dealerships acquired by the Company in connection with the Major Auto Acquisition and any additional automobile dealerships that the Company may acquire in the future. The management agreement is for a term ending on December 31, 2002 and may not be earlier terminated unilaterally by the Company. If the Company continues to own automobile dealerships at the end of the term, the management agreement may be unilaterally extended by the Bendell brothers in order to maintain the level of management control that will avoid the need to seek further manufacturer consents. Should either of the Bendell brothers cease managing the dealerships, the management agreement provides that ownership of his 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock shares and his management rights under the management agreement will be automatically transferred to the other, and should both brothers cease managing the dealerships for any reason, the shares and management rights will be automatically transferred to a successor manager designated in a successor addendum to each dealership agreement or, failing such designation, to a successor manager designated by the Company (subject to approval by the applicable manufacturers). As noted in the prior paragraph, Bruce and Harold Bendell will retain the right to elect a majority of the directors of Major Auto (and possibly other affiliates in the future) in order to facilitate obtaining the required manufacturers' consents. Should the Boards of Directors of Major Auto and the Company disagree as to a particular course of action, Major Auto would nonetheless be able to take the action in question, except that the management agreement prohibits certain actions without the prior approval by the Company's Board of Directors. Those actions are (i) disposing of any of the Major Auto dealerships, (ii) acquiring new dealerships, and (iii) the Company incurring liability for Major Auto indebtedness.

As compensation for their performance under the management agreement, the management agreement provides that the Bendells are entitled to receive initially the same compensation that they theretofore received from the dealerships to be acquired as part of the Major Auto Acquisition. As compensation from such dealerships in 1996, Bruce Bendell received a salary of $104,000 and a bonus of $300,000, and Harold Bendell received a salary of $104,000 and a bonus of $180,000. Such compensation will be increased in a manner to be negotiated upon expansion of the operations of those dealerships or the Company's acquisition of new dealerships. The compensation that Bruce Bendell is entitled to receive under the management agreement is in addition to any other compensation that he is entitled to receive as Chairman of the Company. In connection with the execution of the Management Agreement in March 1997, the Company is required to issue to the Bendells 100 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock (of which shares Bruce Bendell has a proxy to vote the 50 shares of the 1997A-MAJOR AUTOMOTIVE GROUP Series of Preferred Stock owned by Harold Bendell for a seven-year period commencing on January 7, 1998).

See "Planned Acquisition" for a description of the proposed Major Auto Acquisition.

In April 1996, the Company acquired from Zvi Barak, then a director of the Company, and Sarah Barak, his wife, all of the issued and outstanding stock of Info Systems. Mr. Barak resigned his directorship on July 7, 1997. Pursuant to the agreement between the Company and the Baraks, the Company acquired all of the issued and outstanding shares of common stock of Info Systems. In exchange, the agreement provides that the Baraks will receive $750,000, $300,000 of which consists of twenty monthly installment payments of $15,000 from the Company to the Baraks. The monthly installment

payments commenced in September 1996 and are scheduled to continue through June 1998. In order to secure such installment payments, the Company has granted a security interest to the Baraks in the stock of Info Systems and the other assets owned by Info Systems. To date, the Company has withheld $85,000 of such installment payments as collateral for the Baraks' obligation to make certain indemnification payments to the Company. The Company has agreed to pay the Baraks the $85,000 by July 1998. In addition to monetary compensation, each of the Baraks were issued 125,000 shares of the Company's Common Stock, which vest (i) in the case of Sarah Barak, 25,000 shares vested on December 31, 1997, 50,000 shares vest on each of December 31, 1998 and 1999 and (ii) in the case of Zvi Barak, 25,000 shares per year on the last day of February which commenced on February 28, 1997 and continues through February 28, 2002.

In March 1996, the Company's subsidiary Computer Business Sciences formed a joint venture with Nissko Telecom, L.P., of which Yossi Koren, a director of the Company is a limited partner. Mr. Koren is also a shareholder in Nissko Telecom, Ltd. Nissko Telecom, Ltd. is the general partner of Nissko Telecom, L.P. and also one of the Company's master agents. The joint venture arrangement and the master agent arrangement are described above under "Description of Business-Computer Telephony and Telecommunications Division-TalkieArrangements with Nissko."

The Company has entered into a Memorandum of Understanding (the "MOU") with the Agent, the Nissko Principals, and with the remaining limited partner of Nissko, Robert L. Rimberg. The MOU looks toward restructuring the Nissko arrangements as described above under "Description of Business--Computer Telephony and Telecommunications Division-Talkie-Restructuring of Nissko Arrangements."

The Company has made a loan to its President and Chief Executive Officer, Doron Cohen, in the principal amount of $140,000, bearing interest at 5.77% per annum, uncompounded. The loan is evidenced by a promissory note dated December 31, 1996. The promissory note provides that the full principal amount of, and all accrued interest on, the loan is due and payable in a single installment on December 31, 1998.

Nissko Telecom Associates, the joint venture between Computer Business Sciences and Nissko Telecom, L.P., of which Yossi Koren, one of the Company's directors is a limited partner, occupies space free of charge at the Company's principal office in Kew Gardens, New York, pursuant to an informal arrangement.

Bruce Bendell, and Major Chevrolet, Major Dodge and Major Chrysler Plymouth Jeep Eagle, all of which are wholly-owned by Bruce Bendell and/or his brother Harold Bendell, have guaranteed the obligations of Major Fleet under a $5,000,000 line of credit with Marine Midland Bank. In addition, Bruce Bendell and Major Fleet have guaranteed the obligations of Major Auto's subsidiaries under certain of their agreements with various financial institutions pursuant to which such subsidiaries sell their vehicle finance contracts and leases. Major Fleet has pledged its assets to such financial institutions to secure its guarantee. In addition, such subsidiaries have cross-guaranteed and cross-collateralized their respective agreements with such financial institutions. See "Description of Business-Automotive Sales Division-Dealership Operations-Vehicle Financing" and "-Leasing Division" for a description of certain transactions between Major Auto and Major Fleet.

Major Subaru subleases from an unrelated third party approximately 2,500 square feet of office and automobile showroom space in Woodside, New York. This lease expired on January 31, 1998 and contains no renewal provisions. The property is currently being leased on a month-to-month basis. The annual rent under such lease was $69,457.56Pursuant to an informal arrangement between Major Subaru and Major Fleet, Major Fleet occupies the space and pays the rental payments.

Major Dodge leases from Bruce Bendell and Harold Bendell approximately 12,000 square feet of office and automobile showroom space in Long Island City, New York. The lease expires on December 31, 1998 and contains no renewal provisions. The current annual rent under such lease is $114,000.

Major Chrysler, Plymouth, Jeep Eagle, Major Dodge and Major Subaru lease from Bendell Realty L.L.C., a company wholly owned by Bruce Bendell and Harold Bendell, approximately 40,000 square feet in Long Island City, New York which is used as a service facility. The lease expired on December 31, 1997 and contains no renewal provisions. The property is currently being leased on a month-to-month basis. The annual rent under such lease was $132,000.

The above properties which are leased from the Bendells will be acquired by the Company in connection with the Major Auto Acquisition.

Major Fleet is a guarantor of a mortgage held by Chrysler Realty on the property owned by Bendell Realty L.L.C., located in Long Island City which Major Auto operates as a service center for Major Dodge, Major Subaru, and Major Chrysler, Plymouth, Jeep Eagle. **As of June 30, 1997 the outstanding mortgage balance was $861,265.51.**

The promoters of the Company are Bruce Bendell and Doron Cohen. In addition to the other transactions with Mr. Bendell and Mr. Cohen described or referred to above under the heading "Certain Relationships and Related Transactions," each of Mr. Bendell and Mr. Cohen received 2,500,000 shares of the Company's Common Stock upon its incorporation in exchange for $25,000 or $.01 per share.

PART IV

Item 13. Exhibits and Reports on Form 8-K.

(a) Exhibits

Exhibit Number	Description	Page
3.1*	Articles of Incorporation of Fidelity Holdings, Inc., ("Company") incorporated by reference to Exhibit 3.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.2*	Articles of Incorporation of Computer Business Sciences, Inc., incorporated by reference to Exhibit 3.2 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.3*	Articles of Incorporation of 786710 (Ontario) Limited, incorporated by reference to Exhibit 3.3 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.4*	Articles of Incorporation of Premo-Plast, Inc., incorporated by reference to Exhibit 3.4 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.5*	Articles of Incorporation of C.B.S. Computer Business Sciences Ltd., incorporated by reference to Exhibit 3.5 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.6*	Articles of Incorporation of Major Fleet & Leasing Corp., incorporated by reference to Exhibit 3.6 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.7*	Articles of Incorporation of Reynard Service Bureau, Inc., incorporated by reference to Exhibit 3.7 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.8*	Articles of Incorporation of Major Acceptance Corp., incorporated by reference to Exhibit 3.8 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
3.9*	By-Laws of the Company incorporated by reference to Exhibit 3.9 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

Exhibit	Description	Page

4.1*	Certificate of Designation for the Company's 1996-MAJOR Series of Convertible Preferred Stock, incorporated by reference to Exhibit 4.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
4.1(i)	Form of Amended and Restated Certificate of Designation for the Company's 1996-MAJOR Series of Convertible Preferred Stock.	--
4.2*	Warrant Agreement for Nissko Warrants, incorporated by reference to Exhibit 4.2 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
4.3*	Warrant Agreement for Major Fleet Warrants, incorporated by reference to Exhibit 4.3 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
4.3(i)	Amended and Restated Warrant Agreement, dated October 11, 1997 between the Company, Bruce Bendell and Harold Bendell.	--
4.4*	Warrant Agreement for Progressive Polym..rics International, Inc. Warrants, incorporated by reference to Exhibit 4.4 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	—
4.5	Form of Certificate of Designation for the Company's 1997A-Major Automotive Group Series of Preferred Stock.	—
4.6	Form of Certificate of Designation for the Company's 1997-Major Series of Convertible Preferred Stock.	—
4.7	Form of Registration Rights Agreement between the Company and Bruce Bendell.	—
4.8	Warrant Agreement between the Company and SouthWall Capital Corp.	—
4.9	Stock Pledge and Security Agreement, dated March 26, 1996, between Doron Cohen, Bruce Bendell, Avraham Nissanian, Yossi Koren, Sam Livian and Robert Rimberg.	—
4.10	Form of Registration Rights Agreement between the Company, Castle Trust and Management Services Limited and Bruce Bendell.	—
4.11	Form of the Company's 10% Convertible Subordinated Debenture due 1999.	—

Exhibit	Description	Page
10.1*	Employment Agreement, dated November 7, 1995, between the Company and Doron Cohen, incorporated by reference to Exhibit 10.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

10.1(i) Amendment No. 1 to Employment Agreement, dated as of November 7, 1995 between the Company and Doron Cohen. —

10.2* Consulting Agreement, dated November 7, 1995, between the Company and Bruce Bendell, incorporated by reference to Exhibit 10.2 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.2(i) Amendment No. 1 to Consulting Agreement, dated as of November 7, 1995 between Fidelity Holdings, Inc. and Bruce Bendell. —

10.3* Agreement for Purchase of Patents, dated November 14, 1995, between the Company and Progressive Polymerics, Inc., incorporated by reference to Exhibit 10.3 of the Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.3(i)* First Amendment, dated September 30, 1996, to Agreement for Purchase of Patents, dated November 14, 1995, incorporated by reference to Exhibit 10.4 of Company's Registration Statement on Form 10-SB as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.5* Agreement, dated March 25, 1996, between Nissko Telecom, Ltd. and Computer Business Sciences, Inc., incorporated by reference to Exhibit 10.5 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.6* Asset Purchase Agreement, dated April 18, 1996, between the Company and Zvi and Sarah Barak, incorporated by reference to Exhibit 10.6 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.6(i) Amendment to Asset Purchase Agreement dated August 7, 1997. --

10.7* Employment Agreement dated April 18, 1996 between the Company and Dr. Zvi Barak, incorporated by reference to Exhibit 10.7 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

Exhibit	Description	Page
10.8*	Employment Agreement dated October 18, 1996 between Computer Business Sciences, Inc. and Paul Vesel, incorporated by reference to Exhibit 10.8 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.9*	Indemnification Agreement dated November 7, 1995 between the Company and Doron Cohen, incorporated by reference to Exhibit 10.9 of Company's Registration	

Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.10* Indemnification Agreement dated November 7, 1995 between the Company and Bruce Bendell, incorporated by reference to Exhibit 10.10 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.11* Indemnification Agreement dated December 6, 1995 between the Company and Richard C. Fox, incorporated by reference to Exhibit 10.11 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.12* Indemnification Agreement dated March 28, 1996 between the Company and Dr. Barak, incorporated by reference to Exhibit 10.12 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.13* Indemnification Agreement dated March 28, 1996 between the Company and Yossi Koren, incorporated by reference to Exhibit 10.13 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.14* Plan of Reorganization for acquisition of Major Fleet & Leasing Corp. dated August 23, 1996 between the Company, Bruce Bendell and Harold Bendell, incorporated by reference to Exhibit 10.17 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.15* Patent Purchase Agreement dated December 30, 1996 between Premo-Plast, inc. and John Pinciaro, incorporated by reference to Exhibit 10.16 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

10.16* Employment Agreement dated December 30, 1996 between Premo-Plast, Inc. and John Pinciaro, incorporated by reference to Exhibit 10.17 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. N/A

Exhibit	Description	Page
10.17*	Employment Agreement dated January 27, 1997 between the Company and Ronald K. Premo, incorporated by reference to Exhibit 10.18 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.18*	Plan and Agreement of Merger, dated April 21, 1997, the Company, Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell, incorporated by reference to Exhibit 10.19 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A

10.18(i)	Amendment to Plan and Agreement of Merger, dated August 1, 1997, between Fidelity Holdings, Inc., Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell.	—
10.18(ii)	Amendment to Plan and Agreement of Merger, dated August 26, 1997, between Fidelity Holdings, Inc., Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell.	—
10.18(iii)	Amendment to Plan and Agreement of Merger, dated November 20, 1997, between Fidelity Holdings, Inc., Major Automotive Group, Inc., Major Acquisition Corp. and Bruce Bendell.	--
10.19*	Stock Purchase Agreement with Escrow Agreement attached, incorporated by reference to Exhibit 10.20 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.20*	Management Agreement, incorporated by reference to Exhibit 10.21 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.21*	Employment Agreement with Moise Benedid, incorporated by reference to Exhibit 10.22 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997.	N/A
10.22	Partnership Agreement between Nissko Telecom Associates and the Company.	—
10.23	Memorandum of Understanding, dated September 9, 1997, by and among Computer Business Sciences, Inc., Nissko Telecom Ltd., the Company and Robert L. Rimberg.	—
10.24	Letter of Intent, dated June 6, 1997, between the Company and SouthWall Capital Corp. (formerly known as Sun Coast Capital Corp.)	—
10.25	Letter of Intent, dated September 1997, between the Company, Lichtenberg Robbins Buick, Inc. and Lichtenberg Motors Inc.	—

Exhibit	Description	Page
10.26	Consulting Agreement, dated February 18, 1997, with Ronald Shapss Corporate Services, Inc.	—
10.27	Value Added Reseller Agreement between Summa Four, Inc. and Computer Business Sciences, Inc., as Reseller.	—
10.28	Lease Agreement, dated March 1996, between 80-02 Leasehold Company, as Owners and the Company, as Tenant.	—
10.29	Master Lease Agreement, dated December 26, 1996, between Major Fleet & Leasing Corp., as Lessor, and Nissko Telecom, Ltd., as Lessee.	—
10.30	Sublease Agreement, dated March 1995, between Speedy R.A.C., Inc., as Sublessor,	

and Major Subaru Inc., as Sublessee. —

10.31 Lease Agreement, dated November 1, 1991, between Gloria Hinsch, as Landlord, and Major Chrysler-Plymouth, Inc., as Tenant. —

10.32 Store Lease Agreement, dated June 10, 1992, between Bill K. Kartsonis, as Owner, and Major Automotive Group, as Tenant. —

10.33 Lease Agreement, dated June 3, 1994, between General Motors Corporation, as Lessor, and Major Chevrolet, Inc., as Lessee. —

10.34 Lease Agreement, dated August 1990, between Bruce Bendell and Harold Bendell, as Landlord and Major Chrysler-Plymouth, Inc., as Tenant. —

10.34(i) Extension of Lease Agreement, dated August 14, 1997, between Bruce Bendell and Harold Bendell, as Landlord and Major Dodge, Inc. (formerly known as Major Chrysler-Plymouth, Inc.), as Tenant. --

10.34(ii) Extension of Lease Agreement, dated December 16, 1997, between Bruce Bendell and Harold Bendell, as Landlord and Major Dodge (formerly known as Major Chrysler-Plymouth, Inc.), as Tenant.

10.35 Lease Agreement, dated February 1995, between Bendell Realty, L.L.C., as Landlord, and Major Chrysler-Plymouth Jeep Eagle, Inc., as Tenant. —

10.35(i) Extension of Lease Agreement, dated August 14, 1997, between Bendell Realty, L.L.C., as Landlord and Major Chrysler-Plymouth Jeep Eagle, Inc., as Tenant. --

10.35(ii) Extension of Lease Agreement, dated December 16, 1997, between Bendell Realty, L.L.C., as Landlord and Major Chrysler-Plymouth Jeep Eagle, Inc., as Tenant.

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Exhibit	Description	Page
10.36	Lease Agreement, dated February 1996, between Praja Drimmer Associates, as Landlord, and Barak Technology Inc., as Tenant.	—
10.37	Sublease Agreement, dated January 8, 1997, between Newsday, Inc., as Sublessor, and Major Fleet & Leasing Corp., as Sublessee.	—
10.37(i)	Consent to Sublease Agreement, dated January 16, 1997, between 80-02 Leasehold Company, Newsday Inc. and Major Fleet and Leasing Corp.	—
10.38	General Security Agreement between Major Fleet & Leasing Corp., as Debtor, and Marine Midland Bank, as Secured Party.	—
10.39	Retail and Wholesale Dealer's Agreement, dated March 30, 1995, between Marine Midland Bank, as Bank, and Major Fleet & Leasing Corp., as Dealer.	—

Exhibit	Description	Page
10.40	Wholesale Lease Financing Line of Credit between General Electric Capital Corporation, as Lender, and Major Fleet & Leasing Corp., as Borrower.	—
10.41	Chrysler Leasing System License Agreement between Chrysler Motors Corporation, as Licensor, and Major Fleet & Leasing Corp., as Licensee.	—
10.42	GMAC Retail Plan Agreement between General Motors Acceptance Corp. and Major Fleet & Leasing Corp., as Dealer.	—
10.43	Fidelity Holdings, Inc. 1996 Employees' Performance Recognition Plan.	—
10.44	Secured Promissory Note, dated December 31, 1996, between Doron Cohen, as Maker, and Fidelity Holdings, Inc., as Holder.	—
10.45	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Progressive Polymerics International, Inc., as Master Agent.	—
10.46	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Cellular Credit Corp. of America, Inc., as Master Agent.	—
10.47	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and America's New Beginning, Inc., as Master Agent.	—
10.48	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Korean Telecom, as Master Agent.	—
10.49	Dealer Master Agent Agreement and License, dated February 1996, between Computer Business Sciences, Inc. and Philcom Telecommunications, as Master Agent.	—
10.50	Management Agreement, dated August 23, 1996, between Major Fleet, Bruce Bendell and Harold Bendell.	—
10.51	Wholesale Security Agreement, dated April 26, 1990, between General Motors Acceptance Corporation ("GMAC") and Major Fleet.	—
10.51(i)	Amendment, dated February 14, 1991, to Wholesale Security Agreement between GMAC and Major Fleet.	—
10.52	Direct Leasing Plan Dealer Agreement, dated July 24, 1986, between GMAC and Major Fleet.	—
10.53	Retail Lease Service Plan Agreement, dated April 3, 1987, between GMAC and Major Fleet.	—

10.54 Contribution Agreement dated as of October 6, 1997 between the Company, Bruce Bendell and Doron Cohen. —

10.55 Letter of Commitment dated March 16, 1998 from Falcon Financial, LLC to Major Auto Acquisition, Inc. —

21.1 * List of Subsidiaries of the Company, incorporated by reference to Exhibit 22.1 of Company's Registration Statement on Form 10-SB, as amended, filed with the Securities and Exchange Commission on March 7, 1997. --

27.1 Financial Data Schedule.

** Previously filed with the Commission as Exhibits to, and incorporated herein by reference from, the registrant's registration statement on Form 10-SB (File No. 0-29182).

(b) **Reports on Form 8-K**

During the last quarter of Fiscal 1997, the Company did not file any Reports on Form 8-K.

Signatures

In accordance with Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Fidelity Holdings, Inc.

Dated: April 8, 1998 By: /s/ Doron Cohen

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

Signature	Title	Date
/s/ Doron Cohen Doron Cohen	Chief Executive Officer, President, Treasure and Director	April 9, 1998
/s/ Bruce Bendel Bruce Bendel	Chairman of the Board	April 9, 1998
/s/ Yossi Cohen	Director	April 9, 1998
/s/ Glenn H. Bank Glenn H. Bank	Secretary	April 9, 1998
/s/ Richard L. Feinstein Richard L. Feinstein	Chief Financial Officer	April 9, 1998

Exhibit 11

Statement re: Computation of Per Share Earnings

FIDELITY HOLDINGS, INC.

COMPUTATION OF EARNINGS PER COMMON SHARE

Number of shares outstanding January 1, 1997 6,279,200

Common stock issued during the year:

Date Issued	Days Outstanding	Number of Shares	Weighted Average Number of Shares
March 20,1997	286	26,500	20,764
August 8, 1997	145	50,000	19,863
September 30, 1997	92	523,000	131,822
November 3, 1997	58	17,000	2,701

Weighted average number of shares issued during 1997	175,150
Number of shares used in computing basic earnings per share	6,454,350 (A)
Dilution:	
250,000 shares of Preferred Stock, each share convertible into 2 shares of common stock	500,000
Warrants representing 1,077,000 shares, exercisable at $1.25 per share, with the average market value approximately $2.80 per share	596,196
Number of shares used in computing diluted earnings per share	7,550,546 (B)

Earnings Per Share:

Net Income	$ 369,139 (C)
Earnings per share - basic [(C)/(A)]	$ 0.06
Earnings per share - diluted [(C)/(B)]	$ 0.05