United States Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-K

(Mark One)

(x) **ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2008

( ) **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number **0-1665**

DCAP GROUP, INC.

(Exact name of registrant as specified in its charter)

Delaware	**36-2476480**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1158 Broadway, Hewlett, New York	**11557**
(Address of principal executive offices)	(Zip Code)

(516) 374-7600
(Registrant's telephone number, including area code)

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

Title of each class	Name of each exchange on which registered
Common Stock	**NASDAQ**

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes __ No X

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes __ No X

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 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 __

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not 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-K or any amendment to this Form 10-K. __

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer"" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer __ Accelerated filer __

Non-accelerated __ (Do not check if a smaller reporting company) Smaller reporting company X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes __ No X

As of June 30, 2008, the aggregate market value of the registrant's common stock held by non-affiliates of the registrant was $1,155,744 based on the closing sale price as reported on the NASDAQ Capital Market. As of March 20, 2009, there were 2,972,746 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

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PART I

Forward-Looking Statements

This Annual Report contains forward-looking statements as that term is defined in the federal securities laws. The events described in forward-looking statements contained in this Annual Report may not occur. Generally these statements relate to business plans or strategies, projected or anticipated benefits or other consequences of our plans or strategies, projected or anticipated benefits from acquisitions to be made by us, or projections involving anticipated revenues, earnings or other aspects of our operating results. The words “may,” “will,” “expect,” “believe,” “anticipate,” “project,” “plan,” “intend,” “estimate,” and “continue,” and their opposites and similar expressions are intended to identify forward-looking statements. We caution you that these statements are not guarantees of future performance or events and are subject to a number of uncertainties, risks and other influences, many of which are beyond our control, that may influence the accuracy of the statements and the projections upon which the statements are based. Factors which may affect our results include, but are not limited to, the risks and uncertainties discussed in Item 7 of this Annual Report under “Factors That May Affect Future Results and Financial Condition”.

Any one or more of these uncertainties, risks and other influences could materially affect our results of operations and whether forward-looking statements made by us ultimately prove to be accurate. Our actual results, performance and achievements could differ materially from those expressed or implied in these forward-looking statements. We undertake no obligation to publicly update or revise any forward-looking statements, whether from new information, future events or otherwise.

ITEM 1. BUSINESS.

(a) Business Development

General

Our continuing operations consist of franchising storefront insurance agencies under the DCAP brand name and earning placement fees based upon premium finance contracts purchased, assumed and serviced by the purchaser of our loan portfolio on February 1, 2008.

Our discontinued operations consist of the ownership and operation of storefront insurance agencies under the DCAP, Barry Scott, Atlantic Insurance and Accurate Agency brand names and premium financing of insurance policies for such agency clients as well as clients of non-affiliated entities.

In December 2008, due to declining revenues and profits, we made a decision to restructure our network of retail offices (the "Retail Business"). The plan of restructuring called for the closing of seven of our least profitable locations during December 2008 and the sale of the remaining 19 Retail Business locations. On March 30, 2009, as discussed below under "Recent Developments," an asset purchase agreement (the "Purchase Agreement") was fully executed pursuant to which we agreed to sell substantially all of the assets, including the book of business, of the 16 remaining Retail Business locations that we own in New York State (the "Assets"). The closing of the sale of the Assets is subject to a number of conditions. We are also seeking to sell the three remaining Retail Business locations that we own in Pennsylvania. As a result of the restructuring in December 2008, and the Purchase Agreement on March 30, 2009, our Retail Business has been reclassified as discontinued operations and prior periods have been restated.

On February 1, 2008, we sold our outstanding premium finance loan portfolio. As a result of the sale, our business of internally financing insurance contracts has been reclassified as discontinued operations.

See "Business - Commercial Mutual Insurance Company" below for a discussion of the status of our efforts to acquire ownership of Commercial Mutual Insurance Company ("Commercial Mutual"), a New York property and casualty insurance company.

Recent Developments

The following developments have occurred since January 1, 2009:

- On March 30, 2009, an asset purchase agreement (the "Purchase Agreement") was fully executed pursuant to which our wholly-owned subsidiaries, Barry Scott Agency, Inc. and DCAP Accurate, Inc., agreed to sell substantially all of their assets, including the book of business, of the 16 Retail Business locations that we own in New York State (the "Assets"). The closing of the sale of the Assets is subject to a number of conditions. The purchase price for the Assets is approximately $2,337,000, of which approximately $1,786,000 is to be paid to us at closing, and the remainder of the purchase price is to be satisfied by the delivery of promissory notes in the aggregate principal amount of $551,000. As additional consideration, we will be entitled to receive through September 2010 an amount equal to 60% of the net commissions derived from the book of business of six New York retail locations that were closed during 2008.

Developments During 2008

- On February 1, 2008, our wholly-owned subsidiary, Payments Inc., sold its outstanding premium finance loan portfolio. The purchase price for the net loan portfolio was approximately $11,845,000, of which approximately $268,000 was paid to Payments Inc. The remainder of the purchase price was satisfied by the assumption of liabilities, including the satisfaction of Payments Inc.'s premium finance revolving credit line obligation to Manufacturers and Traders Trust Company ("M&T"). As additional consideration, Payments Inc. received an amount based upon the net earnings generated by the loan portfolio as it was collected. The purchaser of the portfolio also agreed that, during the five year period ending January 31, 2013 (subject to automatic renewal for successive two year terms under certain circumstances), it will purchase, assume and service all eligible premium finance contracts originated by Payments Inc. in the states of New York and Pennsylvania. In connection with such purchases, Payments Inc. will be entitled to receive a fee generally equal to a percentage of the amount financed.

- In April 2008, the holder of our Series B preferred shares exchanged such shares for an equal number of Series C preferred shares. The Series C preferred shares provided for dividends at the rate of 10% per annum (as compared to 5% per annum for the Series B preferred shares) and an outside mandatory redemption date of April 30, 2009 (as compared to April 30, 2008 for the Series B preferred shares). Effective August 23, 2008, the outside mandatory redemption date for the preferred shares was further extended to July 31, 2009 through the issuance of Series D preferred shares in exchange for the Series C preferred shares. The outside mandatory redemption date was previously extended in March 2007 from April 30, 2007 to April 30, 2008. See Item 13 of this Annual Report.

- In August 2008, the holders of $1,500,000 outstanding principal amount of notes payable (the "Notes Payable") agreed to extend the maturity date of the debt from September 30, 2008 to the earlier of July 10, 2009 or 90 days following the conversion of Commercial Mutual to a stock property and casualty insurance company and the issuance to us of a controlling interest in Commercial Mutual (subject to acceleration under certain circumstances). In exchange for this extension, the holders are entitled to receive an aggregate incentive payment equal to $10,000 times the number of months (or partial months) the debt is outstanding after September 30, 2008 through the maturity date. If a prepayment of principal reduces the debt below $1,500,000, the incentive payment for all subsequent months will be reduced in proportion to any such reduction to the debt. The aggregate incentive payment is due upon full repayment of the debt. The maturity date of the Notes Payable was previously extended during 2007 from September 30, 2007 to September 30, 2008. See Items 1(b), 7 and 13 of this Annual Report.

- On October 23, 2008, Michael R. Feinsod became a member of the board of directors.

- On December 5, 2008, Morton L. Certilman retired from the board of directors.

- In December 2008, we entered into a plan to restructure our Retail Business. The plan of restructuring called for the closing of seven of our least profitable locations during December 2008 and the sale of the remaining 19 Retail Business locations. See Item 1(b) of this Annual Report.

Developments During 2007

- In March 2007, Commercial Mutual Insurance Company's Board of Directors adopted a resolution to convert Commercial Mutual from an advance premium insurance company to a stock property and casualty insurance company. We hold surplus notes of Commercial Mutual in the aggregate principal amount of $3,750,000. We purchased such surplus notes in January 2006. Based upon the amount payable on the surplus notes and the statutory surplus of Commercial Mutual, the plan of conversion provides that, in the event of a conversion by Commercial Mutual into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the surplus notes, we would receive 100% of the stock of Commercial Mutual. See Items 1(b), 7 and 13 of this Annual Report.

(b) Business

General

Our storefront locations serve as insurance agents or brokers and place various types of insurance on behalf of customers. We focus on automobile, motorcycle and homeowners insurance and our customer base is primarily individuals rather than businesses.

Currently there are 52 store locations owned or franchised by us of which 49 are located in New York State. In the New York metropolitan area, there are 33 DCAP franchises. There are also 12 Barry Scott locations and four Accurate Agency locations outside the New York metropolitan area (all located in central and western New York State). There are three Atlantic Insurance locations in eastern Pennsylvania. All of the Barry Scott, Atlantic Insurance and Accurate Agency locations (the "Retail Business") are wholly-owned by us. In December 2008, we made a decision to restructure our Retail Business. The plan of restructuring called for the closing of seven of our least profitable locations during December 2008 and sale of the remaining 19 Retail Business locations. As a result of the restructuring, our Retail Business has been reclassified as discontinued operations and prior periods have been restated. See Item 1(a) for a discussion of an agreement to sell our remaining New York State locations and the contemplated sale of our Pennsylvania locations.

Through our wholly-owned subsidiary, Payments Inc., until February 1, 2008, we provided insurance premium financing services to our DCAP, Barry Scott, Atlantic Insurance and Accurate Agency locations as well as non-affiliated insurance agencies. Payments Inc. is licensed as an insurance premium finance agency in the states of New York and Pennsylvania. Effective February 1, 2008, Payments Inc. sold its outstanding premium finance loan portfolio. As a result of the sale, our business of internally financing insurance contracts has been reclassified as discontinued operations. Payments Inc. now receives revenues through placement fees rather than through the internally financing of contracts.

Our continuing operations consist of franchising storefront insurance agencies under the DCAP brand name and earning placement fees based upon premium finance contracts purchased, assumed and serviced by the purchaser of our loan portfolio on February 1, 2008.

We were incorporated in 1961 and assumed our current name in 1999. In the event the Commercial Mutual conversion occurs, we will change our name to "Kingstone Companies, Inc." We obtained stockholder approval for such name change in November 2008.

Our executive offices are located at 1158 Broadway, Hewlett, New York 11557; our telephone number is (516) 374-7600 and our fax number is (516) 295-7216.

Retail Business Discontinued Operations

Our storefront agencies deal primarily with the insurance needs of individuals. In the states in which we operate, all automobile owners must secure liability insurance coverage. We provide various choices to the insured depending on market conditions.

Our agencies currently operate under the DCAP, Barry Scott, Atlantic Insurance and Accurate Agency brand names. The stores receive commissions from insurance companies for their services. We do not currently serve as an insurance company and therefore do not assume underwriting risks; however, as discussed below under "Commercial Mutual Insurance Company," Commercial Mutual is seeking to convert from an advance premium insurance company to a stock property and casualty insurance company. Based upon the amount payable on the surplus notes and the statutory surplus of Commercial Mutual, the plan of conversion provides that, in the event of a conversion by Commercial Mutual into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the surplus notes, we would receive 100% of the stock of Commercial Mutual.

In addition to automobile insurance, in our Retail Business discontinued operations, we offer:

- property and casualty insurance for motorcycles, boats and livery/taxis
- life insurance
- business insurance
- homeowner's insurance
- excess coverage

As a complement to our Retail Business discontinued operations, we offer automobile club services for roadside emergencies. We offer memberships for such services, and we make arrangements with towing dispatch companies to fulfill service call requirements.

Franchises

Currently there are 33 DCAP franchises located in the New York metropolitan area. Franchisees currently pay us an initial franchise fee of $25,000 to offer insurance products under the DCAP name. Franchisees are obligated to also pay us monthly fees during the term of the franchise agreement, generally commencing after a six to twelve month period from the date on which the storefront opens for business. Monthly fees payable by franchisees constituted approximately 45% of our revenues from continuing operations during the year ended December 31, 2008. We received no initial franchise fees in 2008.

A number of our franchise locations provide income tax return preparation services. The tax return preparation service allows them to offer an additional service to the walk-in customers who comprise the bulk of their customer base, as well as to existing customers.

Structure and Operations

As stated above, we currently have 52 offices, of which 33 are franchises and 19 are wholly-owned. Our franchises consist of both “conversion” and “startup” operations. In a conversion operation, an existing insurance brokerage with an established business becomes a DCAP office. In a startup operation, an entrepreneur begins operations as a DCAP office. Each franchise is managed by, and is under the supervision of the franchisee.

In order to promote consistency and efficiency, and as a service to our franchisees, we offer training to office managers. Our training program covers:

- marketing, sales and underwriting
- office and logistics
- computer information

We also provide support services to stores such as:

- assistance with regard to the hiring of employees
- assistance with regard to the writing of local advertising
- advice regarding potential carriers for certain customers

We also manage the cooperative advertising program in which all of our franchisees participate.

In addition to the above services, we provide to all of our franchisees a direct business relationship with nationally-known and local insurance carriers that may otherwise be beyond the reach of small, privately-owned retail insurance operations.

We also offer our franchisees the use of an agency software system, AMS 360, in connection with the management and operations of their retail insurance stores.

Internet

Our website (www.dcapagents.com) is a secure site for use by personnel of our company-owned stores as well as our franchisees. Incorporated within the website are tools for managing the location's business, including comparative quoting, lead generation and tracking.

Policy placement generates commission revenue. Since policy sales can be measured as they relate to the number of inquiries or leads, increased marketing will result in more leads. Our website, www.dcapinsurance.com, offers the prospective insured the opportunity to provide our company-owned stores as well as our franchisees the needed information in the very same manner as provided face to face or over the telephone. With the information provided, we and our franchisees can give multiple quotes to the prospect as well as track the status of the lead from the moment it is received.

Premium Financing

Customers who purchase insurance policies are often unable to pay the premium in a lump sum and, therefore, require extended payment terms. Premium finance involves making a loan to the customer that is secured by the unearned portion of the insurance premiums being financed and held by the insurance carrier. Our wholly-owned subsidiary, Payments Inc., is licensed as a premium finance agency in the states of New York and Pennsylvania.

Prior to February 1, 2008, Payments Inc. provided premium financing in connection with the obtaining of insurance policies. Effective February 1, 2008, Payments Inc. sold its outstanding premium finance loan portfolio. The purchaser of the portfolio has agreed that, during the five year period following the closing (subject to automatic renewal for successive two year terms under certain circumstances), it will purchase, assume and service all eligible premium finance contracts originated by Payments in the states of New York and Pennsylvania. In connection with such purchases, Payments will be entitled to receive a fee generally equal to a percentage of the amount financed. Our premium financing business currently consists of the placement fees that Payments will earn from placing contracts. Placement fees earned from placing contracts constituted approximately 47% of our revenues from continuing operations during the year ended December 31, 2008.

The regulatory framework under which our premium finance procedures are established is generally set forth in the premium finance statutes of the states in which we operate. Among other restrictions, the interest rate that may be charged to the insureds for financing their premiums is limited by these state statutes. See "Government Regulation."

Commercial Mutual Insurance Company

In March 2007, Commercial Mutual Insurance Company's Board of Directors approved a resolution to convert Commercial Mutual from an advance premium insurance company to a stock property and casualty insurance company pursuant to Section 7307 of the New York Insurance Law. Commercial Mutual has advised us that it has obtained permission from the Superintendent of Insurance of the State of New York (the "Superintendent of Insurance") to proceed with the conversion process (subject to certain conditions as discussed below).

We hold two surplus notes issued by Commercial Mutual in the aggregate principal amount of $3,750,000. Previously earned but unpaid interest on the notes as of December 31, 2008 was approximately $2,186,000. The surplus notes are past due and provide for interest at the prime rate or 8.5% per annum, whichever is less. Payments of principal and interest on the surplus notes may only be made out of the surplus of Commercial Mutual and require the approval of the Insurance Department of the State of New York (the "Insurance Department"). As of December 31, 2008, the statutory surplus of Commercial Mutual, as reported to the Insurance Department, was approximately $7,748,000.

The conversion by Commercial Mutual to a stock property and casualty insurance company is subject to a number of conditions, including the approval of the plan of conversion, which was filed with the Superintendent of Insurance on April 25, 2008, by both the Superintendent of Insurance and Commercial Mutual's policyholders. As part of the approval process, the Superintendent of Insurance conducted a five year examination of Commercial Mutual as of December 31, 2006 and had an appraisal performed with respect to the fair market value of Commercial Mutual as of such date. We, as the holder of the Commercial Mutual surplus notes, at our option, would be able to exchange the surplus notes for an equitable share of the securities or other consideration, or both, of the corporation into which Commercial Mutual would be converted. Based upon the amount payable on the surplus notes and the statutory surplus of Commercial Mutual, the plan of conversion provides that, in the event of a conversion by Commercial Mutual into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the surplus notes, we would receive 100% of the stock of Commercial Mutual. Upon the effectiveness of the conversion, Commercial Mutual's name will change to "Kingstone Insurance Company." We have obtained stockholder approval of an amendment to our certificate of incorporation to change our name to "Kingstone Companies, Inc." Such name change would only take place in the event that the conversion occurs and we obtain a controlling interest in Kingstone Insurance Company. No assurances can be given that the conversion will occur or as to the timing or the terms of the conversion.

Competition

We and our franchisees compete with numerous insurance agents and brokers in our market. The amount of capital required to commence operations is generally small and the only material barrier to entry is the ability to obtain the required licenses and appointments as a broker or agent for insurance carriers. There is no price competition between us or our franchisees and other agents and brokers. All must sell a particular carrier's policies at exactly the same price; however, we and our franchisees may be able to offer a different payment plan through the placement of premium financing.

In recent years, extensive competition has come from direct sales entities, such as Progressive Direct, Esurance and GEICO Insurance, who have concentrated their advertising efforts on television and radio. In addition, the Internet sales effort of some competitors has shown promise. Further, legislation that allows banks to offer insurance to their customers has taken market share from the storefront insurance operators.

Government Regulation

Our premium finance subsidiary, Payments Inc., is regulated by governmental agencies in the states in which it conducts business. The regulations, which generally are designed to protect the interests of policyholders who elect to finance their insurance premiums, vary by jurisdiction, but usually, among other matters, involve:

- regulating the interest rates, fees and service charges we may charge our customers
- imposing minimum capital requirements for our premium finance subsidiary or requiring surety bonds in addition to or as an alternative to such capital requirements
- governing the form and content of our financing agreements
- prescribing minimum notice and cure periods before we may cancel a customer's policy for non-payment under the terms of the financing agreement
- prescribing timing and notice procedures for collecting unearned premium from the insurance company, applying the unearned premium to our customer's premium finance account, and, if applicable, returning any refund due to our customer
- requiring our premium finance company to qualify for and obtain a license and to renew the license each year
- conducting periodic financial and market conduct examinations and investigations of our premium finance company and its operations
- requiring prior notice to the regulating agency of any change of control of our premium finance company

The offering of franchises is regulated by both the federal government and the State of New York, in which our franchisees operate.

Employees

We currently employ five persons in our continuing operations and 46 persons in our discontinued operations. We believe that our relationship with our employees is good.

ITEM 1A. **RISK FACTORS**.

Not applicable.

ITEM 1B. **UNRESOLVED STAFF COMMENTS**.

Not applicable.

ITEM 2. PROPERTIES.

Our principal executive offices and the administrative offices of Payments Inc. are located at 1158 Broadway, Hewlett, New York. Our central processing offices are located at 1762 Central Avenue, Albany, New York.

Our 12 Barry Scott offices and four Accurate Agency offices are located in upstate New York. Our three Atlantic Insurance offices are located in eastern Pennsylvania.

Our 19 wholly-owned storefront locations and our executive and other offices are operated pursuant to lease agreements that expire from time to time through 2015. The current yearly aggregate base rental for the offices is approximately $414,000.

See Item 1 of this Annual Report for a discussion of a contemplated sale of our Barry Scott and Accurate Agency operations.

ITEM 3. LEGAL PROCEEDINGS.

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

Our Annual Meeting of Stockholders was held on November 26, 2008. The following is a listing of the votes cast for or withheld with respect to each nominee for director and a listing of the votes cast for and against, as well as abstentions and broker non-votes, with respect to the approval of an amendment to our Certificate of Incorporation to:

1. Election of Board of Directors

	Number of Shares	
	For	Withheld
Barry B. Goldstein	2,519,847	160,443
Morton L. Certilman	1,097,249	939,126
Michael R. Feinsod	2,520,079	160,221
Jay M. Haft	1,351,726	939,126
David A. Lyons	2,520,039	160,251
Jack D. Seibald	2,520,089	160,211

2. Approval of amendment to Certificate of Incorporation to change our name to “Kingstone Companies, Inc.”

For	2,074,823
Against	6,137
Abstentions	167,470
Broker Non-Votes	0

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information

Our common shares are quoted on The NASDAQ Capital Market under the symbol "DCAP."

Set forth below are the high and low sales prices for our common shares for the periods indicated, as reported on The NASDAQ Capital Market.

	High	Low
2008 Calendar Year		
First Quarter	$1.75	$1.21
Second Quarter	1.67	.95
Third Quarter	1.20	.80
Fourth Quarter	.80	.25

	High	Low
2007 Calendar Year		
First Quarter	$3.05	$2.33
Second Quarter	2.70	2.18
Third Quarter	2.75	1.95
Fourth Quarter	2.39	1.15

Holders

As of April 6, 2009, there were approximately 852 record holders of our common shares.

Dividends

Holders of our common shares are entitled to dividends when, as and if declared by our Board of Directors out of funds legally available. There are also currently outstanding 780 Series D preferred shares. These shares are entitled to cumulative aggregate dividends of $78,000 per annum (10% of their liquidation preference of $780,000). The Series D preferred shares are mandatorily redeemable on July 31, 2009. No dividends may be paid on our common shares unless a payment is made to the holders of the Series D preferred shares of all dividends accumulated or accrued at such time.

We have not declared or paid any dividends in the past to the holders of our common shares and do not currently anticipate declaring or paying any dividends in the foreseeable future. We intend to retain earnings, if any, to finance the development and expansion of our business. Future dividend policy will be subject to the discretion of our Board of Directors and will be contingent upon future earnings, if any, our financial condition, capital requirements, general business conditions, and other factors. Therefore, we can give no assurance that any dividends of any kind will ever be paid to holders of our common shares.

Recent Sales of Unregistered Securities

None.

Issuer Purchases of Equity Securities

None.

ITEM 6. **SELECTED FINANCIAL DATA**.

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

Overview

Until December 2008, our continuing operations primarily consisted of the ownership and operation of 19 storefronts, including 12 Barry Scott locations, three Atlantic Insurance locations, and four Accurate Agency locations. In December 2008, due to declining revenues and profits, we made a decision to restructure our network of retail offices (the "Retail Business"). The plan of restructuring called for the closing of seven of our least profitable locations during December 2008 and the sale of the remaining 19 Retail Business locations. On March 30, 2009, an asset purchase agreement (the "Purchase Agreement") was fully executed pursuant to which we agreed to sell substantially all of the assets, including the book of business, of the 16 remaining Retail Business locations that we own in New York State (the "Assets"). The closing of the sale of the Assets is subject to a number of conditions. As a result of the restructuring in December 2008, and the Purchase Agreement on March 30, 2009, our Retail Business has been reclassified as discontinued operations and prior periods have been restated.

In our continuing operations, we receive fees from 33 franchised locations in connection with their use of the DCAP name.

Payments Inc., our wholly-owned subsidiary, is an insurance premium finance agency that is licensed within the states of New York and Pennsylvania. Until February 1, 2008, Payments Inc. offered premium financing to clients of DCAP, Barry Scott, Atlantic Insurance and Accurate Agency offices, as well as non-affiliated insurance agencies. On February 1, 2008, Payments Inc. sold its outstanding premium finance loan portfolio. As a result of the sale, our business of internally financing insurance contracts has been reclassified as discontinued operations. Effective February 1, 2008, revenues from our premium financing business have consisted of placement fees based upon premium finance contracts purchased, assumed and serviced by the purchaser of the loan portfolio.

In our Retail Business discontinued operations, the insurance storefronts serve as insurance agents or brokers and place various types of insurance on behalf of customers. Our Retail Business focuses on automobile, motorcycle and homeowner's insurance and our customer base is primarily individuals rather than businesses.

The stores also offer automobile club services for roadside assistance and some of our franchise locations offer income tax preparation services.

The stores from our Retail Business discontinued operations receive commissions from insurance companies for their services. Neither we nor the stores have served as an insurance company and therefore we have not assumed underwriting risks; however, as discussed in Item 1(b) of this Annual Report, in March 2007, Commercial Mutual Insurance Company's Board of Directors adopted a resolution to convert Commercial Mutual from an advance premium insurance company to a stock property and casualty insurance company. We hold surplus notes of Commercial Mutual in the aggregate principal amount of $3,750,000. Based upon the amount payable on the surplus notes and the statutory surplus of Commercial Mutual, the plan of conversion provides that, in the event of a conversion by Commercial Mutual into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the surplus notes, we would receive 100% of the stock of Commercial Mutual.

Critical Accounting Policies

Our consolidated financial statements include accounts of DCAP Group, Inc. and all majority-owned and controlled subsidiaries. The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires our management to make estimates and assumptions in certain circumstances that affect amounts reported in our consolidated financial statements and related notes. In preparing these financial statements, our management has utilized information available including our past history, industry standards and the current economic environment, among other factors, in forming its estimates and judgments of certain amounts included in the consolidated financial statements, giving due consideration to materiality. It is possible that the ultimate outcome as anticipated by our management in formulating its estimates inherent in these financial statements might not materialize. However, application of the critical accounting policies below involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates. In addition, other companies may utilize different estimates, which may impact comparability of our results of operations to those of companies in similar businesses.

Franchise fee revenue

Franchise fee revenue on initial franchisee fees is recognized when substantially all of our contractual requirements under the franchise agreement are completed. Franchisees also pay a monthly franchise fee plus a monthly advertising fee. We are obligated to provide marketing and training support to each franchisee.

Commission revenue (discontinued operations)

We recognize commission revenue from insurance policies at the beginning of the contract period. Refunds of commissions on the cancellation of insurance policies are reflected at the time of cancellation.

Automobile club dues are recognized equally over the contract period.

Finance income, fees and receivables (discontinued operations)

For our premium finance operations, we used the interest method to recognize interest income over the life of each loan in accordance with Statement of Financial Accounting Standard ("SFAS") No. 91, "*Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases*."

Upon the establishment of a premium finance contract, we recorded the gross loan payments as a receivable with a corresponding reduction for deferred interest. The deferred interest was amortized to interest income using the interest method over the life of each loan. The weighted average interest rate charged with respect to financed insurance policies was approximately 26.1% and 26.4% per annum for the years ended December 31, 2008 and 2007, respectively.

Upon completion of collection efforts, after cancellation of the underlying insurance policies, any uncollected earned interest or fees were charged off.

Allowance for finance receivable losses (discontinued operations)

Customers who purchase insurance policies are often unable to pay the premium in a lump sum and, therefore, require extended payment terms. Premium finance involves making a loan to the customer that is backed by the unearned portion of the insurance premiums being financed. No credit checks were made prior to the decision to extend credit to a customer. Losses on finance receivables included an estimate of future credit losses on premium finance accounts. Credit losses on premium finance accounts occurred when the unearned premiums received from the insurer upon cancellation of a financed policy were inadequate to pay the balance of the premium finance account. After collection attempts were exhausted, the remaining account balance, including unrealized interest, was written off. We reviewed historical trends of such losses relative to finance receivable balances to develop estimates of future losses.

Goodwill

The carrying value of goodwill was initially reviewed for impairment as of January 1, 2002, and is reviewed annually or whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. If the fair value of the reporting unit to which goodwill relates is less than the carrying amount of those operations, including unamortized goodwill, the carrying amount of goodwill is reduced accordingly with a charge to impairment expense. Based on our most recent analysis, our results of operations for the year ended December 31, 2008 include a charge to impairment expense of approximately $394,000.

Stock-based compensation

Our stock option and other equity-based compensation plans are accounted for in accordance with the recognition and measurement provisions of SFAS No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS 123(R)"). FAS 123(R) requires compensation costs related to share-based payment transactions, including employee stock options, to be recognized in the financial statements. In addition, we adhere to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies.

Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141R "*Business Combinations*" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for our fiscal year beginning January 1, 2009. We are currently evaluating this statement for the impact, if any, that SFAS 141R will have on our consolidated financial position and results of operations.

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*" ("SFAS 157"). SFAS 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS 157 was effective for us on January 1, 2008. However, in February 2008, the FASB released FASB Staff Position (FSP FAS 157-2 — Effective Date of FASB Statement No. 157), which delayed the effective date of SFAS 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS 157 for our financial assets and liabilities did not have a material impact on our consolidated financial statements. We do not believe the adoption of SFAS 157 for our nonfinancial assets and liabilities, effective January 1, 2009, will have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "*The Fair Value Option for Financial Assets and Financial Liabilities*" ("SFAS 159"). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Companies are not allowed to adopt SFAS 159 on a retrospective basis unless they choose early adoption. We adopted SFAS 159 in 2008, and did not elect the fair value option for eligible items that existed at the date of adoption.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*" ("SFAS 160"). The new standard changes the accounting and reporting of noncontrolling interests, which have historically been referred to as minority interests. SFAS 160 requires that noncontrolling interests be presented in the consolidated balance sheets within shareholders' equity, but separate from the parent's equity, and that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented in the consolidated statements of income. Any losses in excess of the noncontrolling interest's equity interest will continue to be allocated to the noncontrolling interest. Purchases or sales of equity interests that do not result in a change of control will be accounted for as equity transactions. Upon a loss of control, the interest sold, as well as any interest retained, will be measured at fair value, with any gain or loss recognized in earnings. In partial acquisitions, when control is obtained, the acquiring company will recognize, at fair value, 100% of the assets and liabilities, including goodwill, as if the entire target company had been acquired. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with early adoption prohibited. The new standard will be applied prospectively, except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. We have not yet determined the impact, if any, that this statement will have on our consolidated financial statements and we will adopt the standard at the beginning of fiscal 2009.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*" ("SFAS 161"). SFAS 161 applies to all entities. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We are currently evaluating this statement for the impact, if any, that SFAS 161 will have on our consolidated financial position and results of operations.

In April 2008, the FASB issued FASB Staff Position ("FSP") No. 142-3, "*Determination of the Useful Life of Intangible Assets*" ("FSP 142-3"). FSP 142-3 removes the requirement under SFAS 142 to consider whether an intangible asset can be renewed without substantial cost of material modifications to the existing terms and conditions, and replaces it with a requirement that an entity consider its own historical experience in renewing similar arrangements, or a consideration of market participant assumptions in the absence of historical experience. FSP 142-3 also requires entities to disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The guidance will become effective as of the beginning of our fiscal year beginning after December 15, 2008. We are currently evaluating the impact this standard will have on our financial statements.

In June 2008, the FASB ratified Emerging Issues Task Force ("EITF") No. 07-5, "*Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*" ("EITF 07-5"). EITF 07-5 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early application is not permitted. We are assessing the potential impact of this EITF on our financial condition and results of operations.

In June 2008, the FASB issued FSP EITF 03-6-1, "*Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*" ("EITF 03-6-1"). EITF 03-6-1 clarifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact, if any; the new pronouncement will have on our consolidated financial statements.

In October 2008, the FASB issued FSP No. 157-3, "*Determining the Fair Value of a Financial Asset When the Market for That Is Asset Not Active*" ("FSP 157-3") with an immediate effective date, including prior periods for which financial statements have not been issued. FSP 157-3 clarifies the application of fair value in inactive markets and allows for the use of management's internal assumptions about future cash flows with appropriately risk-adjusted discount rates when relevant observable market data does not exist. The objective of SFAS 157 has not changed and continues to be the determination of the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date. The adoption of FSP 157-3 did not have a material effect on our results of operations, financial position or liquidity.

Results of Operations

In December 2008, due to declining revenues and profits, we made a decision to restructure our network of retail offices (the "Retail Business"). The plan of restructuring called for the closing of seven of our least profitable locations during December 2008 and the sale of the remaining 19 Retail Business locations. On March 30, 2009, an asset purchase agreement (the "Purchase Agreement") was fully executed pursuant to which we agreed to sell substantially all of the assets, including the book of business, of the 16 remaining Retail Business locations that we own in New York State (the "Assets"). The closing of the sale of the Assets is subject to a number of conditions. As a result of the restructuring in December 2008, and the Purchase Agreement on March 30, 2009, our Retail Business has been reclassified as discontinued operations and prior periods have been restated.

On February 1, 2008, we sold our outstanding premium finance loan portfolio. As a result of the sale, our premium financing operations have been reclassified as discontinued operations.

Separate discussions follow for results of continuing operations and discontinued operations.

Continuing Operations

The following table summarizes the changes in the significant components of the results of continuing operations (in thousands) for the periods indicated:

	December 31,					
			Change			
	2008	2007	$		%	
Commissions and fee revenue	$ 911	$ 649	$ 262		40	%
General and administrtaive expenses	1,860	2,275	(415)		(18)	%
Interest expense	271	432	(161)		(37)	%
Interest income - notes receivable	765	1,288	(523)		(41)	%
(Loss) from continuing operations before taxes	(587)	(885)	298		34	%
(Benefit from) income taxes	(391)	(419)	28		7	%
(Loss) from continuing operations	(196)	(465)	269		58	%

During the year ended December 31, 2008 (“2008”), revenues from continuing operations were $911,000 as compared to $649,000 for the year ended December 31, 2007 (“2007”). The 40% net increase of $262,000 in commissions and fees was a result of $427,000 in premium finance placement fees earned in 2008, compared to none in 2007. Effective February 1, 2008, we began earning placement fees in accordance with the terms of the sale of our premium finance portfolio. The increase in revenue was offset by a reduction of $110,000 in initial franchise fees, due to a lack of new franchises in 2008 compared to five in 2007.

Our general and administrative expenses in 2008 were $1,860,000, as compared to $2,275,000 in 2007. The 18% decrease of $415,000 was primarily attributable to decreases in: (i) franchise advertising costs, (ii) executive compensation, and (iii) fees paid to consultants.

Our interest expense in 2008 was $271,000, as compared to $432,000 in 2007. The 37% decrease of $161,000 was primarily due to: (i) a reduction in the principal balance of our debt and (ii) our no longer allocating a portion of the interest on our revolving credit line from our discontinued premium finance business to continuing operations.

Our interest income from notes receivable in 2008 was $765,000, as compared to $1,288,000 in 2007. The 41% decrease of $523,000 was primarily due to: (i) the discount on surplus notes and the accrued interest at the time of acquisition being fully accreted in July 2008, and (ii) a reduction in the variable interest rate in 2008 due to a decrease in the prime rate.

Our continuing operations generated a net loss before income taxes of $587,000 in 2008 as compared to a net loss before income taxes of $885,000 in 2007. The 34% decrease of $298,000 was primarily due to the inception of earning premium finance placement fees in 2008 and reductions in general and administrative and interest expenses, offset by a decrease in interest income from our surplus notes.

Discontinued Operations

Premium Finance

The following table summarizes the changes in the results of our premium finance discontinued operations (in thousands) for the periods indicated:

	Years ended December 31,			
			Change	
	2008*	2007	$	%
Premium finance revenue	$ 225	$ 3,167	$ (2,942)	(93)%
Operating Expenses:				
General and administrative expenses	182	1,432	(1,250)	(87)%
Provision for finance receivable losses	89	472	(383)	(81)%
Depreciation and amortization	47	100	(53)	(53)%
Interest expense	45	646	(601)	(93)%
Total operating expenses	363	2,650	(2,287)	(86)%
(Loss) income from operations	(138)	517	(655)	(127)%
Loss on sale of premium financing portfolio	(102)	-	(102)	-%
(Loss) income before provision for income taxes	(240)	517	(757)	(146)%
Provision for income taxes	69	246	(177)	(72)%
(Loss) income from discontinued operations	$ (309)	$ 271	$ (580)	(214)%

* Our premium finance portfolio was sold on February 1, 2008. Premium finance revenue for 2008 only includes the period from January 1, 2008 through January 31, 2008.

Our premium finance revenue decreased $2,942,000 in 2008 as compared to 2007. The 93% decrease is due to only including one month of revenue in 2008 compared to 12 months in 2007.

Our general and administrative expenses from discontinued operations decreased $1,250,000 in 2008 as compared to 2007. The 87% decrease is due to only including one month of operating expenses related to revenue in 2008 compared to 12 months in 2007.

Our provision for finance receivable losses for 2008 was $383,000 less than for 2007. The 81% decrease was due to the discontinuance of loan originations offset by a provision for losses from loans originated in the prior year.

Our premium finance interest expense for 2008 was $601,000 less than for 2007. The 93% decrease was due to the payment in full of the outstanding balance of our revolving credit line on February 1, 2008.

Loss on sale of premium financing portfolio was $102,000 in 2008, compared to no such loss in 2007. The 2008 loss was primarily due to $83,000 in fees related to the sale of our premium finance portfolio, and an adjustment to the selling price as a result of a change in the estimated collectible amount of the portfolio.

Our discontinued premium finance operations, on a stand-alone basis, generated a net loss before income taxes of $240,000 in 2008 as compared to a net profit before income taxes of $517,000 in 2007. The decrease in profit of $757,000 in 2008 was primarily due to: (i) the cessation of revenues as of January 31, 2008, and (ii) the loss on sale of our premium financing portfolio, offset by the elimination and reductions in operating expenses.

Retail Business

The following table summarizes the changes in the results of our Retail Business discontinued operations (in thousands) for the periods indicated:

	Years ended December 31,			
			Change	
	2008	2007	$	%
Commissions and fee revenue	$ 4,042	$ 5,096	$ (1,054)	(21)%
Operating Expenses:				
General and administrative expenses	3,895	4,479	(584)	(13)%
Depreciation and amortization	212	204	8	4%
Interest expense	41	44	(3)	(7)%
Impairment of goodwill and intangibles	394	95	299	315%
Total operating expenses	4,542	4,822	(280)	(6)%
(Loss) income from operations	(500)	274	(774)	(282)%
Gain on sale of book of business	-	66	(66)	(100)%
(Loss) income before provision for income taxes	(500)	340	(840)	(247)%
(Benefit from) provision for income taxes	(28)	193	(221)	(115)%
(Loss) income from discontinued operations	$ (472)	$ 147	$ (619)	(421)%

Our Retail Business revenue was $4,042,000 in 2008 as compared to $5,096,000 in 2007. The 21% revenue decrease of $1,054,000 was primarily attributable to a reduction in commissions and fees earned due to the sale of fewer insurance policies in 2008 than in 2007. Such reduction in sales was generally caused by the continued heightened competition from the voluntary insurance market, which is offering lower premium rates to our main customer, the non-standard insured.

Our Retail Business general and administrative expenses in 2008 were $3,895,000, as compared to $4,479,000 in 2007. The 13% net decrease of $584,000 was primarily attributable to decreases in fixed and variable compensation paid to employees due to a reduction in policies sold at our stores, and a reduction in advertising expenses, offset by an increase in occupancy costs due to rent increases and escalations.

Our Retail Business impairment of goodwill and intangibles for 2008 was $299,000 greater than for 2007. The increase in 2008 was due to goodwill impairment of $394,000 in 2008, compared to the cessation of utilization of the vanity telephone number included in intangible assets in 2007.

Our gain on sale of book of business in 2008 was $-0-, as compared to $66,000 in 2007. The $66,000 decrease in 2008 was due to a sale in 2007, compared to no such sales in 2008.

During 2008, we recorded a benefit from income taxes of $28,000 compared to a provision for income taxes of $193,000 in 2007. The change of $221,000 is due to an $840,000 decrease in income before taxes in 2008 as compared to 2007.

Our discontinued Retail Business operations, on a stand-alone basis, generated a net loss before income taxes of $500,000 in 2008 as compared to a net profit before income taxes of $340,000 in 2007. The decrease in profit of $840,000 in 2008 was primarily due to the $1,054,000 decrease in revenues, and increase in impairment of intangibles, offset by a decrease in general and administrative expenses.

Net Loss

The following table summarizes our change in net loss for the periods indicated.

	Years ended December 31,		Change	
	2008	**2007**	**$**	**%**
Loss from continuing operations	$ (196)	$ (465)	$ 269	58%
(Loss) income from discontinued operations, net of taxes	(781)	418	(1,199)	(287) %
Net loss	$ (977)	$ (47)	$ (930)	1,979%

Our net loss for the year ended December 31, 2008 was $977,000 as compared to a net loss of $47,000 for the year ended December 31, 2007.

Liquidity and Capital Resources

As of December 31, 2008, we had $142,949 in cash and cash equivalents and a working capital deficit of $175,105. As of December 31, 2007, we had $1,030,822 in cash and cash equivalents and a working capital deficit of $1,603,288.

During 2007, the holders of $1,500,000 outstanding principal amount of notes payable (the “Notes Payable”) agreed to extend the maturity date of the debt from September 30, 2007 to September 30, 2008. In August 2008, the maturity date of the Notes Payable was further extended from September 30, 2008 to the earlier of July 10, 2009 or 90 days following the conversion of Commercial Mutual to a stock property and casualty insurance company and the issuance to us of a controlling interest in Commercial Mutual (subject to acceleration under certain circumstances). In exchange for this extension, the holders are entitled to receive an aggregate incentive payment equal to $10,000 times the number of months (or partial months) the debt is outstanding after September 30, 2008 through the maturity date. If a prepayment of principal reduces the debt below $1,500,000, the incentive payment for all subsequent months will be reduced in proportion to any such reduction to the debt. The aggregate incentive payment is due upon full repayment of the debt. The $1,500,000 principal balance of the Notes Payable is included in our December 31, 2008 balance sheet under “Current portion of long-term debt.”

Effective April 16, 2008, the holder of our Series B preferred shares (which provided for dividends at the rate of 5% per annum and an outside mandatory redemption date of April 30, 2008) exchanged such shares for an equal number of Series C preferred shares (which provided for dividends at the rate of 10% per annum and an outside mandatory redemption date of April 30, 2009). Effective August 23, 2008, the outside mandatory redemption date for the preferred shares was further extended to July 31, 2009 through the issuance of Series D preferred shares in exchange for the Series C preferred shares. The mandatorily redeemable balance of $780,000 is included in our December 31, 2008 balance sheet under "Current Liabilities".

On March 30, 2009, an asset purchase agreement (the "Purchase Agreement") was fully executed pursuant to which our wholly-owned subsidiaries, Barry Scott Agency, Inc. and DCAP Accurate, Inc. agreed to sell substantially all of their assets, including the book of business, of the 16 Retail Business locations that we own in New York State (the "Assets"). The closing of the sale of the Assets is subject to a number of conditions. We expect to satisfy the conditions and complete the sale of the Assets in April 2009. The purchase price for the Assets is approximately $2,337,000, of which approximately $1,786,000 is to be paid to us at closing, and the remainder of the purchase price is to be satisfied by the delivery of promissory notes in the aggregate principal amount of $551,000. As additional consideration, we will be entitled to receive through September 2010 an amount equal to 60% of the net commissions derived from the book of business of six retail locations that were closed in 2008. The proceeds from the sale of the Assets that we expect to receive in April 2009 will not be sufficient to fully satisfy the Notes Payable and preferred stock obligations on their respective maturity dates. We plan to seek to further extend the maturity dates and/or refinance the Notes Payable and preferred stock obligations.

We believe that, based on our present cash resources, and assuming that our efforts to further extend the maturity dates of the Notes Payable and preferred stock obligations, as discussed above, are successful and that we complete the sale of the Assets as contemplated, including the collection of the $551,000 of promissory notes discussed above in accordance with their terms, we will have sufficient cash on a short-term basis and over the next 12 months to fund our working capital needs. No definitive arrangements are in place with regard to any further extension of the maturity dates and/or refinancing the Notes Payable and preferred stock obligations and no assurances can be given that any will occur on commercially reasonable terms or otherwise. No assurances can be given that we will complete the sale of the Assets as contemplated.

During 2008, cash and cash equivalents decreased by approximately $888,000 primarily due to the following:

- Net cash used in operating activities during 2008 was $753,000 due primarily to the net loss of $977,000. Non-cash items totaling $820,000 increased the net cash used in operating activities to $1,797,000. These non-cash items included depreciation and amortization, bad debt expense, accretion of discount on notes receivable, amortization of warrants, stock-based payments, and deferred income taxes. The use of cash was offset by: (i) the receipt of a $368,000 Federal tax refund claim resulting from the carry-back of our 2007 net operating loss, (ii) an increase in accounts payable and accrued expenses of $252,000, and (iii) cash provided by the operating activities of our discontinued operations of $498,000.

- Net cash provided by investing activities during 2008 was $1,034,000 primarily due to the $1,008,000 cash flow from finance contracts receivable included in discontinued operations.

- Net cash used in financing activities during 2008 was $1,169,000 due to: (i) a $562,000 decrease in our revolving credit line utilized in our discontinued operations prior to the sale of our premium finance portfolio on February 1, 2008, and (ii) principal payments on long-term debt and lease obligations of $607,000.

We have no current commitments for capital expenditures. However, we may, from time to time, consider acquisitions of complementary businesses, products or technologies.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Factors That May Affect Future Results and Financial Condition

Based upon the following factors, as well as other factors affecting our operating results and financial condition, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods. In addition, such factors, among others, may affect the accuracy of certain forward-looking statements contained in this Annual Report.

Because our core revenue is derived from personal automobile insurance, our business may be adversely affected by negative developments in the conditions in this industry.

All of our revenues from continuing operations for 2008 related to the sale of personal automobile and other property and casualty insurance policies. As a result of our concentration in this line of business, negative developments in the economic, competitive or regulatory conditions affecting the personal automobile insurance industry could have a material adverse effect on our results of operations and financial condition.

Because substantially all of our operations are derived from sources located in New York and Pennsylvania, our business may be adversely affected by conditions in these states.

All of our revenue is derived from sources located in the states of New York and Pennsylvania and, accordingly, is affected by the prevailing regulatory, economic, demographic, competitive and other conditions in these states. Changes in any of these conditions could make it more costly or difficult for us to conduct our business. Adverse regulatory developments in New York or Pennsylvania, which could include fundamental changes to the design or implementation of the automobile insurance regulatory framework, could have a material adverse effect on our results of operations and financial condition.

If we lose key personnel or are unable to recruit qualified personnel, our ability to implement our business strategies could be delayed or hindered.

Our future success will depend, in part, upon the efforts of Barry Goldstein, our Chief Executive Officer. The loss of Mr. Goldstein or other key personnel could prevent us from fully implementing our business strategies and could materially and adversely affect our business, financial condition and results of operations. We have an employment agreement with Mr. Goldstein that expires on June 30, 2009. As we continue to grow, we will need to recruit and retain additional qualified management personnel, but we may not be able to do so. Our ability to recruit and retain such personnel will depend upon a number of factors, such as our results of operations and prospects and the level of competition then prevailing in the market for qualified personnel.

If we obtain a controlling interest in Commercial Mutual Insurance Company, we will face new risks and uncertainties.

As discussed in Item 1 hereof, in March 2007, Commercial Mutual Insurance Company's Board of Directors adopted a resolution to convert Commercial Mutual from an advance premium insurance company to a stock property and casualty insurance company. We hold surplus notes of Commercial Mutual in the aggregate principal amount of $3,750,000. Based upon the amount payable on the surplus notes and the statutory surplus of Commercial Mutual, the plan of conversion provides that, in the event of a conversion by Commercial Mutual into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the surplus notes, we would receive 100% of the stock of Commercial Mutual. We have never operated as an insurance company and would face all of the risks and uncertainties that come with operating such a company, including underwriting risks.

As a holding company, we are dependent on the results of operations of our operating subsidiaries; there would be restrictions on the payment of dividends by Commercial Mutual.

We are a holding company and a legal entity separate and distinct from our operating subsidiaries. As a holding company without significant operations of our own, the principal sources of our funds are dividends and other payments from our operating subsidiaries. Consequently, we must rely on our subsidiaries for our ability to repay debts, pay expenses and pay cash dividends to our shareholders. In connection with the plan of conversion of Commercial Mutual, we have agreed with the New York State Insurance Department that, for a period of two years following the conversion, without the approval of the Insurance Department, no dividend may be paid by Commercial Mutual to us.

We have determined to discontinue our Retail Business operations prior to our obtaining a controlling interest in Commercial Mutual.

We have determined to close or sell our Retail Business locations and such operations are reflected as discontinued operations in our financial statements. Such action has taken in anticipation of a change in business strategy from operating storefront insurance agencies to operating an insurance company through Commercial Mutual. To date, the conditions to the conversion of Commercial Mutual to a stock property and casualty insurance company, namely the approval of the plan of conversion by the Insurance Department and Commercial Mutual's policyholders, have not yet been satisfied. No assurances can be given that the conversion will occur.

Reductions in the New York involuntary automobile insurance market may adversely affect our premium finance revenue.

Prior to the sale of our premium finance loan portfolio, our primary source of premium finance loans had been the assigned risk, or involuntary, automobile insurance market. In New York, since mid-2003, there has been a significant decline in the number of new applications for coverage at the New York Auto Insurance Plan. This has led to a reduction in the number of loans where policies of this type are the collateral. Beginning in 2004, we began to finance certain voluntary auto insurance policies. We are now entitled to a placement fee based upon the amount of new premium finance loans made by the purchaser of our loan portfolio in the states of New York and Pennsylvania. There is no guaranty that the number or size of the loans in the voluntary marketplace will offset the declines experienced in the involuntary market.

The volatility of premium pricing and commission rates could adversely affect our operations.

We currently derive revenue from commissions paid by insurance companies. In addition, our franchisees rely on such revenue. The commission is usually a percentage of the premium billed to an insured. Historically, property and casualty premiums have been cyclical in nature and have displayed a high degree of volatility based on economic and competitive conditions. Because such commission revenue is based on insurance premiums, a decline in premium levels will have an adverse effect on our discontinued operations and our franchisees. In addition, in many cases, insurance companies may seek to reduce their expenses by reducing the commission rates payable to insurance agents or brokers and generally reserve the right to make such reductions. We cannot predict the timing or extent of future changes in commission rates or premiums and therefore cannot predict the effect, if any, that such changes would have on our discontinued operations or our franchisees.

We are subject to regulation that may restrict our ability to earn profits.

Our premium finance subsidiary is subject to regulation and supervision by the financial institution departments in the states where it offers to finance premiums. Certain regulatory restrictions, including restrictions on the maximum permissible rates of interest for premium financing, and prior approval requirements may affect its ability to place premium contracts and generate placement fees.

In addition, there are currently 33 DCAP franchises. The offering of franchises is regulated by both the federal government and some states, including New York.

We may seek to expand through acquisitions of complementary businesses or other assets which involve additional risks that may adversely affect us.

We continually evaluate the possible expansion of our operations through the acquisition of businesses or other assets which we believe will complement or enhance our business. We may also acquire or make investments in complementary businesses, products, services or technologies. In the event we effect any such acquisition, we may not be able to successfully integrate any acquired business, asset, product, service or technology in our operations without substantial costs, delays or other problems or otherwise successfully expand our operations. In addition, efforts expended in connection with such acquisitions may divert our management's attention from other business concerns. We also may have to borrow money to pay for future acquisitions and we may not be able to do so at all or on terms favorable to us. Additional borrowings and liabilities may have a materially adverse effect on our liquidity and capital resources.

We rely on our information technology and telecommunication systems, and the failure of these systems could materially and adversely affect our business.

Our business is highly dependent upon the successful and uninterrupted functioning of our information technology and telecommunications systems. We rely on these systems to support our operations. The failure of these systems could interrupt our operations and result in a material adverse effect on our business.

We have incurred, and will continue to incur, increased costs as a result of being an SEC reporting company.

The Sarbanes-Oxley Act of 2002, as well as a variety of related rules implemented by the SEC, have required changes in corporate governance practices and generally increased the disclosure requirements of public companies. As a reporting company, we incur significant legal, accounting and other expenses in connection with our public disclosure and other obligations. Based upon SEC regulations currently in effect, we are required to establish, evaluate and report on our internal control over financial reporting and will be required to have our registered independent public accounting firm issue an attestation as to such reports commencing with our financial statements for the year ending December 31, 2009. We believe that, based upon SEC regulations currently in effect, our general and administrative expenses, including amounts that will be spent on outside legal counsel, accountants and professionals and other professional assistance, will increase in 2009 over 2008, which could require us to allocate what may be limited cash resources away from our operations and business growth plans. We also believe that compliance with the myriad of rules and regulations applicable to reporting companies and related compliance issues will divert time and attention of management away from operating and growing our business.

The enactment of tort reform could adversely affect our business.

Legislation concerning tort reform is from time to time considered in the United States Congress and in several states. Among the provisions considered for inclusion in such legislation are limitations on damage awards, including punitive damages. Enactment of these or similar provisions by Congress or by states in which we sell insurance could result in a reduction in the demand for liability insurance policies or a decrease in the limits of such policies, thereby reducing our revenues. We cannot predict whether any such legislation will be enacted or, if enacted, the form such legislation will take, nor can we predict the effect, if any, such legislation would have on our business or results of operations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

The financial statements required by this Item 8 are included in this Annual Report following Item 15 hereof. As a smaller reporting company, we are not required to provide supplementary financial information.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

There were no changes in accountants due to disagreements on accounting and financial disclosure during the twenty-four month period ended December 31, 2008.

ITEM 9A. CONTROLS AND PROCEDURES.

Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) that are designed to assure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosures.

As required by Exchange Act Rule 13a-15(b), as of the end of the period covered by this Annual Report, under the supervision and with the participation of our principal executive officer and principal financial officer, we evaluated the effectiveness of our disclosure controls and procedures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of that date.

Internal Control over Financial Reporting

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Internal control over financial reporting is a process designed by, or under the supervision of, our principal executive officer and principal financial officer, and effected by the board of directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with US GAAP including those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with US GAAP and that receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with policies and procedures may deteriorate.

Management conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was not effective as of December 31, 2008.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. Management identified the following material weaknesses in our internal control over financial reporting as of December 31, 2008:

Information Technology Applications and Infrastructure

We did not maintain effective controls over financial reporting related to information technology applications and infrastructure. Specifically, the following deficiencies in the aggregate constituted a material weakness:

- We did not maintain effective design of controls over access to financial reporting applications and data. Controls did not limit access to programs and data to only authorized users. In addition, controls lack the requirement of periodic reviews and monitoring of such access.

- We did not maintain effective controls to communicate policies and procedures governing information technology security and access. Furthermore, we did not maintain effective logging and monitoring of servers and databases to ensure that access was both appropriate and authorized.

These deficiencies have had a pervasive impact on our information technology control environment. Additionally, these deficiencies could result in a misstatement of account balances or disclosure to substantially all accounts that could result in a material misstatement to the consolidated financial statements that would not be prevented or detected.

Remediation of Material Weaknesses

In January 2009, we effectively implemented controls to rectify the weaknesses discussed above. These controls have been tested by an independent consulting firm and, based on the favorable results, management believes that these issues have been successfully remediated.

This Annual Report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to temporary rules of the SEC that permit us to provide only management's report in this Annual Report.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting during our most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Executive Officers and Directors

The following table sets forth the positions and offices presently held by each of our current directors and executive officers and their ages:

Name	Age	Positions and Offices Held
Barry B. Goldstein	56	President, Chairman of the Board, Chief Executive Officer, Treasurer and Director
Michael R. Feinsod	38	Director
Jay M. Haft	73	Director
David A. Lyons	59	Director
Jack D. Seibald	48	Director

Barry B. Goldstein

Mr. Goldstein was elected our President, Chief Executive Officer, Chairman of the Board, and a director in March 2001 and our Treasurer in May 2001. He served as our Chief Financial Officer from March 2001 to November 2007. Since January 2006, Mr. Goldstein has served as Chairman of the Board of Commercial Mutual Insurance Company, a New York property and casualty insurer, as well as Chairman of its Executive Committee. In August 2008, Mr. Goldstein was appointed Chief Investment Officer of COMMERCIAL MUTUAL. From April 1997 to December 2004, he served as President of AIA Acquisition Corp., which operated insurance agencies in Pennsylvania and which sold substantially all of its assets to us in May 2003. Mr. Goldstein received his B.A. and M.B.A. from State University of New York at Buffalo, and has been a certified public accountant since 1979.

Michael R. Feinsod

Mr. Feinsod has been Chief Executive Officer of Ameritrans Capital Corporation, a closed-end investment company, since October 10, 2008. Mr. Feinsod has been President of Ameritrans Capital since November 2006 and also serves as its Chief Compliance Officer. He serves as Senior Vice President of Elk Associates Funding Corporation, a subsidiary of Ameritrans Capital, and has served as a director of Ameritrans Capital and Elk Associates Funding Corporation since December 2005. Since January 1999, Mr. Feinsod has been Managing Member of Infinity Capital, LLC, an investment management company. He served as an investment analyst and portfolio manager at Mark Boyar & Company, Inc., a broker-dealer, from June 1997 to January 1999. He is admitted to practice law in New York and served as an associate in the Corporate Law Department of Paul, Hastings, Janofsky & Walker LLP from 1996 to 1997. Mr. Feinsod holds a Juris Doctorate degree from Fordham University School of Law and a Bachelor of Arts degree from George Washington University.

Jay M. Haft

Mr. Haft served as our Vice Chairman of the Board from February 1999 until March 2001. From October 1989 to February 1999, he served as our Chairman of the Board. He has served as one of our directors since 1989. Mr. Haft has been engaged in the practice of law since 1959 and since 1994 has served as counsel to Parker Duryee Rosoff & Haft (and since December 2001, its successor, Reed Smith). From 1989 to 1994, he was a senior corporate partner of Parker Duryee. Mr. Haft is a strategic and financial consultant for growth stage companies. He is active in international corporate finance and mergers and acquisitions. Mr. Haft also represents emerging growth companies. He has actively participated in strategic planning and fund raising for many high-tech companies, leading edge medical technology companies and marketing companies. Mr. Haft has been a partner of Columbus Nova, a private investment firm, since 2000. He is a director of a number of public and private corporations, including DUSA Pharmaceuticals, Inc., whose securities are traded on Nasdaq, and also serves on the Board of the United States-Russian Business Counsel. Mr. Haft is a past member of the Florida Commission for Government Accountability to the People, a past national trustee and Treasurer of the Miami City Ballet, and a past Board member of the Concert Association of Florida. He is also a past trustee of Florida International University Foundation and previously served on the advisory board of the Wolfsonian Museum and Florida International University Law School. Mr. Haft received B.A. and LL.B. degrees from Yale University.

David A. Lyons

Mr. Lyons has served since 2004 as a principal of Den Ventures, LLC, a consulting firm focused on business, financing, and merger and acquisition strategies for public and private companies. From 2002 until 2004, Mr. Lyons served as a managing partner of the Nacio Investment Group, and President of Nacio Systems, Inc., a managed hosting company that provides outsourced infrastructure and communication services for mid-size businesses. Prior to forming the Nacio Investment Group, Mr. Lyons served as Vice President of Acquisitions for Expanets, Inc., a national provider of converged communications solutions. Previously, he was Chief Executive Officer of Amnex, Inc. and held various executive management positions at Walker Telephone Systems, Inc. and Inter-tel, Inc. He has served as one of our directors since July 2005.

Jack D. Seibald

Mr. Seibald is a Managing Director of Concept Capital, a division of SMH Capital, Inc., a broker-dealer. Mr. Seibald has been affiliated with SMH Capital, Inc. and its predecessor firms since 1995 and is a registered representative with extensive experience in equity research and investment management dating back to 1983. Since 1997, Mr. Seibald has also been a Managing Member of Whiteford Advisors, LLC, an investment management firm. He began his career at Oppenheimer & Co. and has also been affiliated with Salomon Brothers, Morgan Stanley & Co. and Blackford Securities. Mr. Seibald is a member of the Board of Directors of Commercial Mutual Insurance Company, a New York property and casualty insurer, and serves as Chairman of its Investments Committee. He holds an M.B.A. from Hofstra University and a B.A. from George Washington University. He has served as one of our directors since 2004.

Family Relationships

There are no family relationships among any of our executive officers and directors.

Term of Office

Each director will hold office until the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal. Each executive officer will hold office until the initial meeting of the Board of Directors following the next annual meeting of stockholders and until his successor is elected and qualified or until his earlier resignation or removal.

Audit Committee

The Audit Committee of the Board of Directors is responsible for overseeing our accounting and financial reporting processes and the audits of our financial statements. The members of the Audit Committee are Messrs. Lyons, Haft and Seibald.

Audit Committee Financial Expert

Our Board of Directors has determined that Mr. Lyons is an "audit committee financial expert," as that is defined in Item 401(e)(2) of Regulation S-B. Mr. Lyons is an "independent director" based on the definition of independence in Rule 4200(a)(15) of the listing standards of The Nasdaq Stock Market.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Exchange Act requires that reports of beneficial ownership of common shares and changes in such ownership be filed with the Securities and Exchange Commission by Section 16 "reporting persons," including directors, certain officers, holders of more than 10% of the outstanding common shares and certain trusts of which reporting persons are trustees. We are required to disclose in this Annual Report each reporting person whom we know to have failed to file any required reports under Section 16 on a timely basis during the fiscal year ended December 31, 2008. To our knowledge, based solely on a review of copies of Forms 4 filed with the Securities and Exchange Commission and written representations that no other reports were required, during the fiscal year ended December 31, 2008, our officers, directors and 10% stockholders complied with all Section 16(a) filing requirements applicable to them, except that Mr. Haft filed a Form 4 late on two occasions and each of Messrs. Lyons and Seibald, and Morton L. Certilman, a former director, filed a Form 4 late on one occasion. Each filing reported one transaction.

Code of Ethics for Senior Financial Officers

Our Board of Directors has adopted a Code of Ethics for our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. A copy of the Code of Ethics is posted on our website, www.dcapgroup.com. We intend to satisfy the disclosure requirement under Item 10 of Form 8-K regarding an amendment to, or a waiver from, our Code of Ethics by posting such information on our website, www.dcapgroup.com.

ITEM 11. EXECUTIVE COMPENSATION.

Summary Compensation Table

The following table sets forth certain information concerning the compensation for the fiscal years ended December 31, 2008 and 2007 for certain executive officers, including our Chief Executive Officer:

Name and Principal Position	Year	Salary	Option Awards	All Other Compensation		Total
				Country Club Dues	Other	
Barry B. Goldstein	2008	$275,000	-	-	$15,770	$290,770
Chief Executive Officer	2007	$350,000	$148,070	$21,085	$15,770	$534,925
Curt Hapward (1)	2008	$115,107	-	-	$6,000	$121,107
President, DCAP Management Corp.	2007	$82,374	$84,122	-	$4,430	$170,926

(1) Mr. Hapward served as President of our subsidiary, DCAP Management Corp., until July 3, 2008.

Employment Contracts

Mr. Goldstein is employed as our President, Chairman of the Board and Chief Executive Officer pursuant to an employment agreement dated October 16, 2007 (the "Employment Agreement") that expires on June 30, 2009. The Employment Agreement will automatically renew for a one-year term if Mr. Goldstein is in our employ on June 30, 2009. Pursuant to the Employment Agreement, Mr. Goldstein is entitled to receive an annual base salary of $350,000 (which base salary has been in effect since January 1, 2004) ("Base Salary") and annual bonuses based on our net income. On August 25, 2008, we and Mr. Goldstein entered into an amendment (the "Amendment") to the Employment Agreement. The Amendment entitles Mr. Goldstein to devote up to 750 hours per year, as currently provided for in an employment contract with Commercial Mutual, to fulfill his duties and responsibilities as Chairman of the Board and Chief Investment Officer of Commercial Mutual. Such permitted activity is subject to a reduction in Base Salary under the Employment Agreement on a dollar-for-dollar basis to the extent of the salary payable by Commercial Mutual to Mr. Goldstein pursuant to the Commercial Mutual employment contract, which is currently $150,000 per year. Commercial Mutual is a New York property and casualty insurer.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

	Option Awards			
Name	**Number of Securities Underlying Unexercised Options Exercisable**	**Number of Securities Underlying Unexercised Options Unexercisable**	**Option Exercise Price**	**Option Expiration Date**
Barry B. Goldstein	65,000	65,000(1)	$ 2.06	10/16/12
Curt Hapward	-	-	-	-

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(1) Such options are exercisable to the extent of 32,500 shares effective as of October 16, 2009 and 2010.

Termination of Employment and Change-in-Control Arrangements

Pursuant to the Employment Agreement with Mr. Goldstein and as provided for in his prior employment agreement which expired on April 1, 2007, Mr. Goldstein would be entitled, under certain circumstances, to a payment equal to one and one-half times his then annual salary in the event of the termination of his employment following a change of control of DCAP. In addition, in the event Mr. Goldstein's employment is terminated by us without cause or he resigns with good reason (each as defined in the Employment Agreement), Mr. Goldstein will be entitled to receive his base salary and bonuses for the remainder of the term.

Compensation of Directors

The following table sets forth certain information concerning the compensation of our directors for the fiscal year ended December 31, 2008:

DIRECTOR COMPENSATION

Name	**Fees Earned or Paid in Cash**	**Stock Awards**	**Option Awards**	**Total**
Morton L. Certilman(1)	$4,271	$10,125	-	$14,396
Michael R. Feinsod	$2,822	-	-	$2,822
Jay M. Haft	$4,475	$7,500	-	$11,975
David A. Lyons	$5,725	$10,125	-(2)	$15,850
Jack D. Seibald	$6,225	$12,750	-	$18,975

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(1) Mr. Certilman retired as a director effective December 5, 2008.

(2) As of December 31, 2008, Mr. Lyons held options for the purchase of 20,000 common shares.

Our non-employee directors are entitled to receive compensation for their services as directors as follows:

·$8,333 per annum (1)
·additional $3,500 per annum for committee chair (1)
·$350 per Board meeting attended ($175 if telephonic)
·$200 per committee meeting attended ($100 if telephonic)

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(1) One-half payable in stock; other one-half payable in stock or, at the director's option, in cash.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

Security Ownership

The following table sets forth certain information as of March 31, 2009 regarding the beneficial ownership of our common shares by (i) each person who we believe to be the beneficial owner of more than 5% of our outstanding common shares, (ii) each present director, (iii) each person listed in the Summary Compensation Table under "Executive Compensation," and (iv) all of our present executive officers and directors as a group.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Approximate Percent of Class
Barry B. Goldstein 1158 Broadway Hewlett, New York	763,078 (1)(2)	25.1 %
Michael R. Feinsod Infinity Capital Partners, L.P. 767 Third Avenue, 16th Floor New York, New York	487,495 (1)(3)	16.4%
AIA Acquisition Corp 6787 Market Street Upper Darby, Pennsylvania	361,600 (4)	11.0%
Jack D. Seibald 1336 Boxwood Drive West Hewlett Harbor, New York	238,065 (1)(5)	8.0%

Morton L. Certilman 90 Merrick Avenue East Meadow, New York	179,829 (1)	6.0%
Jay M. Haft 69 Beaver Dam Road Salisbury, Connecticut	165,797 (1)(6)	5.6%
David A. Lyons 252 Brookdale Road Stamford, Connecticut	29,581 (7)	1.0%
All executive officers and directors as a group (5 persons)	1,684,016 (1)(2)(3)(5)(6)(7)	55.1%

(1) Based upon Schedule 13D filed under the Securities Exchange Act of 1934, as amended, and other information that is publicly available.

(2) Includes (i) 8,500 shares held by Mr. Goldstein's children, (ii) 11,900 shares held in a retirement trust for the benefit of Mr. Goldstein and (iii) 65,000 shares issuable upon the exercise of options that are currently exercisable. Excludes shares beneficially owned by AIA Acquisition Corp. ("AIA ") of which members of Mr. Goldstein's family are principal stockholders. Mr. Goldstein disclaims beneficial ownership of the shares held by his children and retirement trust and the shares owned by AIA.

(3) Shares are owned by Infinity Capital Partners, L.P. ("Partners"). Each of (i) Infinity Capital, LLC ("Capital"), as the general partner of Partners, (ii) Infinity Management, LLC ("Management"), as the Investment Manager of Partners, and (iii) Michael Feinsod, as the Managing Member of Capital and Management, the General Partner and Investment Manager, respectively, of Partners, may be deemed to be the beneficial owners of the shares held by Partners. Pursuant to the Schedule 13D filed under the Securities Exchange Act of 1934, as amended, by Partners, Capital, Management and Mr. Feinsod, each has sole voting and dispositive power over the shares.

(4) Based upon Schedule 13G filed under the Securities Exchange Act of 1934, as amended, and other information that is publicly available. Includes 312,000 shares issuable upon the conversion of preferred shares that are currently convertible.

(5) Includes (i) 113,000 shares owned jointly by Mr. Seibald and his wife, Stephanie Seibald; (ii) 100,000 shares owned by SDS Partners I, Ltd., a limited partnership ("SDS"); (iii) 3,000 shares owned by Boxwood FLTD Partners, a limited partnership ("Boxwood"); (iv) 3,000 shares owned by Stewart Spector IRA ("S. Spector"); (v) 3,000 shares owned by Barbara Spector IRA Rollover ("B. Spector"); and (vi) 4,000 shares owned by Karen Dubrowsky IRA ("Dubrowsky"). Mr. Seibald has voting and dispositive power over the shares owned by SDS, Boxwood, S. Spector, B. Spector and Dubrowsky.

(6) Includes 3,076 shares held in a retirement trust for the benefit of Mr. Haft.

(7) Includes 20,000 shares issuable upon the exercise of currently exercisable options.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2008 with respect to compensation plans (including individual compensation arrangements) under which our common shares are authorized for issuance, aggregated as follows:

- All compensation plans previously approved by security holders; and
- All compensation plans not previously approved by security holders.

EQUITY COMPENSATION PLAN INFORMATION

	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	**Weighted average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	177,400	$2.40	367,724
Equity compensation plans not approved by security holders	-0-	-0-	-0-
Total	177,400	$2.40	367,724

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Debt Financing

Effective July 10, 2003, in order to fund our premium finance operations, we obtained $3,500,000 from a private placement of debt. The debt was initially repayable on January 10, 2006 and provides for interest at the rate of 12.625% per annum, payable semi-annually. We have the right to prepay the debt. During 2005, we utilized our bank line of credit then in effect to repay $2,000,000 of the debt.

In consideration of the debt financing, we issued to the lenders warrants for the purchase of an aggregate of 105,000 of our common shares at an exercise price of $6.25 per share. The warrants were initially scheduled to expire on January 10, 2006. Effective May 25, 2005, the holders of the remaining $1,500,000 of debt agreed to extend the maturity date of the debt to September 30, 2007. The debt extension was given to satisfy a requirement of a lender that arose in connection with a December 2004 increase in the lender's revolving line of credit and an extension of the line to June 30, 2007. In consideration for the extension of the due date for the debt, we extended the expiration date of warrants held by the debtholders for the purchase of 97,500 common shares to September 30, 2007. Between March 2007 and September 2007, the holders of the outstanding debt agreed to a further extension of the due date to September 30, 2008. In consideration for such further extension, we further extended the expiration date of the warrants held by the debtholders to September 30, 2008.

In August 2008, the maturity date was further extended from September 30, 2008 to July 10, 2009 (or earlier if certain conditions are met). In exchange for this extension, the holders will receive an aggregate incentive payment equal to $10,000 times the number of months (or partial months) the debt is outstanding after September 30, 2008 through the maturity date. If a prepayment of principal reduces the debt below $1,500,000, the incentive payment for all subsequent months will be reduced in proportion to any such reduction to the debt. The aggregate incentive payment is due upon full repayment of the debt.

One of the private placement lenders was a retirement trust established for the benefit of Jack Seibald which loaned us $625,000 and was issued a warrant for the purchase of 18,750 of our common shares. Mr. Seibald is one of our principal stockholders and, effective September 2004, became one of our directors. Mr. Seibald's retirement trust currently holds approximately $288,000 of the debt.

In September 2007, a limited liability company of which Mr. Goldstein is a minority member purchased from a debtholder a note in the approximate principal amount of $115,000 and a warrant for the purchase of 7,500 shares. In connection with the purchase, the maturity date of the debt and the expiration date of the warrant were extended as discussed above.

The warrants expired on September 30, 2008.

Commercial Mutual Insurance Company

On January 31, 2006, we purchased two surplus notes in the aggregate principal amount of $3,750,000 issued by Commercial Mutual Insurance Company. Commercial Mutual is a New York property and casualty insurer.

Concurrently with the purchase, the new Commercial Mutual Board of Directors elected Barry Goldstein, our President, Chairman of the Board and Chief Executive Officer, as its Chairman. Mr. Goldstein had been elected as a director of Commercial Mutual in December 2005.

In March 2007, Commercial Mutual's Board of Directors adopted a resolution to convert Commercial Mutual from an advance premium cooperative insurance company to a stock property and casualty insurance company. Commercial Mutual has advised us that it has obtained permission from the Superintendent of Insurance of the State of New York (the "Superintendent of Insurance") to proceed with the conversion process (subject to certain conditions as discussed below).

The conversion by Commercial Mutual to a stock property and casualty insurance company is subject to a number of conditions, including the approval of the plan of conversion, which was filed with the Superintendent of Insurance on April 25, 2008, by both the Superintendent of Insurance and Commercial Mutual's policyholders. As part of the approval process, the Superintendent of Insurance had an appraisal performed with respect to the fair market value of Commercial Mutual as of December 31, 2006. In addition, the Insurance Department conducted a five year examination of Commercial Mutual as of December 31, 2006. We, as the holder of the Commercial Mutual surplus notes, at our option, would be able to exchange the surplus notes for an equitable share of the securities or other consideration, or both, of the corporation into which Commercial Mutual would be converted. Based upon the amount payable on the surplus notes and the statutory surplus of Commercial Mutual, the plan of conversion provides that, in the event of a conversion by Commercial Mutual into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the surplus notes, we would receive 100% of the stock of Commercial Mutual. No assurances can be given that the conversion will occur or as to the timing or terms of the conversion.

Exchange of Preferred Stock

Effective March 23, 2007, the outside mandatory redemption date for the preferred shares held by AIA Acquisition Corp. ("AIA") was extended from April 30, 2007 to April 30, 2008 through the issuance of Series B preferred shares in exchange for an equal number of Series A preferred shares held by AIA.

Effective April 16, 2008, the outside mandatory redemption date for the preferred shares held by AIA was further extended to April 30, 2009 through the issuance of Series C preferred shares in exchange for an equal number of Series B preferred shares held by AIA. In addition, the Series C preferred shares provide for dividends at the rate of 10% per annum (as compared to 5% per annum for the Series B preferred shares).

Effective August 23, 2008, the outside mandatory redemption date for the preferred shares held by AIA was further extended to July 31, 2009 through the issuance of Series D preferred shares in exchange for an equal number of Series C preferred shares held by AIA.

The current aggregate redemption amount for the Series D preferred shares held by AIA is $780,000, plus accumulated and unpaid dividends. The Series D preferred shares are convertible into our common shares at a price of $2.50 per share. Members of the family of Barry Goldstein, our Chief Executive Officer, are principal stockholders of AIA.

Relationship

Certilman Balin Adler & Hyman, LLP, a law firm with which Morton L. Certilman, a principal stockholder, is affiliated, serves as our counsel. It is presently anticipated that such firm will continue to represent us and will receive fees for its services at rates and in amounts not greater than would be paid to unrelated law firms performing similar services.

Director Independence

Board of Directors

Our Board of Directors is currently comprised of Barry B. Goldstein, Michael R. Feinsod, Jay M. Haft, David A. Lyons and Jack D. Seibald. Each of Messrs. Feinsod, Haft, Lyons and Seibald is currently an "independent director" based on the definition of independence in Rule 4200(a)(15) of the listing standards at The Nasdaq Stock Market.

Audit Committee

The members of our Board's Audit Committee currently are Messrs. Lyons, Haft and Seibald, each of whom is an "independent director" based on the definition of independence in Rule 4200(a)(15) of the listing standards of The Nasdaq Stock Market and Rule 10A-3(b)(1) under the Securities Exchange Act of 1934.

Nominating Committee

The members of our Board's Nominating Committee currently are Messrs. Feinsod, Haft, Lyons and Seibald, each of whom is an "independent director" based on the definition of independence in Rule 4200(a)(15) of the listing standards of The Nasdaq Stock Market.

Compensation Committee

The members of our Board's Compensation Committee currently are Messrs. Seibald, Haft and Lyons, each of whom is an "independent director" based on the definition of independence in Rule 4200(a)(15) of the listing standards of The Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The following is a summary of the fees billed to us by Holtz Rubenstein Reminick LLP, our independent auditors, for professional services rendered for the fiscal years ended December 31, 2008 and December 31, 2007:

Fee Category	Fiscal 2008 Fees	Fiscal 2007 Fees
Audit Fees(1)	$ 110,000	$ 116,000
Audit-Related Fees(2)	-	-
Tax Fees(3)	47,600	28,000
All Other Fees(4)	8,910	8,419
Total Fees	$ 166,510	$ 152,419

(1) Audit Fees consist of aggregate fees billed for professional services rendered for the audit of our annual financial statements and review of the interim financial statements included in quarterly reports or services that are normally provided by the independent auditors in connection with statutory and regulatory filings or engagements for the fiscal years ended December 31, 2008 and December 31, 2007, respectively.

(2) Audit-Related Fees consist of aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees."

(3) Tax Fees consist of aggregate fees billed for preparation of our federal and state income tax returns and other tax compliance activities.

(4) All Other Fees consist of aggregate fees billed for products and services provided by Holtz Rubenstein Reminick LLP, other than those disclosed above. These fees related to the review of the Uniform Franchise Offering Circular of our wholly-owned subsidiary, DCAP Management Corp., and other general accounting services.

The Audit Committee is responsible for the appointment, compensation and oversight of the work of the independent auditors and approves in advance any services to be performed by the independent auditors, whether audit-related or not. The Audit Committee reviews each proposed engagement to determine whether the provision of services is compatible with maintaining the independence of the independent auditors. All of the fees shown above were pre-approved by the Audit Committee.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

Exhibit Number	Description of Exhibit
2(a)	Amended and Restated Purchase and Sale Agreement, dated as of February 1, 2008, by and among Premium Financing Specialists, Inc., Payments Inc. and DCAP Group, Inc. (1)
2(b)	Asset Purchase Agreement, dated as of March 27, 2009, by and among NII BSA LLC, Barry Scott Agency, Inc., DCAP Accurate, Inc. and DCAP Group, Inc.
3(a)	Restated Certificate of Incorporation (2)
3(b)	Certificate of Designations of Series A Preferred Stock (3)
3(c)	Certificate of Designations of Series B Preferred Stock (4)
3(d)	Certificate of Designations of Series C Preferred Stock (5)
3(e)	Certificate of Designations of Series D Preferred Stock (6)
3(f)	By-laws, as amended (7)
10(a)	1998 Stock Option Plan, as amended (8)

10(b)	Unit Purchase Agreement, dated as of July 2, 2003, by and among DCAP Group, Inc. and the purchasers named therein (9)
10(c)	Form of Secured Subordinated Promissory Note, dated July 10, 2003, issued by DCAP Group, Inc. with respect to indebtedness in the original aggregate principal amount of $3,500,000 (9)
10(d)	Letter agreement, dated May 25, 2005, between DCAP Group, Inc. and Jack Seibald as representative and attorney-in-fact with respect to the outstanding debt (6)
10(e)	Letter agreement, dated March 23, 2007, between DCAP Group, Inc. and Jack Seibald as representative and attorney-in-fact with respect to the outstanding debt (6)
10(f)	Letter agreement, dated September 30, 2007, between DCAP Group, Inc. and Jack Seibald as representative and attorney-in-fact with respect to the outstanding debt (10)
10(g)	Letter agreement, dated August 13, 2008, between DCAP Group, Inc. and Jack Seibald as representative and attorney-in-fact with respect to the outstanding debt (6)
10(h)	Registration Rights Agreement, dated July 10, 2003, by and among DCAP Group, Inc. and the purchasers named therein (9)
10(i)	2005 Equity Participation Plan (11)
10(j)	Surplus Note, dated April 1, 1998, in the principal amount of $3,000,000 issued by Commercial Mutual Insurance Company to DCAP Group, Inc. (11)
10(k)	Surplus Note, dated March 12, 1999, in the principal amount of $750,000 issued by Commercial Mutual Insurance Company to DCAP Group, Inc. (11)
10(l)	Employment Agreement, dated as of October 16, 2007, between DCAP Group, Inc. and Barry B. Goldstein (12)
10(m)	Amendment No. 1, dated as of August 25, 2008, to Employment Agreement between DCAP Group, Inc. and Barry B. Goldstein (6)
10(n)	Stock Option Agreement, dated as of October 16, 2007, between DCAP Group, Inc. and Barry B. Goldstein (12)
14	Code of Ethics (13)
21	Subsidiaries
23	Consent of Holtz Rubenstein Reminick LLP

31(a)	Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31(b)	Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

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(1) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated February 1, 2008 and incorporated herein by reference.

(2) Denotes document filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended September 30, 2004 and incorporated herein by reference.

(3) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated May 28, 2003 and incorporated herein by reference.

(4) Denotes document filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2006 and incorporated herein by reference.

(5) Denotes document filed as an exhibit to our Quarterly Report on Form 10-QSB for the period ended March 31, 2008 and incorporated herein by reference.

(6) Denotes document filed as an exhibit to our Quarterly Report on Form 10-Q for the period ended September 30, 2008 and incorporated herein by reference.

(7) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated December 26, 2007 and incorporated herein by reference.

(8) Denotes document filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2002 and incorporated herein by reference.

(9) Denotes document filed as an exhibit to Amendment No. 1 to our Current Report on Form 8-K for an event dated May 28, 2003 and incorporated herein by reference.

(10) Denotes document filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2007 and incorporated herein by reference.

(11) Denotes document filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2005 and incorporated herein by reference.

(12) Denotes document filed as an exhibit to our Current Report on Form 8-K for an event dated October 16, 2007 and incorporated herein by reference.

(13) Denotes document filed as an exhibit to our Annual Report on Form 10-KSB for the fiscal year ended December 31, 2003 and incorporated herein by reference.

DCAP GROUP, INC. AND SUBSIDIARIES

Contents

Years Ended December 31, 2008 and 2007

Consolidated Financial Statements

Report of Independent Registered Public Accounting Firm

Board of Directors and Stockholders
DCAP Group, Inc. and Subsidiaries
Hewlett, New York

We have audited the accompanying consolidated balance sheets of DCAP Group, Inc. and Subsidiaries as of December 31, 2008 and 2007 and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, audits of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of DCAP Group, Inc. and Subsidiaries as of December 31, 2008 and 2007 and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Holtz Rubenstein Reminick LLP

Melville, New York
April 13, 2009

Consolidated Balance Sheets

December 31,	**2008**	2007
Assets		
Current Assets:		
Cash and cash equivalents	**$ 142,949**	$ 1,030,822
Accounts receivable, net of allowance for doubtful accounts of $40,000 at December 31, 2008 and $50,000 at December 31, 2007	**201,787**	215,179
Prepaid expenses and other current assets	**130,457**	290,885
Assets from discontinued operations	**2,913,147**	16,352,308
Total current assets	**3,388,340**	17,889,194
Property and equipment, net	**90,493**	155,679
Notes receivable	**5,935,704**	5,170,804
Deposits and other assets	**6,096**	29,649
Total assets	**$ 9,420,633**	$ 23,245,326
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable and accrued expenses	**$ 822,350**	$ 570,449
Current portion of long-term debt	**1,593,210**	2,098,989
Other current liabilities	**154,200**	154,200
Liabilities from discontinued operations	**213,685**	12,682,268
Mandatorily redeemable preferred stock	**780,000**	780,000
Total current liabilities	**3,563,445**	16,285,906
Long-term debt	**415,618**	499,065
Deferred income taxes	**184,000**	303,000
Commitments		
Stockholders' Equity:		
Common stock, $.01 par value; authorized 10,000,000 shares; issued 3,788,771 at December 31, 2008 and 3,750,447 shares at December 31, 2007	**37,888**	37,505
Preferred stock, $.01 par value; authorized 1,000,000 shares; 0 shares issued and outstanding	-	-
Capital in excess of par	**11,962,512**	11,850,872
Deficit	**(5,522,448)**	(4,545,242)
	6,477,952	7,343,135
Treasury stock, at cost, 816,025 shares at December 31, 2008 and 781,423 shares at December 31, 2007	**(1,220,382)**	(1,185,780)
Total stockholders' equity	**5,257,570**	6,157,355
Total liabilities and stockholders' equity	**$ 9,420,633**	$ 23,245,326

See notes to consolidated financial statements

Consolidated Statements of Operations

Years Ended December 31,	**2008**	2007
Commissions and fee revenue	**$ 911,225**	$ 649,246
Operating expenses:		
General and administrative expenses	**1,860,485**	2,275,441
Depreciation and amortization	**69,624**	84,422
Total operating expenses	**1,930,109**	2,359,863
Operating loss	**(1,018,884)**	(1,710,617)
Other (expense) income:		
Interest income	**4,338**	9,633
Interest income - notes receivable	**764,899**	1,287,819
Interest expense	**(270,646)**	(432,351)
Interest expense - mandatorily redeemable preferred stock	**(66,625)**	(39,000)
Total other income	**431,966**	826,101
Loss from continuing operations before benefit from income taxes	**(586,918)**	(884,516)
Benefit from income taxes	**(391,225)**	(419,232)
Loss from continuing operations	**(195,693)**	(465,284)
(Loss) income from discontinued operations, net of income taxes	**(781,513)**	417,839
Net loss	**$ (977,206)**	$ (47,445)
Basic and Diluted Net (Loss) Income Per Common Share:		
Loss from continuing operations	**$ (0.07)**	$ (0.16)
(Loss) income from discontinued operations	**$ (0.26)**	$ 0.14
Loss per common share	**$ (0.33)**	$ (0.02)
Number of weighted average shares used in computation of basic and diluted loss per common share	**2,972,597**	2,963,036

See notes to consolidated financial statements

Consolidated Statement of Stockholders' Equity

Years Months Ended December 31, 2007 and 2008

	Common Stock		Preferred Stock		Capital in Excess		Treasury Stock		
	Shares	Amount	Shares	Amount	of Par	(Deficit)	Shares	Amount	Total
Balance, December 31, 2006	3,672,947	$ 36,730	-	$ -	$ 11,633,884	$ (4,497,797)	776,923	$ (1,178,555)	$ 5,994,262
Exercise of stock options	74,500	745	-	-	111,455	-	-	-	112,200
Stock-based payments	3,000	30	-	-	105,533	-	-	-	105,563
Return of stock as settlement of liability	-	-	-	-	-	-	4,500	(7,225)	(7,225)
Net loss	-	-	-	-	-	(47,445)	-	-	(47,445)
Balance, December 31, 2007	3,750,447	37,505	-	-	11,850,872	(4,545,242)	781,423	(1,185,780)	6,157,355
Stock-based payments	38,324	383	-	-	111,640	-	-	-	112,023
Return of stock as settlement of liability	-	-	-	-	-	-	34,602	(34,602)	(34,602)
Net loss	-	-	-	-	-	(977,206)	-	-	(977,206)
Balance, December 31, 2008	3,788,771	$ 37,888	-	$ -	$ 11,962,512	$ (5,522,448)	816,025	$ (1,220,382)	$ 5,257,570

See notes to consolidated financial statements

Consolidated Statements of Cash Flows

Years Ended December 31,	**2008**	2007
Cash Flows from Operating Activities:		
Net loss	**$ (977,206)**	$ (47,445)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	**69,624**	121,555
Bad debt expense	**44,091**	37,070
Accretion of discount on notes receivable	**(576,228)**	(987,818)
Amortization of warrants	**17,731**	40,120
Stock-based payments	**112,023**	105,563
Deferred income taxes	**(487,000)**	(34,000)
Changes in operating assets and liabilities:		
Decrease (increase) in assets:		
Accounts receivable	**(104,221)**	41,382
Prepaid expenses and other current assets	**7,500**	(208,622)
Deposits and other assets	**23,553**	(26,990)
Increase (decrease) in liabilities:		
Accounts payable, accrued expenses and taxes payable	**251,901**	126,180
Other current liabilities	**-**	(11,946)
Deferred taxes payable	**368,000**	-
Net cash used in operating activities of continuing operations	**(1,250,232)**	(844,951)
Operating activities of discontinued operations	**497,592**	470,575
Net Cash Used in Operating Activities	**(752,640)**	(374,376)
Cash Flows from Investing Activities:		
Decrease in notes and other receivables - net	**3,176**	2,374
Purchase of property and equipment	**(4,438)**	(58,937)
Net cash used in investing activities of continuing operations	**(1,262)**	(56,563)
Investing activities of discontinued operations	**1,035,163**	2,190,386
Net Cash Provided by Investing Activities	**1,033,901**	2,133,823
Cash Flows from Financing Activities:		
Principal payments on long-term debt	**(606,957)**	(570,589)
Proceeds from exercise of options and warrants	**-**	112,200
Net cash used in financing activities of continuing operations	**(606,957)**	(458,389)
Financing activities of discontinued operations	**(562,177)**	(1,466,648)
Net Cash Used in Financing Activities	**(1,169,134)**	(1,925,037)

See notes to consolidated financial statements

Consolidated Statements of Cash Flows (continued)

Years Ended December 31,	**2008**	2007
Net Decrease in Cash and Cash Equivalents	**(887,873)**	(165,590)
Cash and Cash Equivalents, beginning of year	**1,030,822**	1,196,412
Cash and Cash Equivalents, end of year	**$ 142,949**	$ 1,030,822
Supplemental Schedule of Non-Cash Investing and Financing Activities:		
Liabilties assumed by purchaser of premium finance portfolio	**$ 11,229,060**	$ -
Computer equipment acquired under capital leases	**$ -**	$ 89,819

See notes to consolidated financial statements

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

1. Organization and Nature of Business

DCAP Group, Inc. and Subsidiaries (referred to herein as "we" or "us") operate a network of retail offices and franchise operations engaged in the sale of retail auto, motorcycle, boat, business, and homeowner's insurance, and until February 1, 2008 provided premium financing of insurance policies for customers of our offices as well as customers of non-affiliated entities. On February 1, 2008, we sold our outstanding premium finance loan portfolio (see Note 13). As a result of the sale, our premium financing operations have been classified as discontinued operations and prior periods have been restated. The purchaser of the premium finance portfolio has agreed that, during the five year period ending January 31, 2013 (subject to automatic renewal for successive two year terms under certain circumstances), it will purchase, assume and service premium finance contracts originated by us in the states of New York and Pennsylvania. In connection with such purchases, we will be entitled to receive a fee generally equal to a percentage of the amount financed. Our continuing operations of the premium financing business will consist of the revenue earned from placement fees and any related expenses. We also provide automobile club services for roadside emergencies and tax preparation services.

In December 2008, due to declining revenues and profits, we made a decision to restructure our network of retail offices (the “Retail Business”). The plan of restructuring called for closing seven of our least profitable locations during the month of December 2008, and to enter into negotiations to sell the remaining 19 locations in our Retail Business. On March 30, 2009, an asset purchase agreement (the “APA”) was fully executed pursuant to which we agreed to sell substantially all of the assets, including the book of business, of our 16 remaining Retail Business locations (the “Assets”) that we own in New York State (see Notes 13 and 17). The closing of the sale of the Assets is subject to a number of conditions. As a result of the restructuring in December 2008, and the APA on March 30, 2009, our Retail Business has been reclassified as discontinued operations and prior periods have been restated.

2. Summary of Significant Accounting Policies

Principles of consolidation - The accompanying consolidated financial statements include the accounts of all subsidiaries and joint ventures in which we have a majority voting interest or voting control. All significant intercompany accounts and transactions have been eliminated.

Commission and fee income - Franchise fee revenue on initial franchisee fees is recognized when substantially all of our contractual requirements under the franchise agreement are completed. Franchisees also pay a monthly franchise fee plus an applicable percentage of advertising expense. We are obligated to provide marketing and training support to each franchisee. During the years ended December 31, 2008 and 2007, approximately $-0- and $110,000, respectively, was recognized as initial franchise fee income.

Allowance for doubtful accounts - Management must make estimates of the uncollectability of accounts receivable. Management specifically analyzed accounts receivable and analyzes historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in customer payment terms when evaluating the adequacy of the allowance for doubtful accounts.

Property and equipment - Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are being amortized using the straight-line method over the estimated useful lives of the related assets or the remaining term of the lease.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Concentration of credit risk - We invest our excess cash in deposits and money market accounts with major financial institutions and have not experienced losses related to these investments.

We perform ongoing credit evaluations and generally do not require collateral.

Cash and cash equivalents - We consider all highly liquid debt instruments with a maturity of three months or less to be cash equivalents.

Estimates - - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The most significant estimates include the allowance for finance receivable losses. It is reasonably possible that events could occur during the upcoming year which could change such estimates.

Net earnings (loss) per share - Basic net earnings per share is computed by dividing income (loss) available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of common shares issuable upon exercise of stock options, warrants and conversion of mandatorily redeemable preferred shares. The computation of diluted earnings per share excludes those options and warrants with an exercise price in excess of the average market price of our common shares during the periods presented. During the year ended December 31, 2008, we recorded a loss available to common shareholders and, as a result, the weighted average number of common shares used in the calculation of basic and diluted loss per share is the same, and have not been adjusted for the effects of 489,400 potential common shares from unexercised stock options and the conversion of convertible preferred shares, which were anti-dilutive for such period. During the year ended December 31, 2007, we recorded a loss available to common shareholders and, as a result, the weighted average number of shares of common shares used in the calculation of basic and diluted loss per share is the same, and have not been adjusted for the effects of 678,124 potential common shares from unexercised stock options and warrants, and the conversion of convertible preferred shares, which were anti-dilutive for such period.

Advertising costs - - Advertising costs are charged to operations when the advertising first takes place. Included in general and administrative expenses are advertising costs approximating $66,000 and $262,000 for the years ended December 31, 2008 and 2007, respectively.

Impairment of long-lived assets - We review long-lived assets and certain identifiable intangibles to be held and used for impairment on an annual basis and whenever events or changes in circumstances indicate that the carrying amount of an asset exceeds the fair value of the asset. If other events or changes in circumstances indicate that the carrying amount of an asset that we expect to hold and use may not be recoverable, we will estimate the undiscounted future cash flows expected to result from the use of the asset or its eventual disposition, and recognize an impairment loss. The impairment loss, if determined to be necessary, would be measured as the amount by which the carrying amount of the assets exceeds the fair value of the assets. A similar evaluation is made in relation to goodwill, with any impairment loss measured as the amount by which the carrying value of such goodwill exceeds the expected undiscounted future cash flows.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Income taxes - - Deferred tax assets and liabilities are determined based upon the differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

In July 2006, the Financial Accounting Standards Board ("FASB") issued Interpretation No. 48, *"Accounting for Uncertainty in Income Taxes,"* ("FIN 48"). This interpretation, among other things, creates a two-step approach for evaluating uncertain tax positions. Recognition (step one) occurs when an enterprise concludes that a tax position, based solely on its technical merits, is more-likely-than-not to be sustained upon examination. Measurement (step two) determines the amount of benefit that more-likely-than-not will be realized upon settlement. Derecognition of a tax position that was previously recognized would occur when a company subsequently determines that a tax position no longer meets the more-likely-than-not threshold of being sustained. FIN 48 specifically prohibits the use of a valuation allowance as a substitute for derecognition of tax positions, and it has expanded disclosure requirements. The adoption of FIN 48 had no impact on the Company's consolidated financial statements.

Share-based compensation - We record compensation expense associated with stock options and other equity-based compensation in accordance with Statement of Financial Accounting Standards ("SFAS") No. 123 (revised 2004), "*Share-Based Payment*" ("SFAS 123(R)"). In addition, we adhere to the guidance set forth within Securities and Exchange Commission ("SEC") Staff Accounting Bulletin ("SAB") No. 107, which provides the Staff's views regarding the interaction between SFAS 123(R) and certain SEC rules and regulations and provides interpretations with respect to the valuation of share-based payments for public companies. Stock option compensation expense in 2008 and 2007 is the estimated fair value of options granted amortized on a straight-line basis over the requisite service period for entire portion of the award less an estimate for anticipated forfeitures.

Website development costs - Technology and content costs are generally expensed as incurred, except for certain costs relating to the development of internal-use software, including those relating to operating our website, that are capitalized and depreciated over two years. A total of approximately $3,000 and $53,000 in such costs were incurred during the years ended December 31, 2008 and 2007, respectively.

Comprehensive income (loss) - Comprehensive income (loss) refers to revenue, expenses, gains and losses that under generally accepted accounting principles are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. At December 31, 2008 and 2007, there were no such adjustments required.

New accounting pronouncements

In December 2007, the FASB issued SFAS No. 141R "*Business Combinations*" ("SFAS 141R"). SFAS 141R establishes principles and requirements for how the acquirer of a business recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree. SFAS 141R also provides guidance for recognizing and measuring the goodwill acquired in the business combination and determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS 141R is effective for our fiscal year beginning January 1, 2009. We are in the process of evaluating this statement for the impact, if any, that SFAS 141R will have on our consolidated financial position and results of operations.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

In September 2006, the FASB issued SFAS No. 157, "*Fair Value Measurements*." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 was effective for us on January 1, 2008. However, in February 2008, the FASB released FASB Staff Position (FSP FAS 157-2 — Effective Date of FASB Statement No. 157), which delayed the effective date of SFAS No. 157 for all nonfinancial assets and liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). The adoption of SFAS No. 157 for our financial assets and liabilities did not have a material impact on our consolidated financial statements. We do not believe the adoption of SFAS No. 157 for our nonfinancial assets and liabilities, effective January 1, 2009, will have a material impact on our consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, *"The Fair Value Option for Financial Assets and Financial Liabilities"* ("SFAS 159"). SFAS 159 permits companies to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing companies with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS 159 is effective for fiscal years beginning after November 15, 2007. Companies are not allowed to adopt SFAS 159 on a retrospective basis unless they choose early adoption. We adopted SFAS 159 in 2008, and did not elect the fair value option for eligible items that existed at the date of adoption.

In December 2007, the FASB issued SFAS No. 160, "*Noncontrolling Interests in Consolidated Financial Statements, an amendment of ARB No. 51*" ("SFAS 160"). The new standard changes the accounting and reporting of noncontrolling interests, which have historically been referred to as minority interests. SFAS 160 requires that noncontrolling interests be presented in the consolidated balance sheets within shareholders' equity, but separate from the parent's equity, and that the amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented in the consolidated statements of income. Any losses in excess of the noncontrolling interest's equity interest will continue to be allocated to the noncontrolling interest. Purchases or sales of equity interests that do not result in a change of control will be accounted for as equity transactions. Upon a loss of control, the interest sold, as well as any interest retained, will be measured at fair value, with any gain or loss recognized in earnings. In partial acquisitions, when control is obtained, the acquiring company will recognize, at fair value, 100% of the assets and liabilities, including goodwill, as if the entire target company had been acquired. SFAS 160 is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008, with early adoption prohibited. The new standard will be applied prospectively, except for the presentation and disclosure requirements, which will be applied retrospectively for all periods presented. We have not yet determined the impact, if any, that this statement will have on our consolidated financial statements and we will adopt the standard at the beginning of fiscal 2009.

In March 2008, the FASB issued SFAS No. 161, "*Disclosures about Derivative Instruments and Hedging Activities—an amendment of FASB Statement No. 133*" ("SFAS 161"). SFAS 161 applies to all entities. SFAS 161 changes the disclosure requirements for derivative instruments and hedging activities. Entities are required to provide enhanced disclosures about (a) how and why an entity uses derivative instruments, (b) how derivative instruments and related hedged items are accounted for under SFAS No. 133 and its related interpretations, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. SFAS 161 encourages, but does not require, comparative disclosures for earlier periods at initial adoption. We are currently evaluating this statement for the impact, if any, that SFAS 161 will have on our consolidated financial position and results of operations.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

In April 2008, the FASB issued FASB Staff Position ("FSP") No. 142-3, "*Determination of the Useful Life of Intangible Assets*" ("FSP 142-3"). FSP 142-3 removes the requirement under SFAS 142 to consider whether an intangible asset can be renewed without substantial cost of material modifications to the existing terms and conditions, and replaces it with a requirement that an entity consider its own historical experience in renewing similar arrangements, or a consideration of market participant assumptions in the absence of historical experience. This FSP also requires entities to disclose information that enables users of financial statements to assess the extent to which the expected future cash flows associated with the asset are affected by the entity's intent and/or ability to renew or extend the arrangement. The guidance will become effective as of the beginning of the Company's fiscal year beginning after December 15, 2008. We are currently evaluating the impact this standard will have on our financial statements.

In June 2008, FASB ratified Emerging Issues Task Force (“EITF”) No. 07-5, "*Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity's Own Stock*" ("EITF 07-5"). EITF 07-5 provides that an entity should use a two-step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument's contingent exercise and settlement provisions. EITF 07-5 is effective for financial statements issued for fiscal years beginning after December 15, 2008. Early application is not permitted. We are assessing the potential impact of this EITF on our financial condition and results of operations.

In June 2008, the FASB issued FSP EITF 03-6-1, *“Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities.”* This FSP clarifies that all outstanding unvested share-based payment awards that contain rights to non-forfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied. This FSP is effective for fiscal years beginning after December 15, 2008. We are currently evaluating the potential impact, if any, the new pronouncement will have on our consolidated financial statements.

In October 2008, the FASB issued FSP FAS No. 157-3, *"Determining the Fair Value of a Financial Asset When the Market for That Is Asset Not Active"* ("FAS 157-3") with an immediate effective date, including prior periods for which financial statements have not been issued. FAS 157-3 clarifies the application of fair value in inactive markets and allows for the use of management's internal assumptions about future cash flows with appropriately risk-adjusted discount rates when relevant observable market data does not exist. The objective of FAS 157 has not changed and continues to be the determination of the price that would be received in an orderly transaction that is not a forced liquidation or distressed sale at the measurement date. The adoption of FAS 157-3 did not have a material effect on the Company's results of operations, financial position or liquidity.

3. Notes Receivable

Purchase of Notes Receivable

On January 31, 2006, we purchased from Eagle Insurance Company (“Eagle”) two surplus notes issued by Commercial Mutual Insurance Company (“CMIC”) in the aggregate principal amount of $3,750,000 (the “Surplus Notes”), plus accrued interest of $1,794,688. The aggregate purchase price for the Surplus Notes was $3,075,141, of which $1,303,434 was paid to Eagle by delivery of a six month promissory note which provided for interest at the rate of 7.5% per annum. The promissory note was paid in full on July 28, 2006. CMIC is a New York property and casualty insurer. The Surplus Notes acquired by us are past due and provide for interest at the prime rate or 8.5% per annum, whichever is less. Payments of principal and interest on the Surplus Notes may only be made out of the surplus of CMIC and require the approval of the New York State Department of Insurance. During the years ended December 31, 2008 and 2007, interest payments totaling $-0- and $125,000, respectively, were received. The discount on the Surplus Notes and the accrued interest at the time of acquisition were accreted over a 30 month period through July 31, 2008, the estimated period to collect such amounts. Such accretion amount, together with interest on the Surplus Notes for the years ended December 31, 2008 and 2007, are included in our consolidated statement of operations as “Interest income-notes receivable.”

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Possible Future Conversion of Notes Receivable

In March 2007, CMIC's Board of Directors adopted a resolution to convert CMIC from an advance premium cooperative insurance company to a stock property and casualty insurance company. CMIC has advised us that it has obtained permission from the Superintendent of Insurance of the State of New York (the "Superintendent") to proceed with the conversion process (subject to certain conditions as discussed below).

The conversion by CMIC to a stock property and casualty insurance company is subject to a number of conditions, including the approval of the plan of conversion, which was filed with the Superintendent on April 25, 2008, by both the Superintendent and CMIC's policyholders. As part of the approval process, the Superintendent had an appraisal performed with respect to the fair market value of CMIC as of December 31, 2006. In addition, the Insurance Department conducted a five year examination of CMIC as of December 31, 2006 and held a public hearing in October 2008 to consider the conversion plan. We, as a holder of the CMIC Surplus Notes, at our option, would be able to exchange the Surplus Notes for an equitable share of the securities or other consideration, or both, of the corporation into which CMIC would be converted. Based upon the amount payable on the Surplus Notes and the statutory surplus of CMIC, the plan of conversion provides that, in the event of a conversion by CMIC into a stock corporation, in exchange for our relinquishing our rights to any unpaid principal and interest under the Surplus Notes, we would receive 100% of the stock of CMIC. Upon the effectiveness of the conversion, CMIC's name will change to "Kingstone Insurance Company." We obtained stockholder approval of an amendment to our certificate of incorporation to change our name to "Kingstone Companies, Inc." Such name change would only take place in the event that the conversion occurs and we obtain a controlling interest in Kingstone Insurance Company. No assurances can be given that the conversion will occur or as to the terms of the conversion.

Our Chairman is also Chairman of CMIC. One of our other directors and our Chief Accounting Officer are also directors of CMIC.

4. Property and Equipment

Property and equipment consists of the following:

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

December 31,	Useful Lives	2008	2007
Furniture, fixtures & equipment	5 years	**$ 186,889**	$ 184,581
Leasehold improvements	3 - 5 years	**61,465**	60,227
Computer hardware, software and office equipment	2 - 5 years	**526,595**	487,097
Entertainment facility	20 years	**200,538**	200,538
		975,487	932,443
Less accumulated depreciation		**884,994**	776,764
		$ 90,493	$ 155,679

Depreciation expense for the years ended December 31, 2008 and 2007 was approximately $69,000 and $102,000, respectively.

5. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses consists of the following:

December 31,	2008	2007
Accounts payable	**$ 314,249**	$ 257,710
Interest	**115,903**	85,902
Payroll and related costs	**26,032**	16,978
Professional fees	**366,166**	209,859
	$ 822,350	$ 570,449

6. Debentures Payable

In 1971, pursuant to a plan of arrangement, we issued a series of debentures, which matured in 1977. As of December 31, 2008 and 2007, $154,200 of these debentures has not been presented for payment. Accordingly, this balance has been included in other current liabilities in the accompanying consolidated balance sheet. Interest has not been accrued on the remaining debentures payable. In addition, no interest, penalties or other charges have been accrued with regard to any escheat obligation.

7. Long-Term Debt

Long-term debt and capital lease obligations consist of:

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

December 31,	2008	2007
Note payable, Accurate acquisition	**$ 450,695**	$ 517,113
Term loan from Manufacturers & Traders Trust Co.	**-**	520,000
Capitalized lease	**58,133**	78,672
Notes payable	**1,500,000**	1,500,000
Unamortized value of stock purchase warrants issued in connection with notes payable	**-**	(17,731)
	2,008,828	2,598,054
Less current maturities	**1,593,210**	2,098,989
	$ 415,618	$ 499,065

Note Payable, Accurate Acquisition **-** - Note issued in connection with the purchase of Accurate, payable in monthly installments of $9,255 through December 2009 and $11,111 from January 2010 through maturity date of December 10, 2012. In September 2008, the installment payments due in September 2008 through April 2009 were reduced to $6,800, with the remaining $2,455 due for such months being payable during the eight months following the scheduled maturity on December 10, 2012. Payments on the note commenced in January 2007. Interest has been imputed at the rate of 7% per annum.

Term Loan from Manufacturers and Traders Trust Company ("M&T") **-** The M&T term loan was payable in quarterly principal installments of $130,000 through March 1, 2008. In June 2008, the maturity date of the M&T term loan was extended to December 31, 2008. Principal payments of $55,714 were due on the first day of each month and one final payment on the maturity date. Interest at the rate of LIBOR plus 2.75% was payable monthly. The M&T term loan was paid in full in December 2008.

Capitalized Lease **-** Capitalized lease payable for computer equipment, payable in monthly installments of $2,241 per month, including interest at 9.1% per annum. The term of the capitalized lease is through June 30, 2011. The capitalized lease is collateralized by computer equipment with a carrying cost and accumulated depreciation approximating $90,000 and $42,000, respectively, at December 31, 2008.

Notes Payable **-** The notes payable bear interest at 12.625% per annum, payable semi-annually. The notes were subordinate to the revolving credit facility included in discontinued operations, and were secured by a security interest in the assets of our premium finance subsidiary and a pledge of our subsidiary's stock. Effective February 1, 2008, upon the sale of the premium finance portfolio, the notes were no longer subordinated to the revolving credit facility and there is no longer a security interest in the assets of our premium financing subsidiary; however, the notes were subordinated to the above term loan from M&T. In December 2008, such term loan was paid in full.

In August 2008, the maturity date of our $1,500,000 notes payable was extended from September 30, 2008 to the earlier of July 10, 2009 or 90 days following the conversion of CMIC to a stock property and casualty insurance company and the issuance to us of a controlling interest in CMIC (see Note 3) (subject to acceleration under certain circumstances). In exchange for this extension, the holders will receive an aggregate incentive payment equal to $10,000 times the number of months (or partial months) the debt is outstanding after September 30, 2008 through the maturity date. If a prepayment of principal reduces the debt below $1,500,000, the incentive payment for all subsequent months will be reduced in proportion to any such reduction to the debt. The aggregate incentive payment is due upon full repayment of the debt. As of December 31, 2008, $30,000 of such incentive payments were included in accrued expenses.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Jack Seibald, one of our directors and a principal stockholder, indirectly holds approximately $288,000 of the principal amount of the notes payable. In addition, a limited liability company of which Barry Goldstein, our Chief Executive Officer, is a minority member holds $115,000 of the principal amount of the notes payable.

Long-term debt matures as follows:

Years ended December 31,	
2009	$ 1,593,210
2010	134,031
2011	129,041
2012	126,471
2013	26,075
	$ 2,008,828

8. Related Party Transactions

Professional fees **–** A law firm affiliated with one of our former directors was paid legal fees of $91,000 and $123,000 for the years ended December 31, 2008 and 2007, respectively.

Guaranty **–** Under our revolving line of credit entered into in July 2006, our Chairman and CEO was obligated on an unlimited wind-down guaranty as long as the loan was in effect. Upon the sale of the premium finance portfolio on February 1, 2008, the wind-down guaranty was terminated.

Note receivable **–** Included in other current assets as of December 31, 2008 and 2007 was a note receivable of $39,000 (non-interest bearing) and $161,000 (interest bearing), respectively, from a franchisee who is affiliated with one of our former directors. Interest income from the interest bearing note was approximately $5,000 for the year ended December 31, 2007. In February 2008, the interest bearing note was paid in full.

9. Income Taxes

We file a consolidated U.S. Federal Income Tax return that includes all wholly-owned subsidiaries. State tax returns are filed on a consolidated or separate basis depending on applicable laws. The (benefit) provision for income taxes from continuing operations is comprised of the following:

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Years ended December 31,	**2008**	**2007**
Current:		
Federal	**$ -**	$ (306,000)
State	**95,775**	(79,232)
	95,775	(385,232)
Deferred:		
Federal	**(390,000)**	(27,000)
State	**(97,000)**	(7,000)
	(487,000)	(34,000)
	$ (391,225)	$ (419,232)

A reconciliation of the federal statutory rate to our effective tax rate from continuing operations is as follows:

Years ended December 31,	**2008**	**2007**
Computed expected tax expense	**(34.00) %**	(34.00) %
State taxes, net of Federal benefit	**(5.48)**	(5.79)
Tax benefit from current year loss of discontinued operations	**(56.78)**	-
Permanent differences	**29.60**	(7.61)
Total tax (benefit)	**(66.66) %**	(47.40) %

At December 31, 2008, we had net operating loss carryforwards for tax purposes, which expire at various dates through 2019, of approximately $1,589,000. These net operating loss carryforwards are subject to Internal Revenue Code Section 382, which places a limitation on the utilization of the federal net operating loss to approximately $10,000 per year (“Annual Limitation”), as a result of a greater than 50% ownership change of DCAP Group, Inc. in 1999. The net operating loss of $1,136,000 from 2007 was carried back to 2005, resulting in a refund of $368,000. Our taxable loss for the year ended December 31, 2008 was approximately $1,879,000. This loss will be available for future years, expiring through December 31, 2028.

The tax effects of temporary differences which give rise to deferred tax assets and liabilities from continuing operations consist of the following:

December 31,	2008	2007
Deferred tax assets:		
Net operating loss carryovers subject to Annual Limitation	**$ 544,000**	$ 544,000
Other net operating loss carryovers	**846,000**	452,000
Provision for doubtful accounts	**16,000**	20,000
Depreciation	**21,000**	-
Stock compensation expense	**67,000**	39,000
Gross deferred tax assets	**1,494,000**	1,055,000
Deferred tax liabilities:		
Interest on note	**1,144,000**	838,000
Depreciation	**-**	8,000
Prepaid expenses	**41,000**	16,000
Gross deferred tax liabilities	**1,185,000**	862,000
Net deferred tax assets before valuation allowance	**309,000**	193,000
Less valuation allowance due to Annual Limitation of net operating loss carryover	**(493,000)**	(496,000)
Net deferred tax liability	**$ (184,000)**	$ (303,000)

10. Commitments

Leases - We, and each of our affiliates, lease office space under noncancellable operating leases expiring at various dates through December 31, 2015. Many of the leases are renewable and include additional rent for real estate taxes and other operating expenses. The minimum future rentals under these lease commitments for leased facilities and office equipment are as follows:

Years ended December 31,	
2009	$ 383,376
2010	221,539
2011	136,734
2012	36,493
2013	37,200
Thereafter	74,400
	$ 889,742

Rental expense from continuing operations approximated $78,000 and $76,000 for the years ended December 31, 2008 and 2007, respectively.

The APA for the sale of our 16 New York State locations contemplates the assignment of the real estate leases for such locations to the buyer.

Employment agreement - Our President, Chairman of the Board and Chief Executive Officer, Barry B. Goldstein, is employed pursuant to an employment agreement dated October 16, 2007 (the "Employment Agreement") that expires on June 30, 2009. The Employment Agreement will automatically renew for a one-year term if Mr. Goldstein is in our employ on June 30, 2009. Pursuant to the Employment Agreement, Mr. Goldstein is entitled to receive an annual base salary of $350,000 (which base salary has been in effect since January 1, 2004) ("Base Salary") and annual bonuses based on our net income. On August 25, 2008, we and Mr. Goldstein entered into an amendment (the "Amendment") to the Employment Agreement. The Amendment entitles Mr. Goldstein to devote certain time to Commercial Mutual Insurance Company ("CMIC") to fulfill his duties and responsibilities as its Chairman of the Board and Chief Investment Officer. Such permitted activity is subject to a reduction in Base Salary under the Employment Agreement on a dollar-for-dollar basis to the extent of the salary payable by CMIC to Mr. Goldstein pursuant to his CMIC employment contract, which is currently $150,000 per year. CMIC is a New York property and casualty insurer.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Litigation - - From time to time, we are involved in various lawsuits and claims incidental to our business. In the opinion of management, the ultimate liabilities, if any, resulting from such lawsuits and claims will not materially affect our financial position.

Tax audits - Our state income tax returns for the years ended December 31, 2005, 2006 and 2007 are currently under audit by New York State. The final results of this audit cannot be estimated by management. It is anticipated that the audit will be concluded in 2009. The audit of our federal income tax return for the year ended December 31, 2005 was completed in 2008. The audit resulted in no changes to our tax return as filed.

11. Mandatorily Redeemable Preferred Stock

On May 8, 2003, we issued 904 shares of Series A Preferred Stock in connection with the acquisition of substantially all of the assets of AIA. The Series A Preferred Stock had a liquidation preference of $1,000 per share. Dividends on the Series A Preferred Stock at the rate of 5% per annum were cumulative and were payable in cash. Each share of the Series A Preferred Stock was convertible at the option of the holder at any time into shares of our Common Stock at a conversion rate of $2.50 per share. Subject to legal availability of funds, the Series A Preferred Stock was mandatorily redeemable by us for cash at its liquidation preference on April 30, 2007, or earlier under certain circumstances (unless previously converted into our Common Stock).

On January 15, 2005, the preferred stockholder converted 124 shares of Series A Preferred Stock into 49,600 shares of our Common Stock.

Effective March 23, 2007, the holder of the Series A Preferred Stock exchanged such shares for an equal number of shares of Series B Preferred Stock, the terms of which were substantially identical to the shares of Series A Preferred Stock, except the outside date for mandatory redemption was April 30, 2008.

Effective April 16, 2008, the holder of the Series B Preferred Stock exchanged such shares for an equal number of shares of Series C Preferred Stock, the terms of which were substantially identical to those of the shares of Series B Preferred Stock, except that the outside date for mandatory redemption was April 30, 2009 and the Series C Preferred Stock provided for dividends at the rate of 10% per annum.

Effective August 23, 2008, the holder of the Series C Preferred Stock exchanged such shares for an equal number of shares of Series D Preferred Stock, the terms of which are substantially identical to those of the shares of Series C Preferred Stock, except that the outside date for mandatory redemption is July 31, 2009. The current aggregate redemption amount for the Series D Preferred Stock held by AIA is $780,000, plus accumulated and unpaid dividends. Members of the family of Barry B. Goldstein, our Chief Executive Officer, are principal stockholders of AIA.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

In accordance with SFAS No. 150, "*Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*", the various series of Preferred Stock have been reported as a liability, and the preferred dividends have been classified as interest expense.

12. Stockholders' Equity

Preferred Stock - - During 2001, we amended our Certificate of Incorporation to provide for the authority to issue 1,000,000 shares of Preferred Stock, with a par value of $.01 per share. Our Board of Directors has the authority to issue shares of Preferred Stock from time to time in a series and to fix, before the issuance of each series, the number of shares in each series and the designation, liquidation preferences, conversion privileges, rights and limitations of each series.

Other Equity Compensation – Other equity compensation for the periods indicated is as follows:

Years ended December 31,	2008		2007	
Class	**Number of shares granted**	**Valuation**	**Number of shares granted**	**Valuation**
Directors	**38,324**	**$ 40,500**	-	$ -
Consultants	-	-	3,000	8,820
	38,324	**$ 40,500**	3,000	$ 8,820

Treasury Stock - - In June 2007, a shareholder tendered 4,500 shares of Common Stock to us to settle an obligation due us of approximately $7,200. In August 2008, three shareholders tendered an aggregate of 34,602 shares of Common Stock to us to settle obligations due us of approximately $35,000. The tendered shares were recorded as an increase in treasury stock, valued at the balance of the obligation.

Warrants - On July 10, 2003, in connection with the issuance of debt, we issued warrants to purchase 105,000 shares of our Common Stock at an exercise price of $6.25 per share (the "Warrants"). The Warrants were valued at $147,000 and were being amortized as additional interest expense over the term of the associated debt. The Warrants were scheduled to expire on January 10, 2006. Effective May 25, 2005, the holders of $1,500,000 outstanding principal amount of the debt agreed to extend the maturity date of the debt from January 10, 2006 to September 30, 2007. This extension was given to satisfy a requirement of our premium finance lender that arose in connection with the increase in our revolving line of credit to $25,000,000 and the extension of the line to June 30, 2007. In consideration for the extension of the due date of the debt, we extended the expiration date of Warrants held by the debt holders for the purchase of 97,500 shares of our Common Stock from January 10, 2006 to September 30, 2007. The extension of the Warrants was valued at approximately $148,000 and was being amortized as additional interest expense over the extension period. In March 2007 and September 2007, holders of approximately $1,385,000 and $115,000, respectively, of the principal amount of the debt agreed to extend the maturity date from September 30, 2007 to September 30, 2008. In consideration for the extension of the due date of the debt, we extended the expiration date of Warrants held by the debt holders for the purchase of 97,500 shares of our Common Stock, with a fair value of $195,000, from September 30, 2007 to September 30, 2008.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Stock Options - - In November 1998, we adopted the 1998 Stock Option Plan (the "1998 Plan"), which provides for the issuance of incentive stock options and non-statutory stock options. Under this plan, options to purchase not more than 400,000 shares of our Common Stock were permitted to be granted, at a price to be determined by our Board of Directors or the Stock Option Committee at the time of grant. During 2002, we increased the number of shares of Common Stock authorized to be issued pursuant to the 1998 Plan to 750,000. Incentive stock options granted under the 1998 Plan expire no later than ten years from date of grant (except no later than five years for a grant to a 10% stockholder). Our Board of Directors or the Stock Option Committee will determine the expiration date with respect to non-statutory options granted under the 1998 Plan. The 1998 Plan terminated in November 2008.

In December 2005, our shareholders ratified the adoption of the 2005 Equity Participation Plan (the "2005 Plan" and together with the 1998 Plan, the "Plans"), which provides for the issuance of incentive stock options, non-statutory stock options and restricted stock. Under the 2005 Plan, a maximum of 300,000 shares of Common Stock may be issued pursuant to options granted and restricted stock issued. Incentive stock options granted under the 2005 Plan expire no later than ten years from date of grant (except no later than five years for a grant to a 10% stockholder). Our Board of Directors or the Stock Option Committee will determine the expiration date with respect to non-statutory options, and the vesting provisions for restricted stock, granted under the 2005 Plan.

Our results of continuing operations for the years ended December 31, 2008 and 2007 include share-based compensation expense totaling approximately $72,000 and $97,000, respectively. Such compensation amounts have been included in the Consolidated Statement of Income within general and administrative expenses.

No stock options were granted during the year ended December 31, 2008. The weighted average estimated fair value of stock options granted during the year ended December 31, 2007 was $1.22 per share. The fair value of options at the date of grant was estimated using the Black-Scholes option pricing model. During 2007, we took into consideration the guidance under SFAS 123(R) and SAB No. 107 when reviewing and updating assumptions. The expected volatility is based upon historical volatility of our stock and other contributing factors. The expected term is based upon observation of actual time elapsed between date of grant and exercise of options for all employees. Previously such assumptions were determined based on historical data.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted average assumptions were used for grants during the year ended December 31, 2007:

Dividend Yield	0.00%
Volatility	60.79%
Risk-Free Interest Rate	5.00%
Expected Life	5 years

The Black-Scholes option valuation model was developed for use in estimating the fair value of traded options, which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions including the expected stock price volatility. Because our stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion, the existing models do not necessarily provide a reliable single measure of the fair value of our stock options.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

A summary of option activity under the Plans as of December 31, 2008, and changes during the year then ended is as follows:

Stock Options	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2008	268,624	$ 2.55	-	-
Forfeited	(91,224)	$ 2.84	-	-
Outstanding at December 31, 2008	177,400	$ 2.40	3.35	$ -
Vested and Exercisable at December 31, 2008	112,921	$ 2.60	3.11	$ -

The aggregate intrinsic value of options outstanding and options exercisable at December 31, 2008 is calculated as the difference between the exercise price of the underlying options and the market price of our Common Stock for the shares that had exercise prices that were lower than the $0.48 closing price of our Common Stock on December 31, 2008. The total intrinsic value of options exercised in the years ended December 31, 2008 and 2007 was $-0- and $96,750, respectively, determined as of the date of exercise. We received cash proceeds from options exercised in the years ended December 31, 2008 and 2007 of approximately $-0- and $112,000, respectively.

A summary of the status of our non-vested options as of December 31, 2008 and the changes during the year ended December 31, 2008, is as follows:

	Options	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2007	142,756	$ 1.21
Vested	(44,854)	1.16
Forfeited	(33,423)	1.41
Nonvested at December 31, 2008	64,479	$ 1.10

As of December 31, 2008 and 2007, the fair value of unamortized compensation cost related to unvested stock option awards was approximately $71,000 and $141,000, respectively. Unamortized compensation cost as of December 31, 2008 is expected to be recognized over a remaining weighted-average vesting period of 1.8 years. For the year ended December 31, 2007, the weighted average fair value of options exercised was $1.10.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

The total fair value of shares vested during the year ended December 31, 2008 and 2007 was approximately $52,000 and $77,000, respectively.

Common shares reserved - As of December 31, 2008, there were 327,400 shares reserved under the Plans.

13. Discontinued Operations

Premium Financing

On February 1, 2008, our wholly-owned subsidiary, Payments Inc. ("Payments"), sold its outstanding premium finance loan portfolio to Premium Financing Specialists, Inc. ("PFS"). The purchase price for the acquired net loan portfolio was approximately $11,845,000, of which approximately $268,000 was paid to Payments, and the remainder of the purchase price was satisfied by the assumption of liabilities, including the satisfaction of our premium finance revolving credit line obligation to M&T. Simultaneously with the closing, our revolving line of credit with M&T was terminated.

As additional consideration, Payments will be entitled to receive an amount based upon the net earnings generated by the acquired loan portfolio as it is collected. For the year ended December 31, 2008, Payments received approximately $255,000 based on the net earnings generated from collections of the acquired loan portfolio. Under the terms of the sale, PFS has agreed that, during the five year period ending January 31, 2013 (subject to automatic renewal for successive two year terms under certain circumstances), it will purchase, assume and service all eligible premium finance contracts originated by us in the states of New York and Pennsylvania. In connection with such purchases, we will be entitled to receive a fee generally equal to a percentage of the amount financed.

As a result of the sale of the premium finance portfolio on February 1, 2008, the operating results of the premium financing operations for the years ended December 31, 2008 and 2007 have been presented as discontinued operations. Net assets and liabilities to be disposed of or liquidated, at their book value, have been separately classified in the accompanying balance sheets at December 31, 2008 and 2007. Continuing operations of our premium financing operations will only consist of placement fee revenue and any related expenses.

Retail Business

In December 2008, due to declining revenues and profits we decided to restructure our network of retail offices (the "Retail Business"). The plan of restructuring called for closing seven of our least profitable locations during the month of December 2008, and to enter into negotiations to sell the remaining 19 locations in our Retail Business.

On March 30, 2009, an asset purchase agreement (the "APA") was fully executed pursuant to which we agreed to sell substantially all of the assets, including the book of business, of our 16 remaining Retail Business locations that we own in New York State (the "Assets"). The closing of the sale of the Assets is subject to a number of conditions. As a result of the restructuring in December 2008, and the APA on March 30, 2009, the operating results of the Retail Business operations for the years ended December 31, 2008 and 2007 have been presented as discontinued operations. Net assets and liabilities to be disposed of or liquidated, at their book value, have been separately classified in the accompanying balance sheets at December 31, 2008 and 2007.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

In March 2009, we commenced negotiations to sell the remaining three Retail Business locations, which are located in Pennsylvania.

Summarized Financial Information of Discontinued Operations

Summarized financial information of discontinued operations for the years ended December 31, 2008 and 2007 follows (in thousands):

Years Ended December 31,	**2008**			**2007**		
	Retail Business	**Premium Finance**	**Total**	**Retail Business**	**Premium Finance**	**Total**
Commissions and fee revenue	**$ 4,042**	**$ -**	**$ 4,042**	$ 5,096	$ -	$ 5,096
Premium finance revenue	**-**	**225**	**225**	-	3,167	3,167
Total revenue	**4,042**	**225**	**4,267**	5,096	3,167	8,263
Operating Expenses:						
General and administrative expenses	**3,895**	**182**	**4,077**	4,479	1,432	5,911
Provision for finance receivable losses	**-**	**89**	**89**	-	472	472
Depreciation and amortization	**212**	**47**	**259**	204	100	304
Interest expense	**41**	**45**	**86**	44	646	690
Impairment of intangibles	**394**	**-**	**394**	95	-	95
Total operating expenses	**4,542**	**363**	**4,905**	4,822	2,650	7,472
(Loss) income from operations	**(500)**	**(138)**	**(638)**	274	517	791
(Loss) gain on sale of business	**-**	**(102)**	**(102)**	66	-	66
(Loss) income before (benefit) provision for income taxes	**(500)**	**(240)**	**(740)**	340	517	857
(Benefit from) provision for income taxes	**(28)**	**69**	**41**	193	246	439
(Loss) income from discontinued operations, net of income taxes	**$ (472)**	**$ (309)**	**$ (781)**	$ 147	$ 271	$ 418

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

The components of assets and liabilities of discontinued operations as of December 31, 2008 and 2007 are as follows (in thousands):

December 31,	2008			2007		
	Retail Business	**Premium Finance**	**Total**	**Retail Business**	**Premium Finance**	**Total**
Accounts receivable	**$ 404**	**$ -**	**$ 404**	$ 587	$ -	$ 587
Finance contracts receivable, net	-	-	-	-	12,499	12,499
Due from purchaser of premium finance portfolio	-	**18**	**18**	-	-	-
Other current assets	**32**	-	**32**	5	32	37
Deferred income taxes	-	-	-	-	69	69
Property and equipment, net	**145**	-	**145**	309	3	312
Goodwill	**2,208**	-	**2,208**	2,601	-	2,601
Other intangibles, net	**75**	-	**75**	151	-	151
Other assets	**31**	-	**31**	48	48	96
Total assets	**$ 2,895**	**$ 18**	**$ 2,913**	$ 3,701	$ 12,651	$ 16,352
Revolving credit line	**$ -**	**$ -**	**$ -**	$ -	$ 9,488	$ 9,488
Accounts payable and accrued expenses	**137**	-	**137**	60	140	200
Premiums payable	-	-	-	-	2,889	2,889
Deferred income taxes	**77**	-	**77**	105	-	105
Total liabilities	**$ 214**	**$ -**	**$ 214**	$ 165	$ 12,517	$ 12,682

Summary of Significant Accounting Policies of Discontinued Operations

Finance income, fees and receivables - For our premium finance operations, we used the interest method to recognize interest income over the life of each loan in accordance with SFAS No. 91, "*Accounting for Nonrefundable Fees and Costs Associated with Originating or Acquiring Loans and Initial Direct Costs of Leases.*"

Upon the establishment of a premium finance contract, we recorded the gross loan payments as a receivable with a corresponding reduction for deferred interest. The deferred interest was amortized to interest income using the interest method over the life of each loan. The weighted average interest rate charged with respect to financed insurance policies was approximately 26.1% and 26.4% per annum for the years ended December 31, 2008 and 2007, respectively.

Upon completion of collection efforts, after cancellation of the underlying insurance policies, any uncollected earned interest or fees were charged off.

Allowance for finance receivable losses - Customers who purchase insurance policies are often unable to pay the premium in a lump sum and, therefore, require extended payment terms. Premium financing involves making a loan to the customer that is backed by the unearned portion of the insurance premiums being financed. No credit checks were made prior to the decision to extend credit to a customer. Losses on finance receivables included an estimate of future credit losses on premium finance accounts. Credit losses on premium finance accounts occur when the unearned premiums received from the insurer upon cancellation of a financed policy are inadequate to pay the balance of the premium finance account. After collection attempts were exhausted, the remaining account balance, including unrealized interest, was written off. We reviewed historical trends of such losses relative to finance receivable balances to develop estimates of future losses. However, actual write-offs may differ materially from the write-off estimates that we used. For the years ended December 31, 2008 and 2007, the provision for finance receivable losses was approximately $89,000 and $472,000, respectively, and actual principal write-offs for such periods, net of actual and anticipated recoveries of previous write-offs, were approximately $50,000 and $522,000, respectively.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Deferred loan costs - Deferred loan costs were amortized on a straight-line basis over the related term of the loan.

Concentration of credit risk –All finance contracts receivable were repayable in less than one year. In the event of a default by the borrower, we were entitled to cancel the underlying insurance policy financed and receive a refund for the unused term of such policy from the insurance carrier. We structure the repayment terms in an attempt to minimize principal losses on finance contract receivables.

Finance contract receivables - A summary of the changes of the allowance for finance receivable losses is as follows:

December 31,	**2008**	**2007**
Balance, beginning of year	**$ 173,612**	$ 205,269
Provision for finance receivable losses	**85,672**	472,266
Charge-offs	**(52,920)**	(503,923)
Sale of portfolio	**(206,364)**	-
Balance, end of year	**$ -**	**$ 173,612**

Finance receivables were collateralized by the unearned premiums of the related insurance policies.

Revolving credit facility - On July 28, 2006, we and our premium finance subsidiary, Payments, Inc., entered into a revolving line of credit (the “Revolver”) with M&T, which provided for a credit line to $20,000,000. The Revolver bore interest, at our option, at either M&T’s prime lending rate or LIBOR plus 2.25%, and was scheduled to mature on June 30, 2008. The Revolver was paid in full and terminated on February 1, 2008 upon the closing of the sale of our premium finance loan portfolio.

The line of credit also allowed for a $2,500,000 term loan (of the $20,000,000 credit line availability) to be used to provide liquidity for ongoing working capital purposes (the “Term Loan”). Any draws against the term line bore interest at LIBOR plus 2.75%. In July 2006, we made our first draw against the term line of $1,300,000. The draw was repayable in quarterly principal installments of $130,000 each, commencing September 1, 2006. The remaining principal balance of the Term Loan was payable on June 30, 2008. In June 2008, the maturity date of the Term Loan was extended to December 31, 2008. Principal payments of $55,174 were due on the first day of each month and one final payment on the maturity date. Interest was payable monthly. The Term Loan was paid in full in December 2008.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

The Revolver provided for our CEO's obligation on an unlimited wind-down guaranty and his personal guaranty as to misrepresentations that relate to dishonest or fraudulent acts committed by him or known but not timely reported by him. The Revolver was secured by substantially all of the assets of our premium finance subsidiary, Payments, Inc., and was guaranteed by DCAP Group, Inc. and its subsidiaries.

Commission and fee income **–** In our discontinued operations, we recognize commission revenue from insurance policies at the beginning of the contract period. Refunds of commissions on the cancellation of insurance policies are reflected at the time of cancellation. Fees for income tax preparation are recognized when the services are completed. Automobile club dues are recognized equally over the contract period.

Property and equipment - - In our discontinued operations, property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Leasehold improvements are being amortized using the straight-line method over the estimated useful lives of the related assets or the remaining term of the lease.

Goodwill and intangible assets - - Goodwill represents the excess of the purchase price over fair value of identifiable net assets acquired from business acquisitions. In accordance with Statement of Financial Accounting Standard ("SFAS") No. 142, "*Goodwill and Other Intangible Assets,*" goodwill is no longer amortized, but is reviewed for impairment on an annual basis and between annual tests in certain circumstances. We conduct our annual impairment test for goodwill at the beginning of the first quarter. If the fair value of the reporting unit to which goodwill relates is less than the carrying amount of those operations, including unamortized goodwill, the carrying amount of goodwill is reduced accordingly with a charge to impairment expense. The fair value of the reporting unit is a multiple of annual revenue, which is the accepted industry standard for valuing storefront insurance agencies. We performed the required impairment test for fiscal years 2008 and 2007 and found the carrying value of goodwill at December 31, 2008 to be approximately $394,000 in excess of the fair value of the reporting unit. Accordingly, our results of discontinued operations for the year ended December 31, 2008 includes an impairment charge to goodwill of $394,000. There can be no assurance that future goodwill impairment tests will not result in a charge to earnings.

Other intangibles - SFAS No. 142 requires purchased intangible assets other than goodwill to be amortized over their useful lives unless those lives are determined to be indefinite. Purchased intangible assets are carried at cost less accumulated amortization. In our discontinued operations, definite-lived intangible assets, which include customer and phone lists, have been assigned an estimated finite life and are amortized on a straight-line basis over periods ranging from 3 to 15 years. If the value of the intangible asset is determined to be impaired, the asset is written down to the current fair value.

Other intangible assets in our discontinued operations consist of the following:

December 31,	**2008**	**2007**
Customer lists	**$ 554,425**	$ 554,425
Accumulated amortization	**479,425**	403,515
Balance, end of year	**$ 75,000**	$ 150,910

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

The aggregate amortization expense for the years ended December 31, 2008 and 2007 was approximately $75,000 and $103,000, respectively. As of December 31, 2007, we no longer utilized the vanity telephone numbers included in intangible assets. The balance of $94,914 was written off and is included in impairment of intangible assets in our discontinued operations for the year ended December 31, 2007.

Estimated amortization expense for the five years subsequent to December 31, 2008 is as follows:

Years Ending December 31,	
2009	75,000

The remaining weighted-average amortization period as of December 31, 2008 is 1.0 year.

Advertising costs - Advertising costs are charged to discontinued operations when the advertising first takes place. Included in general and administrative expenses of discontinued operations are advertising costs approximating $144,000 and $333,000 for the years ended December 31, 2008 and 2007, respectively.

Income taxes - Deferred tax assets and liabilities of discontinued operations are determined based upon the differences between financial reporting and tax bases of assets and liabilities, and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Major insurance carriers - For the year ended December 31, 2008, revenue from major insurance carriers in excess of 10% of net revenues from our discontinued Retail Business consisted of the following:

Carrier	% of Total Revenue
A	**33%**
B	**17%**

For the year ended December 31, 2007, revenue from major insurance carriers in excess of 10% of net revenues from our discontinued Retail Business consisted of the following:

Carrier	% of Total Revenue
A	**40%**
B	**14%**

14. Fair Value of Financial Instruments

The methods and assumptions used to estimate the fair value of the following classes of financial instruments were:

Current Assets and Current Liabilities: The carrying values of cash, accounts receivables, finance contract receivables and payables and certain other short-term financial instruments approximate their fair value.

Notes to Financial Statements
Years Ended December 31, 2008 and 2007

Long-Term Debt: The fair value of our long-term debt, including the current portion, was estimated using a discounted cash flow analysis, based on our assumed incremental borrowing rates for similar types of borrowing arrangements. The carrying amount of variable and fixed rate debt at December 31, 2008 and 2007 approximates fair value.

15. Retirement Plan

Qualified employees are eligible to participate in a salary reduction plan under Section 401(k) of the Internal Revenue Code. Participation in the plan is voluntary, and any participant may elect to contribute up to a maximum of $15,000 per year. For the years ended December 31, 2008 and 2007, we matched 25% of the employees' contribution up to 6%. Effective January 1, 2009, we no longer match employees' contributions. Contributions for the years ended December 31, 2008 and 2007 approximated $18,000 and $25,000, respectively.

16. Supplementary Information - Statement of Cash Flows

Cash paid during the years for:

Years Ended December 31,	**2008**	**2007**
Interest	**$ 375,883**	$ 463,305
Income Taxes	**$ 23,350**	$ 3,033

17. Subsequent Event

On March 30, 2009, an asset purchase agreement (the "APA") was fully executed pursuant to which our wholly-owned subsidiaries, Barry Scott Agency, Inc. and DCAP Accurate, Inc. (collectively "Seller"), agreed to sell substantially all of their assets, including the book of business of the 16 Retail Business locations that we own in New York State (the "Assets") to NII BSA LLC ("Buyer"). The closing of the sale of the Assets is subject to a number of conditions. The purchase price for the Assets is approximately $2,337,000, of which approximately $1,786,000 is to be paid to Seller at closing, and the remainder of the purchase price is to be satisfied by the delivery of promissory notes in the aggregate amount of $551,000. As additional consideration, Seller will be entitled to receive through September 2010 an amount equal to 60% of the net commissions derived from the book of business of six retail locations that were closed in 2008.

As a result of our December 2008 plan of restructuring to close or sell our Retail Business locations, and the APA on March 30, 2009, our Retail Business has been presented as discontinued operations.

See Note 13.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

DCAP GROUP, INC.

Dated: April 13, 2009

By: /s/ Barry B. Goldstein
Barry B. Goldstein
Chief Executive Officer

Pursuant to the requirements of 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	Capacity	Date
/s/ Barry B. Goldstein Barry B. Goldstein	President, Chairman of the Board, Chief Executive Officer, Treasurer and Director (Principal Executive Officer)	April 13, 2009
/s/ Victor Brodsky Victor Brodsky	Chief Accounting Officer (Principal Financial and Accounting Officer) and Secretary	April 13, 2009
/s/ Michael R. Feinsod Michael R. Feinsod	Directors	April 13, 2009
/s/ Jay M. Haft Jay M. Haft	Director	April 13, 2009
/s/ David A. Lyons David A. Lyons	Director	April 13, 2009
/s/ Jack D. Seibald Jack D. Seibald	Director	April 13, 2009

ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT, dated as of this 27th day of March, 2009, is by and among NII BSA LLC, a Delaware limited liability company ("**Buyer**"), BARRY SCOTT AGENCY, INC., a New York corporation ("**BSA**"), DCAP ACCURATE, INC., a Delaware corporation ("**DA**") (BSA and DA are collectively "**Seller**") and DCAP GROUP, INC., a Delaware corporation (the "**Shareholder**", and collectively with the Seller, the "**Seller Group**").

Preliminary Statement:

Seller is engaged in the Business (as this capitalized term and other capitalized terms used herein are defined in ***Exhibit A***) in New York. Seller owns the Purchased Assets, which Seller uses in the operation of the Business. Buyer desires to purchase from Seller, and Seller desires to sell to Buyer, the Purchased Assets, all upon the terms and conditions hereinafter set forth. The Shareholder owns 100% of the issued and outstanding capital stock of Seller. The Shareholder is entering into this Agreement to provide certain non-competition, indemnification and other assurances to Buyer as a material inducement for Buyer to enter into this Agreement.

Agreement:

In consideration of the premises and of the respective mutual agreements, covenants, representations and warranties contained herein, the parties hereto agree as follows:

1. DEFINITIONS.

1.1. **Certain Defined Terms.** As used in this Agreement, except as otherwise set forth herein, each capitalized term shall have the meaning ascribed to such term in ***Exhibit A***.

1.2. **Construction, etc.** Unless otherwise expressly provided, for purposes of this Agreement, the following rules of interpretation shall apply: (i) whenever the context requires, the singular includes the plural and the plural includes the singular; (ii) "or" is not exclusive; (iii) a reference to any Person includes such Person's successors and assigns but, if applicable, only if succession or any assignment to such successors and assigns is not prohibited by this Agreement; (iv) the words "include," "includes" and "including" and any other words or phrases of inclusion shall not limit the generality of any enumerations or descriptions preceding such terms, and references to "included" matters will be regarded as non-exclusive, non-characterizing illustrations; (v) a reference to any gender includes each other gender; (vi) references to any document, instrument or agreement (A) shall be deemed to include all exhibits, schedules, addenda, riders and other attachments thereto, (B) shall include all documents, instruments or agreements issued or executed in replacement thereof, and (C) shall mean such document, instrument or agreement as amended, modified or supplemented from time to time and in effect from time to time in accordance with the terms thereof; (vii) the words "hereof," "herein" and "hereunder" and words of similar import when used in any document shall refer to such document as a whole and not to any particular provision of such document; (viii) the section headings contained in this Agreement are for the reference purposes only and shall not affect the meaning or interpretation of any of the provisions of this Agreement; (ix) all accounting terms used herein shall be interpreted and all accounting determinations hereunder shall be made in accordance with generally accepted accounting principles for financial reporting in the United States, consistently applied; (x) any reference to any statutory provision includes each successor provision and all applicable laws as to that provision; (xi) "will" has the same meaning as "shall" and, thus, connotes an obligation and an imperative and not a futurity; (xii) "copy" or "copies" means that the copy or copies of the material to which it relates are true, correct and complete; and (xiii) an entity will have knowledge of a particular fact or matter if any of its current directors, officers, managers or similar Persons have knowledge of such fact or other matter, including, in the case of each member of the Seller Group, Barry B. Goldstein, Barry Lefkowitz and Victor Brodsky, and in the case of Buyer, Grossberg and Todd Yomtov).

1.2.1. This Agreement is a result of negotiations among, and has been reviewed by Seller, Buyer, Shareholder and their respective counsel. Accordingly, this Agreement shall be deemed to be the product of all parties hereto, and no ambiguity shall be construed in favor of or against any party hereto.

2. PURCHASE AND SALE OF THE PURCHASED ASSETS.

2.1. **Purchase and Sale.** Upon the terms and conditions of this Agreement, Buyer hereby agrees to purchase and acquire, and Seller hereby agrees to sell, convey, assign, transfer and deliver to Buyer, free and clear of all Liens, the Purchased Assets.

2.2. **Assumption of Liabilities.** As part of the consideration for the Purchased Assets, Buyer shall assume as of the Closing Date and shall pay and discharge or cause to be paid and discharged in accordance with their terms only (A) those Liabilities accruing in respect of periods from and after the Closing Date under the Contracts specifically identified in ***Schedule 2.2*** as to be assumed by the Buyer (collectively, the "**Assumed Contracts**"), but in each case excluding (i) any Liability that relates to a period or portion of a period prior to the Closing Date, and (ii) any Liability based on a breach or alleged breach of any such Contract on or before the Closing Date, (B) Unearned Commissions as provided in ***Section 6.16***, and (C) the AMS Obligation as provided in ***Section 2.4.2.4*** (collectively, the "**Assumed Liabilities**").

2.3. **Excluded Liabilities.** Except for the assumption of the Assumed Liabilities, Buyer will not acquire or assume and will have no responsibility for paying, performing or discharging any of Seller's Liabilities. No such assumption shall be implied or construed by operation of Law or otherwise. All Liabilities other than the Assumed Liabilities shall remain the sole responsibility of and shall be retained, paid, performed and discharged solely by Seller. Without limiting the generality of the foregoing, the excluded Liabilities include, among other things, each of the following: (i) any liabilities or obligations relating to any consultant, broker, producer, sub-producer employee or former employee of Seller, including any claim by any such Person or any other Person (including brokers with whom Seller has split-commission arrangements or other arrangements) for salary, wages, commissions, vacation or holiday pay, severance pay, sick pay, workers compensation, medical benefits, retirement benefits, any other employee benefits or other benefits of any kind whatsoever, and including any liability or obligation under the New York State Worker Adjustment Retraining Notification Act (**"NY WARN"**) or any corresponding or similar federal or state legislation, or pursuant to other applicable Law, Proceedings or Orders; (ii) any liability or obligation of Seller in respect of any Tax or similar payment obligation to any Tax Authority; (iii) any liability or obligation of Seller in respect of any Contract, whether arising or accruing before or after the Closing Date, including any Leases and any carrier contracts assigned and transferred to Buyer in accordance with this Agreement (except as provided in ***Section 2.2*** with respect to the Assumed Contracts); (iv) all of Seller's accounts payable and all indebtedness of Seller for borrowed money or otherwise, whether for periods preceding or following the Closing Date (except to the extent they are included in the Assumed Contracts for periods on or after the Closing Date and for the AMS Obligation); (v) any liabilities or obligations to Seller's customers, clients or accounts, including liabilities relating to customer or client deposits held by Seller in fiduciary accounts in its name; (vi) any liability to any shareholder or Affiliate of Seller or the Shareholder; (vii) any liability arising out of any Proceeding, including any commenced, brought, conducted or heard by or before, or otherwise involving, any Governmental or Regulatory Authority and including any relating to the acts or omissions of Seller or its employees and agents or the operation of the Business; (viii) any liabilities or obligations with respect to Prior Claims; and (ix) any liabilities based on, arising out of or in connection with the execution, delivery or performance by Seller of this Agreement, including all liabilities of Seller for federal, state, county, local or other income, sales, use or other Taxes or assessments of any kind, including any based upon, or related to, the sale of the Purchased Assets, the dissolution of Seller or any action related to any of the foregoing.

2.4. Purchase Price; Allocation. The purchase price (the **"Purchase Price"**) shall be as follows:

2.4.1. The Purchase Price for all of the Purchased Assets, other than the Closed Store Book of Business, shall be Two Million Three Hundred Thirty Six Thousand Nine Hundred Fifty Two Dollars ($2,336,952), payable as follows:

2.4.1.1. One Million Eight Hundred Eighty Six Thousand Four Hundred Nine Dollars ($1,886,409) (collectively, the "**Cash Payment**"), subject to reduction as provided in ***Schedule 8.1.4***, will be paid to Seller at the Closing by wire transfer (with the reduction amount, if any, being paid to the Escrow Agent as provided for in ***Schedule 8.1.4***).

2.4.1.2. Subject to offset as provided herein, the balance of the Purchase Price in the amount of Four Hundred Fifty Thousand Five Hundred Forty Three Dollars ($450,543) shall be paid by Buyer to Shareholder pursuant to a promissory note substantially in the form attached hereto as ***Exhibit B*** (the "**Promissory Note**"). Seller consents to Buyer's payment of the Promissory Note to the Shareholder and not to Seller. The Promissory Note shall be dated as of the Closing Date and will provide for the principal balance to be paid in two equal installments of principal of Two Hundred Twenty Five Thousand Two Hundred Seventy One and 50/100 Dollars ($225,271.50), the first being due on March 31, 2010 and the second being due on September 30, 2010 (the "**Maturity Date**"), together with applicable interest payments accruing from the Closing Date at the rate of five and 25/100 percent (5.25%) per annum. All accrued and unpaid interest on the unpaid principal under the Promissory Note to the date of the first such installment shall be due and payable with such first installment, and all accrued and unpaid interest on the unpaid principal remaining after the payment of the first installment, from the date of the first installment to the Maturity Date, shall be due and payable with such second installment on the Maturity Date.

2.4.2. The Purchase Price for the Closed Store Book of Business shall be an amount equal to sixty percent (60%) (**"Seller's Share"**) of the Net Commissions Derived from the Closed Stores during the period that begins on the Closing Date and ends on September 30, 2010 (such period being the **"Payment Period"**).

2.4.2.1. The term **"Net Commissions Derived from the Closed Stores"** means all new and renewed agency billed and direct billed commissions actually collected by the Buyer during the Payment Period from the sale, placement or renewal of insurance products to or for any Person who was a client, customer or account of the Closed Store Book of Business as of the Closing Date (each a **"Closed Store Account"**) (as determined pursuant to the provisions of ***Section 2.4.2.4***) net of adjustments for unearned or return commissions and other policy audit charges actually deducted therefrom; provided, that Net Commissions Derived from the Closed Stores shall not include (a) any service fees, public adjuster fees, profit sharing payments, overrides, contingent or bonus commissions or income, interest income, or any other miscellaneous income, compensation or revenue of any kind, character or description derived, earned or realized from any source, or any commissions attributable to non-owned business, (b) commissions paid to any third party producing agent or agency or to any third party broker, (c) commissions with respect to the sale, placement or renewal of insurance products to or for any Person who was not a Closed Store Account (including any Person referred to Buyer by a Closed Store Account), or (d) commissions with respect to new insurance products (such as homeowner's insurance placed for a Closed Store Account who did not have a homeowner's insurance policy prior to the Closing Date) sold to or placed for any Closed Store Account. As an illustration of the foregoing, if a Closed Store Account has an insurance policy with respect to an automobile and obtains a policy through Buyer with respect to another automobile, or if an insurance policy for a Closed Store Account is switched through Buyer from one insurance carrier to another, commissions received with respect thereto shall constitute Net Commissions Derived from the Closed Stores.

2.4.2.2. Subject to offset as provided herein, the Purchase Price for the Closed Store Book of Business shall be paid to Seller as follows: the Seller's Share of the Net Commissions Derived from the Closed Stores collected by the Buyer during each calendar quarter of the Payment Period shall be remitted to BSA or DA, as the case may be, within 20 days after the end of each such calendar quarter, and each such quarterly remittance shall be accompanied by documentation, including carrier commission statements, evidencing the Net Commissions Derived from the Closed Stores actually collected by the Buyer during the applicable quarter from any insurance carriers during such quarter (or, if the 20th day is not a business day, then no later than the next business day), and information as to all Closed Store Accounts who switched insurance carriers during such prior quarter, including the name of, and subcode utilized for the particular Closed Store Account by, the new carrier.

2.4.2.3. The Buyer shall use commercially reasonable efforts to retain each Closed Store Account for the duration of the Payment Period, and for these purposes "commercially reasonable efforts" means only the same efforts that the Buyer and any Affiliate of the Buyer uses in the ordinary course of its insurance agency business to retain its own insurance agency clients, customers or accounts. Each Closed Store Account will be assigned to the Buyer's master producer code, but the Buyer will establish and maintain throughout the Payment Period a subcode under the Buyer's master code which denotes that the activity associated with the subcode relates only to a Closed Store Account. The subcode established for a particular Closed Store Account will not be changed during the Payment Period, except to reflect any Closed Store Accounts who switch insurance carriers, as provided in ***Section 2.4.2.2***.

2.4.2.4. At the Closing, Seller will provide to Buyer ***Schedule 2.4.2.4*** which will list, as of a date no more than five (5) business days prior to the Closing, each client, customer and account of the Closed Stores that has an active policy as of the date the schedule is provided. The schedule will be deemed a list of the Closed Store Accounts for purposes of this Agreement, subject to adjustment in case any such Person no longer had an active policy as of the Closing Date. In addition, at the Closing, the Seller will deliver to Buyer a computer disc which will contain all data, as of a date no more than five (5) business days prior to the Closing, relating to the Current Book of Business and the Closed Store Book of Business on the Seller's AMS 360 client management computer system (the "**AMS 360 System**"). Buyer agrees that (i) no representation or warranty is made as to the convertibility of the data contained on the disc from the AMS 360 System (the "**Disc**") to any system utilized by Buyer and (ii) it shall be responsible for the payment of the amount due for the production of the Disc (the "**AMS Obligation**").

2.4.2.5. The term **"Closed Stores"** mean only those locations of Seller identified as such on ***Schedule 2.4.2.5.*** Any locations of Seller that are not Closed Stores shall be deemed **"Open Stores"** and are listed as such on ***Schedule 2.4.2.5***.

2.4.2.6. Seller shall have the right, upon reasonable notice, to inspect Buyer's books and records in connection with the matters provided for in this ***Section 2.4.2***, but, except for the purposes set forth in ***Section 6.6.2***, Seller's right to inspect shall not continue after such time as the Purchase Price for the Closed Store Book of Business has been paid in full.

2.4.3. Subject to ***Section 7.5***, the Promissory Note, and any payment of the Purchase Price for the Closed Store Book of Business due under ***Section 2.4.2.***, shall be subject to reduction by Buyer to offset any unsatisfied obligations of the Seller Group arising under this Agreement. Satisfaction of any Seller Group obligations from the amounts due under the Promissory Note or under ***Section 2.4.2.*** shall not operate to waive the obligations of the Seller Group contained in this Agreement for amounts owed by Seller to Buyer in excess of the amounts offset under this ***Section 2.4.3***, subject to the provisions of ***Section 7.7***.

2.4.4. The Purchase Price (including the Purchase Price for the Closed Store Book of Business) shall be allocated as set forth in ***Schedule 2.4.4***. Buyer, on the one hand, and the Seller Group, on the other hand, have arrived at this allocation as set forth in ***Schedule 2.4.4*** by arm's-length negotiation and none of them will take a position (and each of them will cause their respective Affiliates not to take a position) on any Tax Return or before any Governmental or Regulatory Authority charged with the collection of any Tax or in any Proceeding that is in any manner inconsistent with the terms of ***Schedule 2.4.4*** or this ***Section 2.4.4*** without the prior written consent of the other parties to this Agreement.

2.5. **Excluded Assets.** The Purchased Assets shall not include any of Seller's right, title or interest in or to the following (collectively, "**Excluded Assets**"), all of which are excluded from the sale and purchase contemplated hereunder and shall remain the property of Seller after the Closing:

2.5.1. all cash, cash equivalents, bank deposits or similar cash items of Seller, including without limitation all customer deposit fiduciary accounts in Seller's name;

2.5.2. all Contracts other than the Assumed Contracts;

2.5.3. all minute books, stock Records and corporate seals;

2.5.4. all prepaid expenses and security deposits (other than the Lease and Utility Security Deposits and prepaid telephone directory advertising expenses transferred to Buyer);

2.5.5. all claims for refund of Taxes and other governmental charges of whatever nature;

2.5.6. all rights of Seller under this Agreement and the documents and instruments entered into by Seller in connection with this Agreement;

2.5.7. all non-transferable Permits;

2.5.8. all rights with regard to the editorial content and page layouts comprising Seller's internet websites;

2.5.9. all rights with respect to the personal property set forth on ***Schedule 2.5.9***;

2.5.10. all rights with respect to amounts payable by Nonconsenting Carriers; provided, that all rights with respect to amounts payable by any Nonconsenting Carrier shall not be deemed Excluded Assets, but shall instead be deemed Purchased Assets, from and after the date such Nonconsenting Carrier appoints Buyer to sell any of its products and such carrier is no longer a Nonconsenting Carrier pursuant to the provisions of ***Schedule 8.1.4***;

2.5.11. except as provided in ***Section 2.4.2.5***, all rights with respect to the following licenses: (a) AMS 360; (b) Metafile; (c) Silver Plume; and (d) BSAMS;

2.5.12. all insurance policies covering Seller as the insured and all rights thereunder;

2.5.13. all Pre-Closing Overrides;

2.5.14. except as provided in ***Section 6.21***, all rights with respect to Seller's computer servers;

2.5.15. all rights with respect to claims against Lynn Taylor; and

2.5.16. all rights with respect to the clients, customers and accounts of the Current Book of Business who reside in the Commonwealth of Pennsylvania and who are identified on ***Schedule 2.5.16***.

2.6. **Guaranty**. Buyer's obligation to (a) pay the Promissory Note, the Purchase Price for the Closed Store Book of Business, the Pre-Closing Overrides and an amount equal to sixty percent (60%) of the Post-Closing Overrides and (b) indemnify, defend and hold harmless Seller and Shareholder as provided for herein will be guaranteed by Matthew Grossberg ("**Grossberg**") pursuant to a guaranty substantially in the form attached hereto as ***Exhibit C*** (the "**Guaranty**").

2.7. Adjustment to Purchase Price. At the Closing, an adjustment shall be made to the Purchase Price and the Cash Payment to give effect to any amounts paid by Seller with respect to the real property Leases set forth on ***Schedule 5.10*** that relate to the period on or after the Closing Date.

3. CLOSING DATE; CLOSING DELIVERIES; TERMINATION.

3.1. **Closing.** Subject to the satisfaction of the conditions set forth in ***Sections 8.1*** and ***8.2*** hereof (or the waiver thereof by the party entitled to waive that condition), the closing of the purchase and sale of the Purchased Assets (the "**Closing**") shall take place at such place as Buyer and Seller may mutually agree upon at 10:00 a.m. (Eastern Standard Time) on a date to be specified by the mutual consent of Buyer and Seller, which date shall be no later than five (5) business days after satisfaction or waiver of the conditions set forth in ***Section 8*** hereof (other than conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of such conditions), unless another time or date, or both, are agreed to in writing by Buyer and Seller. The date on which the Closing shall be held is referred to in this Agreement as the "**Closing Date**". The Closing will be effective as of 12:01 a.m. local time on the Closing Date. The Business will operate for the benefit of Buyer on the Closing Date.

3.2. **Seller Group Deliveries at Closing.** Subject to the terms and conditions of this Agreement, on the Closing Date the members of the Seller Group, as appropriate, shall execute (as applicable) and/or deliver to Buyer:

3.2.1. a Bill of Sale in form and substance reasonably satisfactory to counsel for Buyer and the Seller Group (the "**Bill of Sale**");

3.2.2. an assignment and assumption agreement with respect to the Assumed Contracts, in form and substance reasonably satisfactory to Buyer and Seller, and separate assignment and assumption agreements for each of the real estate Leases listed on ***Schedule 5.10***;

3.2.3. any and all other third party consents required in order to transfer the Purchased Assets to Buyer, including consents to the assignment of the Assumed Contracts and estoppel certificates from all landlords with respect to each of the real estate Leases listed on ***Schedule 5.10*** in form and substance reasonably satisfactory to Buyer, Seller and Lender and a Landlord's Agreement substantially in the form attached hereto as ***Exhibit G*** from each such landlord; provided, however, that:

3.2.3.1. Notwithstanding the foregoing provisions of ***Section 3.2.3*** to the contrary**,** Seller will not be obligated to deliver a consent with respect to any of the advertising contracts, copying machine contracts, bottled water contracts, waste removal contracts or alarm contracts set forth on ***Schedule 2.2***.

3.2.3.2. Anything in this Agreement to the contrary notwithstanding, (a) in the event an assignment to the Buyer of any real estate Leases or other Assumed Contracts or any claim, right or benefit arising thereunder or resulting therefrom which, without the consent of the lessor, licensor or other similar parties thereto, would result in the Buyer not receiving all of the rights of the Seller thereunder, and/or (b) if any such consent has not been obtained by the Closing Date and the parties have nevertheless elected to proceed with the Closing, such Lease or other Assumed Contract shall be deemed not to have been assigned to the Buyer. However, the obligations thereof shall nevertheless be deemed to have been assumed by the Buyer and constitute Assumed Liabilities and if requested by the Buyer, after the Closing, the parties who were unable to obtain any such consent will use reasonable commercial efforts to obtain such consent (subject to ***Section 6.8***); provided that, if the consent is not obtained and is required to effectively assign any such Assumed Contract to the Buyer, the parties will cooperate with each other in any reasonable arrangement to provide the Buyer with the full claims, rights and benefits thereunder; the foregoing shall not be construed as a limitation on the conditions to the obligation of the Buyer to consummate the transactions contemplated hereby, including the requirement that the consents, estoppels and Landlord's Agreements be delivered at Closing as provided for in ***Section 3.2.3*** (subject to ***Section 3.2.3.1***), it being understood and agreed that the Buyer shall have no obligation to consummate the transactions contemplated hereby if any such instruments are not so delivered or if any other such conditions are not fulfilled or satisfied;

3.2.4. a true, correct and complete list of the Current Book of Business as of a date not more than five (5) business days prior to the Closing Date, and ***Schedule 2.4.2.4*** which will be a true, correct and complete list of the Closed Store Accounts as of a date not more than five (5) business days prior to the Closing Date;

3.2.5. a certificate of an officer of Seller, in form and substance reasonably satisfactory to counsel for Buyer and the Seller Group, certifying as to (i) the incumbency and signatures of the officers of Seller that have or will execute any of the Transaction Documents on behalf of Seller, (ii) the resolutions of the board of directors of each Person comprising the Seller and the Shareholder authorizing the execution, delivery and performance of the Transaction Documents, and (iii) Seller's certificate of incorporation and bylaws;

3.2.6. to the extent applicable, evidence reasonably acceptable to Buyer's counsel of the release of any and all Liens on the Purchased Assets;

3.2.7. evidence reasonably acceptable to Buyer that as to those employees of Seller being offered employment with Buyer, Seller has, effective as of the Closing Date, terminated all such employees from the Business and has satisfied all obligations of Seller with respect to such terminated employees (including, the payment of salary, bonuses and all other remuneration for all periods through the Closing Date, subject to ***Section 6.2***), as required by applicable Laws (including the NY WARN), contract or otherwise;

3.2.8. an assignment of the telephone number(s), facsimile number(s) and domain names used in connection with the Business, as may be required;

3.2.9. a certificate of good standing for Seller from the jurisdiction of its organization and from each other jurisdiction in which Seller is authorized or qualified to do business, each dated not later than thirty (30) days prior to the Closing Date;

3.2.10. a certificate of the Shareholder to the effect set forth in ***Sections 8.1.1*** and ***8.1.2***;

3.2.11. articles of amendment, effective on the Closing Date, evidencing the change of name of each Person comprising the Seller, as required by ***Section 6.14***;

3.2.12. all other certificates, instruments and documents that are expressly required pursuant to this Agreement to be delivered by the Seller Group to Buyer at the Closing;

3.2.13. such other bills of sale, endorsements, assignments and such other instruments of transfer and conveyance, in form and substance reasonably satisfactory to Buyer's counsel, as shall be effective to vest in Buyer as of the Closing Date, good and marketable title, free and clear of any Liens, to all of the Purchased Assets, and otherwise pursuant to ***Section 9.9*** (Further Assurances);

3.2.14. a final profit and loss statement and consolidated and reconciled final balance sheet dated as of the date of closing; provided that Seller may deliver the same to Buyer not later than May 15, 2009 if the same are not delivered at Closing;

3.2.15. the Offset Escrow Agreement; and

3.2.16. a Standby Creditor's Agreement substantially in the form attached hereto as ***Exhibit F*** (the "**Standby Creditor's Agreement**").

3.3. **Buyer Deliveries at Closing.** Subject to the terms and conditions of this Agreement, on the Closing Date Buyer shall execute (as applicable) and/or deliver, or cause to be delivered, to Seller:

3.3.1. the Cash Payment;

3.3.2. the Promissory Note;

3.3.3. the Guaranty;

3.3.4. a certificate of Buyer to the effect set forth in ***Sections 8.2.1*** and ***8.2.2***;

3.3.5. countersigned copies of the assignment and assumption agreements for the Assumed Contracts and real estate Leases referred to in ***Section 3.2.2***;

3.3.6. all other certificates, instruments and documents that are expressly required pursuant to this Agreement to be delivered by Buyer to Seller at the Closing; and

3.3.7. the Offset Escrow Agreement.

3.4. **Termination of Agreement.** Seller or Buyer may terminate this Agreement at any time prior to the Closing Date by giving written notice to the other under the following circumstances:

3.4.1. by mutual consent of Seller and Buyer;

3.4.2. if the Closing shall not have occurred by the close of business on or before the thirtieth (30th) day after the execution and delivery of this Agreement (or, if the 30th day is not a business day, the next business day) or such later date as Buyer and Seller may agree to in writing (the "**Termination Date**"); provided, however, that if the Closing shall not have occurred on or before the Termination Date due to a material breach of any representations, warranties, covenants or agreements contained in this Agreement by Buyer or Seller, then the breaching party may not terminate this Agreement pursuant to this ***Section 3.4.2***;

3.4.3. if either Buyer or Seller is prohibited by an Order from consummating the transactions contemplated by this Agreement, and such Order has become final and non-appealable;

3.4.4. by Buyer if, following the date of this Agreement any one or more customers representing, in the aggregate, at least ten percent (10%) of the net revenue derived from the Current Book of Business as of the date hereof terminates its or their business relationship with Seller, cancels its or their policies brokered by Seller or provides notice to Seller of its or their intent to terminate its or their business relationship with Seller or let its or their policies brokered by Seller expire without renewal;

3.4.5. by Buyer, if any of the conditions to the obligations of Buyer set forth in ***Section 8.1*** shall have become incapable of fulfillment other than as a result of a breach by Buyer of any covenant or agreement contained in this Agreement, and such condition has not been waived by Buyer in writing;

3.4.6. by Seller, if any condition to the obligations of Seller set forth in ***Section 8.2*** shall have become incapable of fulfillment other than as a result of a breach by Seller of any covenant or agreement contained in this Agreement, and such condition has not been waived by Seller in writing;

3.4.7. by Buyer, if there shall be a breach by any member of the Seller Group of any representation or warranty made by such member, or any covenant or agreement contained in this Agreement, in either case which would result in a failure of a condition set forth in ***Section 8.1*** and which breach cannot be cured or has not been cured by the earlier of (i) ten (10) business days after the giving of written notice by Buyer to Seller of such breach or (ii) the Termination Date; or

3.4.8. by Seller, if there shall be a breach by Buyer of any representation or warranty made by Buyer, or any covenant or agreement contained in this Agreement, in either case which would result in a failure of a condition set forth in ***Section 8.2*** and which breach cannot be cured or has not been cured by the earlier of (i) ten (10) business days after the giving of written notice by Seller to Buyer of such breach or (ii) the Termination Date.

3.5. Effect of Termination.

3.5.1. Subject to ***Section 3.5.2*** below, if this Agreement is terminated by Buyer or Seller as permitted by ***Section 3.4,*** then each of the parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Buyer or Seller. In no event shall Buyer have or incur liability to the Seller Group, or Seller Group have or incur liability to Buyer, for incidental, consequential, punitive, indirect or special damages.

3.5.2. Nothing in this ***Section 3.5*** shall relieve any or all members of the Seller Group or Buyer of any liability for a breach of this Agreement prior to the date of termination. The damages recoverable by Buyer upon a breach by any member of the Seller Group shall include all attorneys' fees, and the fees of other professional advisors, reasonably incurred by Buyer in connection with the transactions contemplated hereby. The damages recoverable by Seller Group upon a breach by Buyer shall include all attorneys' fees, and the fees of other professional advisors, reasonably incurred by Seller Group in connection with the transactions contemplated hereby.

4. **BUYER REPRESENTATIONS AND WARRANTIES.** Buyer represents and warrants to Seller as follows, knowing and intending that Seller will rely thereon in entering into and performing this Agreement:

4.1. **Organization and Authority.** Buyer is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware. Buyer has the requisite power and authority to enter into this Agreement and to perform its obligations under this Agreement. The signing, delivery and performance of this Agreement by Buyer have been duly authorized by Buyer, and no further action is required on Buyer's part in order to authorize this Agreement or the transaction contemplated by this Agreement. Buyer has all requisite power, authority and legal capacity to execute and deliver each Transaction Document to which it is a party, to perform its obligations under each such Transaction Document, and to consummate the transactions contemplated by each such Transaction Document. This Agreement is the legal, valid and binding obligation of Buyer duly enforceable against Buyer in accordance with its terms.

4.2. **No Conflict or Violation.** Neither the signing and delivery of this Agreement and the other Transaction Documents by Buyer nor the performance by Buyer of the transaction contemplated by this Agreement will result in: (i) a violation or conflict with Buyer's formation or governing documents; (ii) a violation of any Laws or any Order to which Buyer is subject; or (iii) a breach or default under any mortgage, indenture, deed of trust or other Contract to which Buyer is a party or is otherwise subject.

4.3. **No Broker's or Finder's Fees.** No broker, finder, financial advisor or other person acting in a similar capacity has acted directly or indirectly for Buyer in connection with this Agreement or the transaction contemplated by this Agreement.

4.4. **Consents and Approvals.** The signing, delivery and performance by Buyer of this Agreement and the other Transaction Documents does not require consent, approval or authorization from, or any declaration, filing, registration or notice with or to, any Governmental or Regulatory Authority or any other Person.

4.5. **Appointed Carriers**. ***Schedule 4.5*** contains a true, complete and correct list of each insurance carrier for which Buyer or any Affiliate thereof (including N.I.I. Brokerage, L.L.C. ("N.I.I.")) has been appointed as an agent. Except as disclosed in ***Schedule 4.5***, (a) all of the agency agreements to which Buyer or any Affiliate thereof is a party are valid, binding and in full force and effect, (b) no notice of termination has been received by Buyer or any Affiliate thereof with respect to any agency agreement and, to the knowledge of Buyer, no insurance company has threatened to cancel or terminate any agency agreement with Buyer or any Affiliate thereof, and (c) to the knowledge of Buyer, there are no existing defaults, or events which with or without the passage of time or the giving of notice, or both, would constitute material defaults by Buyer or any Affiliate thereof or by any other party to any such agency agreements.

5. **SELLER GROUP REPRESENTATIONS AND WARRANTIES.** Each member of the Seller Group, jointly and severally, represents and warrants to Buyer as follows, knowing and intending that Buyer will rely thereon in entering into and performing this Agreement:

5.1. Organization and Authority; Capitalization.

5.1.1. BSA is a corporation duly organized, validly existing and in good standing under the Laws of the State of New York. DA is a corporation duly organized, validly existing and in good standing under the Laws of the State of Delaware. Seller has the requisite power and authority to own the Purchased Assets and to carry on the Business as presently conducted. Seller is duly qualified, licensed and authorized to do business and is in good standing as a foreign corporation in each jurisdiction where the nature of the Business or the character or

location of the Purchased Assets makes such qualification or licensing necessary. Copies of (i) BSA's Certificate of Incorporation and all amendments, certified by the New York Department of State as being true and accurate, (ii) DA's Certificate of Incorporation and all amendments, certified by the Delaware Department of State as being true and accurate, and (iii) Bylaws, as amended, certified by Seller's respective corporate secretary as being true, accurate and complete, are being delivered to Buyer together with this Agreement. The sole shareholder of Seller is Shareholder. No Person has any right or option to acquire shares of Seller's stock from Seller or Shareholder.

5.1.2. The signing, delivery and performance of this Agreement by Seller have been duly authorized by Seller's board of directors and by Shareholder, as Seller's only shareholder, and no further action is required on the part of Seller in order to authorize this Agreement or the transaction contemplated by this Agreement. Each member of the Seller Group has all requisite power, authority and legal capacity to execute and deliver each Transaction Document to which it is a party, to perform its obligations under each such Transaction Document, and to consummate the transactions contemplated by each such Transaction Document. This Agreement is the legal, valid and binding obligation of each member of the Seller Group, duly enforceable against each of them in accordance with its terms.

5.2. **Operation of the Business.** The Business is conducted only by Seller and not through any Affiliate or other Person. No Affiliate or other Person, including but not limited to any employee, broker or producer, owns or has any right or interest in the Business or any of the Purchased Assets, or any right to receive fees on account of the Business or the revenues derived therefrom. The Business and all of the Purchased Assets are owned or held exclusively by Seller and not by any other Person. Seller does not conduct any business or activity other than the Business. Seller does not own, directly or indirectly, any equity, securities or other interests in any Person and, insofar as the Business is concerned, is not a member of and does not otherwise participate in any partnership, joint venture, strategic alliance or other collaborative or cooperative arrangement, whether written or oral, or whether by practice or custom or course of dealing. Seller has no subsidiaries and no Affiliates except the Shareholder.

5.3. **No Conflict or Violation.** Neither the signing and delivery of this Agreement and the other Transaction Documents by the Seller Group nor the performance by the Seller Group of the transaction contemplated by this Agreement and the other Transaction Documents will result in: (i) a violation or conflict with Seller's certificates of incorporation or bylaws; (ii) a violation of any Laws or any Order to which Seller, the Business or any of the Purchased Assets are subject; (iii) the imposition of any Lien against the Purchased Assets; (iv) the loss, revocation or nonrenewal of any material Permit; or (v) a breach or default under any Contract to which any member of the Seller Group is a party or by which any member of the Seller Group is bound.

5.4. **Ordinary Course; Absence of Certain Events.** Since December 1, 2007, except for the closure of the Closed Stores, the Business has been operated only in the ordinary course and, except as set forth on ***Schedule 5.4***, there has been no: (i) entry into, termination of or receipt of notice of termination of or indication by any Agency or Producer of any intent to terminate any Agency Agreement or Producer Agreement to which Seller is a party; (ii) damage to or destruction or loss of any Purchased Asset; (iii) indication by any customer of Seller of an intention to discontinue or change the terms of its relationship with Seller or to cancel or not renew any policy constituting a part of the Current Book of Business or the Closed Store Book of Business (except for any discontinuance, change, cancellation or non-renewal which would not, either individually or together with other such discontinuances, changes, cancellations or non-renewals, have a material adverse effect on the Business); or (iv) other material adverse change in the Business.

5.5. **Consent and Approvals.** Except as set forth on ***Schedule 5.5***, the execution, delivery and performance of this Agreement by Seller (including, without limitation, the assignment of the Assumed Contracts, the Current Book of Business and the Closed Store Book of Business to Buyer) does not and will not require any consent, approval, appointment or authorization from, or any declaration, filing, registration or notice with or to, any Governmental or Regulatory Authority or any other Person.

5.6. **Absence of Litigation.** There are, and during the past three years, there have been, no Proceedings pending or, to the knowledge of any member of the Seller Group, any claims or investigations made or Proceedings threatened against or involving Seller, the Business or the Purchased Assets except for Proceedings which have been settled for an aggregate out-of-pocket amount from Seller to the claimants of not in excess of $30,000. There are no outstanding Orders related to the Business against any member of the Seller Group or, to the knowledge of any member of the Seller Group, any producers or employees involved on behalf of Seller in the Business. No voluntary or involuntary petition in bankruptcy, receivership, insolvency or reorganization with respect to Seller, or petition to appoint a receiver or trustee of Seller's property, has been filed for or against Seller, nor shall Seller file such a petition prior to the Closing Date or for one hundred (100) days thereafter, and if such a petition is filed by any third party, it shall be promptly discharged by Seller. Seller has not made any assignment for the benefit of creditors or admitted in writing its inability to pay its debts as they come due.

5.7. Compliance with Laws; Permits.

5.7.1. Seller (and each other member of the Seller Group insofar as it relates to the Business or the Purchased Assets) has been in the past and is now in compliance in all material respects with all Laws applicable to Seller and the Business. No member of the Seller Group has received written notice of a violation or alleged violation of any Laws related to the Business which has not been rectified or which remains outstanding and, to the knowledge of each member of the Seller Group, no such outstanding violation exists or material violation has occurred.

5.7.2. Seller has all Permits necessary for the conduct and operation of the Business as presently conducted. ***Schedule 5.7.2*** lists all such Permits. To the extent the Business is required to be operated or conducted by individuals who are duly licensed or hold applicable Permits, all such individuals have the required Permits, all of which are listed on ***Schedule 5.7.2***. The Permits are in full force and effect. Except as set forth on ***Schedule 5.7.2***, Seller has been, and is now, conducting the Business in material compliance with the Permits and, to the knowledge of the Seller Group, no Proceedings are pending or threatened to limit, not renew or revoke, or to impose or require any extraordinary action with respect to, any Permit. Seller has timely filed all material reports, registrations, statements, renewal applications and other submissions that are required pursuant to any Permit to be filed with any Governmental or Regulatory Authority having jurisdiction over the Business.

5.8. **Intellectual Property.** ***Schedule 5.8*** lists all registered or unregistered trademarks, service marks, tradenames, business names, alternate names, patents and patent applications, registered copyrights, logos and Internet domain names and address registrations owned or used under license by each Person comprising the Seller or from which the Business otherwise benefits (collectively, "**Intellectual Property**"). Seller has the right to use the Intellectual Property, and except as set forth on ***Schedule 5.8*** or to the extent it is an Excluded Asset, Buyer will have the right to use the Intellectual Property on and after the Closing Date. There are no Proceedings pending or, to the knowledge of the Seller Group, threatened, asserting that Seller's use of the Intellectual Property infringes the rights of any Person. No member of the Seller Group has knowledge of any infringement upon any Intellectual Property by any Person.

5.9. **Title to Purchased Assets.** Seller has and will deliver to Buyer good title to all of the Purchased Assets, free and clear of all Liens. Except as set forth on ***Schedule 5.9***, each asset that is necessary for the realization of all the revenue generated by the Business or is otherwise owned, used or held for use in connection with the Business as now conducted constitutes a Purchased Asset. No Person other than Seller owns, holds or, to the knowledge of the Seller Group, claims any beneficial interest, ownership, option to purchase or right of first refusal or Lien of any kind in or to the Purchased Assets, and none of the Purchased Assets is subject to any purchase money lien, title retention agreement or other financing arrangement. Seller has not leased or licensed any of the Purchased Assets for use by any other Person.

5.10. **Real Estate; Environmental.** Seller does not own any real property. ***Schedule 5.10*** contains a complete listing of the locations of Seller's offices and all real property Leases to which Seller is a party. No office locations are occupied by Seller under Lease or other right of use or occupancy except as set forth in ***Schedule 5.10***. All Leases listed in ***Schedule 5.10*** are in full force and effect. Seller has not subleased or licensed any of the office locations listed on ***Schedule 5.10*** or assigned any of Seller's rights under any real property Leases to any other Person, and no Person except Seller has the right to occupy or use the office locations listed on ***Schedule 5.10***. No security deposit paid by Seller under any of the Leases listed in ***Schedule 5.10*** has been applied, refunded or otherwise disbursed by the applicable landlord. Seller has received no written notice that Seller is in default under any of the Leases listed in ***Schedule 5.10***. There are no material existing defaults on the part of Seller or, to Seller's knowledge, any other party under any of the real property Leases, and no events have occurred or conditions arisen which, with the passage of time or the giving of notice or both, would constitute a material default under any such Leases. ***Schedule 5.10*** accurately sets forth the actual commencement date, the scheduled expiration date, a description of any renewal options (none of which have been exercised by Seller), the current monthly base rent paid by Seller, the current security deposit posted by Seller and held by the landlord and, to the extent reasonably ascertainable by Seller, the current annual or monthly (as applicable) payments for real estate taxes, insurance premiums, and common area maintenance or other operating expenses due and payable under each of the real property Leases. True and complete copies of the real property Leases listed in ***Schedule 5.10***, including any amendments, have been delivered to Buyer. Seller and the Business are in compliance in all material respects with all Environmental Laws. Except for routine quantities of office supplies and cleaning supplies held for use in the ordinary course of the Business in compliance with Laws, the operations of the Business do not include or involve and have never included or involved any use, storage or disposal of Hazardous Materials.

5.11. **Book of Business.** The list of the Current Book of Business and the Closed Store Book of Business to be delivered to Buyer at the Closing will be true, correct and complete, and such list will contain all current customers of Seller as of a date not more than five (5) business days prior to the Closing Date. Seller has not directly or indirectly provided any third party (other than AMS) with Seller's customer account list Client Information, or any other information comprising or concerning the Current Book of Business or the Closed Store Book of Business, and to the knowledge of the Seller Group no third party has had or currently has access to any such information other than the insurance carriers with whom business is placed for the customers of Seller. No member of the Seller Group has received written notice of any kind (whether on a commission statement or otherwise) that any customer account comprising a portion of the Current Book of Business or the Closed Store Book of Business has canceled or non-renewed or intends to cancel or non-renew other than due to the failure to pay premiums when due in the

ordinary course of business, and all such non-renewals or cancellations resulting from the failure to pay premiums when due, in the aggregate, represent less than ten percent (10%) of the total Current Book of Business (measured in terms of Gross Commission) and less than ten percent (10%) of the Seller 2008 Commission Amount. None of the customer accounts constituting part of the Current Book of Business or the Closed Store Book of Business represents business that has been brokered by Seller on behalf of a third party.

5.12. Gross Commissions; Agency Agreements; Producer Agreements.

5.12.1. Seller's Gross Commissions earned from the Open Stores for the annual period beginning on December 1, 2007 and ending on November 30, 2008 were not less than $2,225,669; and Seller's Gross Commissions earned during such period from the Closed Stores was not less than $443,368. All of Seller's Gross Commissions from both the Open Stores and the Closed Stores during said period constitute all of Seller's Gross Commissions earned during said period and all such Commissions derive from bona fide transactions in the ordinary course of the Business. ***Schedule 5.12.1*** lists and describes all agreements or other arrangements whereby Seller shares, splits or otherwise divides commissions with any third party agency, broker, producer or other Person. Except as set forth on ***Schedule 5.12.1***, there were no reductions or payouts in respect of either (a) the Seller 2008 Commission Amount, or (b) the amount set forth above in this ***Section 5.12.1*** with respect to the Closed Stores and no reductions or payouts are reasonably anticipated from future Gross Commissions of the Business.

5.12.2. ***Schedule 5.12.2*** contains a true, complete and correct list of each Agency Agreement and sets forth a true and correct list of the revenue received by Seller from each of its appointed carriers and assigned risk carriers during the twelve (12) month periods ended December 31, 2007 and December 31, 2008. Seller has delivered to Buyer a true, complete and correct copy of each such Agency Agreement. Except as disclosed in ***Schedule 5.12.2***, (a) all of the Agency Agreements are valid, binding and in full force and effect, (b) no notice of termination has been received by Seller with respect to any Agency Agreement or any of Seller's business thereunder, and to the knowledge of the Seller Group, no insurance company has threatened to cancel or terminate or modify any Agency Agreement or any of Seller's business thereunder, (c) to the knowledge of Seller, there are no existing defaults, or events which with or without the passage of time or the giving of notice, or both, would constitute material defaults by Seller or by any other party to any such Agency Agreements, and (d) it is the intent of Seller to so transfer and assign all such business to Buyer as a part of the Purchased Assets.

5.12.3. Seller is not a party to, and neither Seller nor the Business is bound by, any Producer Agreement.

5.13. **Contracts.** ***Schedule 5.13*** sets forth a complete and correct list of all Contracts, whether written or oral, related to the Business or to which Seller is a party or by or to which the Seller or its assets or properties are bound or subject. All of the Contracts set forth on ***Schedule 5.13*** are in full force and effect and Seller has paid in full all amounts due to date thereunder and has satisfied in full all of its other material liabilities and obligations to date. Seller is not in default under any Assumed Contract (true, correct and complete copies of which have been provided to Buyer) nor is any other party to any Assumed Contract in default, and there does not exist any condition which, with the giving of notice or the lapse of time or both, would constitute a material default under any Assumed Contract.

5.14. **Personnel.** ***Schedule 5.14*** sets forth (i) the name, date of hire, position and the total compensation (including base salary, commissions and other forms of compensation) of each current employee, consultant and agent of the Business (including the Executive Employee) in calendar years 2007 and 2008, and (ii) all commitments or agreements by Seller to increase the compensation or modify the conditions or terms of employment or engagement of any such employee, consultant or agent whether or not in the ordinary course of business whether or not consistent with past practice. Seller has provided Buyer with true, correct and complete copies of all written agreements with its employees, consultants and agents (including the Executive Employee) relating to the employment of such Persons or their ability to compete with Seller or the Business, and all such agreements are listed on ***Schedule 5.14***.

5.15. **Brokers; Powers of Attorney.**

5.15.1. No member of the Seller Group has employed or engaged any broker, financial advisor, finder or similar intermediary and no member of the Seller Group has incurred or will incur any broker's, finder's or similar fees, commissions or expenses in connection with sale of the Purchased Assets contemplated by this Agreement.

5.15.2. The Seller Group has not granted any power of attorney to any Person (other than to Buyer) for any purpose whatsoever with respect to the Business or the Purchased Assets, which power of attorney is currently in force.

5.16. **Tax Matters.** Except as set forth on ***Schedule 5.16***:

5.16.1. All federal, state and local income and franchise and all other Tax Returns required to be filed by or with respect to Seller or the Purchased Assets have been timely filed with the appropriate Tax Authorities in all jurisdictions in which such Tax Returns are required to be filed (taking into account any extension of time to file granted or to be obtained on behalf of Seller) and such Tax Returns are true, correct and complete in all material respects. All Taxes due and payable by or with respect to Seller or the Purchased Assets, whether or not shown on such Tax Returns, have been timely paid in full. Seller has established appropriate accruals and reserves for Taxes with respect to current periods which are not yet due and payable.

5.16.2. All Taxes required to be withheld by Seller (including, without limitation, withholding Taxes for employees) have been withheld and have been (or will be) duly and timely paid to the proper Tax Authority.

5.16.3. No written agreement or other document extending, or having the effect of extending, the period of assessment or collection of any Taxes of Seller is still in effect with any Tax Authority.

5.16.4. No deficiencies with respect to Taxes of Seller have been asserted in writing by any Tax Authority that have not been fully paid.

5.16.5. There are no audits or investigations by any Tax Authority of Seller in progress with respect to any Tax and no written notice has been received that a Tax Authority intends to commence any such audit or investigation.

5.16.6. No claim has been made in writing within the past five (5) years by a Tax Authority in a jurisdiction where Seller does not file Tax Returns that it is or may be subject in that jurisdiction to a Tax.

5.16.7. Seller is not a party to any Tax allocation, indemnity or sharing agreement or arrangement with respect to a Tax that could apply to the Purchased Assets after the Closing Date.

5.16.8. Seller does not pay and is not required to pay any State sales tax, Seller has not reported the payment of sales tax on any Tax Return filed by Seller, and Seller has no State sales tax liability.

5.17. **Tangible Personal Property.** ***Schedule 5.17*** sets forth a true and complete list of all material Tangible Personal Property owned or leased by Seller. Except as set forth on ***Schedule 5.17***, the Tangible Personal Property owned by Seller is in good working order, ordinary wear and tear excepted, and sufficient for the conduct of the Business in the ordinary course.

5.18. **Inventories.** Except for routine office supplies, Seller has no inventories.

5.19. **Insurance.** ***Schedule 5.19*** contains a true, correct and complete list, and Seller has made available to Buyer true and complete copies, of all insurance policies, binders or self-insurance authorizations related to the Business or the Purchased Assets where Seller is the named insured. Except for policy deductibles, Seller does not self-insure any type of liability claims, whether general liability or otherwise. Seller will provide to Buyer, promptly upon request, a copy of any policy or binder or claims information referred to in ***Schedule 5.19***. Except as set forth in ***Schedule 5.19***, Seller has not received notice of cancellation or non-renewal, or of any material premium increase or other material change in coverage terms, of any insurance policy related to the Business or the Purchased Assets where it is the named insured, and all such policies are in full force and effect. Neither the Business nor the Purchased Assets are insured under any policy where Seller is not the named insured.

5.20. Employee Benefit Plans.

5.20.1. ***Schedule 5.20*** lists every employee benefit, health, hospitalization, welfare, disability, "cafeteria", severance, bonus, incentive compensation, life insurance, pension, profit-sharing, savings, 401(k), deferred compensation, vacation benefit, sick pay and personal time plan or benefit, and any other fringe benefit or similar plan, arrangement or practice,

whether or not written, covering employees or former employees of the Business or their spouses or dependents which is currently maintained, sponsored or contributed to by Seller (collectively, "**Employee Plans**"). None of the Employee Plans is a multiemployer plan within the meaning of Section 3(37) of ERISA, and none of the Seller or any ERISA Affiliate has ever contributed to, maintained or sponsored any multiemployer plan.

5.20.2. Each Employee Plan (including any related trust, insurance contract or other funding vehicle), including the operation and maintenance of each such Plan and contributions if any made thereto by Seller complies with all applicable Laws in all material respects, including ERISA and the Code. There are no Proceedings involving Seller or otherwise related to the Business with respect to any of the Employee Plans (other than routine claims for benefits in the ordinary course, none of which are, individually or in the aggregate, material) pending or, to the knowledge of Seller, threatened.

5.21. **Full Disclosure.** No representation or warranty by any member of the Seller Group in this Agreement or in any of the Schedules or Exhibits attached hereto contains any untrue statement of a material fact or omits to state any fact necessary to make any statement herein or therein not materially misleading.

6. CERTAIN COVENANTS OF THE PARTIES.

6.1. **Standstill Agreement.** Pending the Closing and for so long as this Agreement remains in effect, neither Seller nor Shareholder shall directly or indirectly solicit, continue or initiate any negotiations or proposals, or enter into any binding or non-binding agreements or understandings with any Person (other than Buyer), relating to any asset sale, asset transfer, acquisition, sale or exchange of stock or other equity interests, merger, reorganization or other business combination involving Seller, the Business or the Purchased Assets.

6.2. **Employees.** On the Closing Date, Seller shall terminate the employment of all of its employees listed on ***Schedule 6.2*** (the "**Transferred Employees**"), such that they will no longer be employed by Seller. Buyer shall offer employment, effective as of the Closing Date, to all Transferred Employees. Nothing herein shall require Buyer to continue the employment of any Transferred Employee for a fixed or definite period, it being understood that all such employment shall be "at-will". Seller shall accrue vacation, personal and sick days for its employees for all periods prior to the Closing whether or not consistent with Seller's past practice. Seller shall pay to all of its employees, on or before the date on which such employees would have been paid in the ordinary course for services rendered through the Closing Date, and agrees to indemnify and hold Buyer harmless from and against, all accrued and unpaid salary, bonuses, commissions, employee benefits, vacation, sick pay and other benefits or entitlements of Seller's employees as of the Closing Date, whether pursuant to applicable Laws, contract or otherwise.

6.3. **Publicity.** No publicity release or announcement concerning this Agreement or the transactions contemplated hereby will be made without written advance approval thereof by Buyer and Seller. Buyer and Seller will cooperate in issuing any press release or other public announcement concerning this Agreement or the transactions contemplated hereby. Buyer and Seller shall furnish to the other drafts of all press releases or announcements prior to their release. Nothing herein shall be deemed to restrict Shareholder from taking whatever action is necessary to timely comply with its disclosure obligations under applicable securities Law, the Nasdaq rules, or other Governmental or Regulatory Authority.

6.4. **Segregation of Assets.** After the date hereof, each of Seller, on the one hand, and Buyer, on the other hand, agree to keep their respective assets and properties segregated from the assets and properties of the other, and if for any reason, any asset or property (including any commissions or other accounts receivable) of Seller, on the one hand, or Buyer, on the other hand (for the purposes of this ***Section 6.4***, the "**Rightful Owner**") is received by or delivered to the other party (the "**Recipient**"), the Recipient of such asset or property shall hold such asset or property in trust for the Rightful Owner and, as soon practicable after such receipt or delivery (but in any event within three (3) business days if the funds have cleared the Recipient's account, or, if later, within one (1) business day after clearance of such funds) transfer and deliver the same to the Rightful Owner in the same form received by or delivered to the Recipient and, to the extent required, with such endorsements as may be necessary to effect such transfer.

6.5. Restrictive Covenants.

6.5.1. **Confidentiality.** No member of the Seller Group, and no officer, director, employee or agent (including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky) of any member of the Seller Group, will, directly or indirectly (including through any Affiliate), for itself or themselves or for any other Person, from the date hereof until the end of time or the earlier termination of this Agreement (in the event no Closing occurs), disclose, divulge, furnish or make accessible to any Person (other than Buyer or its Affiliates or authorized representatives) or in any way use in the conduct of any business or activity, any of the Proprietary Information of Buyer or any of its Affiliates. **"Proprietary Information"** means confidential or proprietary information, as such terms are most broadly defined under applicable Law and includes any information related to the Current Book of Business, the Closed Store Book of Business, or other Client Information, the Buyer's or the Seller's trade secrets, technical data, models, passwords, access to computer files, financial information and records, computer software programs, agreements and/or Assumed Contracts between the Seller and its clients, contracts between the Buyer and its clients, client contacts, Assumed Contracts between the Seller and insurance companies, contracts between Buyer and insurance companies, creative policies and ideas, advertising campaigns, marketing plans and budgets, and financial and business projections of the Seller or Buyer, and information about or received from clients and other companies with which the Seller or Buyer does business. The foregoing shall be deemed Proprietary Information whether or not any such information is marked "confidential". The term **Proprietary Information** does not include information which (i) is or becomes generally available to the public other than by breach of this provision or (ii) the Seller or Shareholder learns from a third party who is either not under an obligation of confidence to the Buyer or not a client of the Buyer. Notwithstanding anything to the contrary set forth in this ***Section 6.5.1***, nothing in this ***Section 6.5.1*** will prohibit the limited disclosure of information (i) that is required to be disclosed in connection with any court action or any Proceeding before any Governmental or Regulatory Authority, (ii) in connection with the enforcement of any of the respective rights of the members of the Seller Group under this Agreement, (iii) in connection with the defense by the members of the Seller Group of any claim asserted against any such members by Buyer or (iv) to attorneys, accountants or financial advisors of the Seller Group on a "need-to-know" basis only, but only to the extent disclosure is reasonably required for the foregoing enumerated purposes. Anything in this ***Section 6.5.1*** to the contrary notwithstanding, no disclosure of Proprietary Information for the limited purposes set forth in subsection (i) above shall be made until Seller has delivered written notice to Buyer of its or any other member of the Seller Group's intention to disclose such Proprietary Information so that Buyer, at its cost, may contest the need for such disclosure, and each member of the Seller Group will provide reasonable cooperation (and will use reasonable efforts to cause its representatives to cooperate) in connection with any such Proceeding, and in any such event of disclosure of Proprietary Information, all reasonable steps will be taken to ensure that such disclosure either is made subject to a court's order of protection reasonably limiting the disclosure, or to other reasonable limitations agreed on by the parties hereto.

6.5.2. **Solicitation of Business.** During the Restricted Period, no member of the Seller Group, and no officer, director, employee or agent (including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky) of any member of the Seller Group, shall, directly or indirectly (including through any Affiliate), for himself, herself, itself or for any other Person solicit, service or accept insurance related business (excluding insurance underwriting and insurance premium financing) from any client, customer or account that is part of the Current Book of Business or the Closed Store Book of Business as of the Closing Date or was a customer of Seller at any time during the twelve (12) month period preceding the execution of this Agreement. In addition, during the Restricted Period no member of the Seller Group shall directly or indirectly take or cause any action that would reasonably be expected to adversely affect Buyer's ability to retain any of the Current Book of Business or the Closed Store Book of Business.

6.5.3. **Solicitation of Employees.** During the Restricted Period, no member of the Seller Group, and no officer, director, employee or agent (including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky) of any member of the Seller Group, shall, directly or indirectly (including through any Affiliate), for itself or for any other Person, solicit, hire, employ, attempt to hire or employ or enter into any employment, principal-agent or similar arrangement with any Transferred Employee, nor shall any member of the Seller Group directly or indirectly (including through any Affiliate) provide to any Person the names of any Transferred Employees for any such purpose.

6.5.4. **Non-Compete.** During the Restricted Period and within the Restricted Area, no member of the Seller Group, and no officer, director, employee or agent (including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky) of any member of the Seller Group, shall directly or indirectly (including through any Affiliate) own, manage, operate, join, control, finance or participate in the ownership, management, operation, control or financing of, or be connected to as an officer, director, employee, principal, agent, manager, representative, consultant, investor, owner, partner, joint venture or otherwise, or permit its or his name to be used by or in connection with, any business or enterprise but only with regard to, and only to the extent that such business or enterprise is engaged in, the insurance agency or brokerage business. The foregoing shall not be construed to restrict any member of the Seller Group, or any officer, director, employee or agent (including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky) of any member of the Seller Group from engaging in the business of insurance underwriting or insurance premium financing; provided that in the conduct of such insurance underwriting or insurance premium financing businesses no Person who is subject to the covenants of this Section shall directly or indirectly contact the insureds except through insurance agencies or insurance brokerage firms that are not Affiliates of any member of the Seller Group. Notwithstanding anything in this Agreement to the contrary, no member of the Seller Group shall directly or indirectly (including through any Affiliate) use or permit any other Person to use any of the trade names set forth on ***Schedule 6.5.4*** (other than "DCAP" if included therein) for any purpose after the date of this Agreement.

6.5.5. **Materiality; Adequate Consideration.** Buyer, Seller and Shareholder agree that the covenants set forth in this ***Section 6.5*** are a material and substantial part of the transaction contemplated by this Agreement. Seller and Shareholder further agree, acknowledge and intend that the covenants set forth in this ***Section 6.5*** shall be fully enforceable against them, jointly and severally, irrespective of the amount of the Purchase Price being allocated to such covenants. EACH OF SELLER AND SHAREHOLDER AGREE THAT IT HAS RECEIVED ADEQUATE CONSIDERATION FOR THE COVENANTS PROVIDED FOR IN THIS ***SECTION 6.5*** AND THAT SUCH COVENANTS ARE REASONABLE AND NECESSARY TO PROTECT THE INTERESTS OF BUYER AND ITS AFFILIATES AND TO INDUCE BUYER TO ENTER INTO THIS AGREEMENT.

6.5.6. **Remedies.**

6.5.6.1. Each member of the Seller Group acknowledges that any breach of this ***Section 6.5*** will cause irreparable harm to Buyer for which damages at law would not provide reasonable or adequate compensation. As a result, Buyer shall be entitled to have the provisions of this ***Section 6.5*** specifically enforced by preliminary and permanent injunctive relief without the necessity of proving actual damages as well as to an equitable accounting of all earnings, profits, and other benefits arising out of any violation of this ***Section 6.5***, including estimated future earnings. Any right to obtain an injunction, restraining order or other equitable relief hereunder will not be deemed a waiver of any other right or remedy Buyer may have under this Agreement or otherwise at law or in equity. Except as specifically set forth in ***Section 6.5.9***, nothing in this ***Section 6.5*** shall be construed as prohibiting Buyer from pursuing any other remedy or remedies existing in its favor. The Restricted Period shall not expire, and shall be tolled, during any period in which any member of the Seller Group (or any officer, director, employee or agent [including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky] of any member of the Seller Group) is in violation of any of the covenants set forth in this ***Section 6.5***; and all restrictions shall automatically be extended by the period of violation of any such restrictions and covenants. Each of the covenants and agreements contained in this ***Section 6.5*** is separate, distinct and severable not only from each other covenant but also from the other and remaining provisions of this Agreement or any other written or oral agreement between the Buyer and any member of the Seller Group (or any officer, director, employee or agent [including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky] of any member of the Seller Group) and shall be construed as agreements independent of any other agreement between the Buyer and any member of the Seller Group.

6.5.6.2. Notwithstanding the provisions of ***Section 6.5.6.1*** to the contrary, the covenants contained in this ***Section 6.5*** shall terminate and be of no further force or effect if (i) an Event of Default (as defined in the Promissory Note) shall occur and continue beyond all applicable grace, notice and cure periods or (ii) Buyer shall default in its obligation to pay to Seller (a) any portion of the Purchase Price for the Closed Store Book of Business pursuant to ***Section 2.4.2*** or (b) any portion of the Overrides pursuant to ***Section 6.1.8***, and such default shall continue unremedied for a period of ten (10) days after notice of default is given by Seller to Buyer; provided, however, that the foregoing provisions of this ***Section 6.5.6.2*** shall be inapplicable with respect to any setoff claimed in good faith by Buyer against (i) the Promissory Note, (ii) any portion of the Purchase Price for the Closed Store Book of Business pursuant to ***Section 2.4.2***, or (iii) any portion of any Post-Closing Overrides pursuant to ***Section 6.1.8.2***, provided that the setoff amount is deposited into escrow pursuant to the terms of this Agreement and the Promissory Note.

6.5.7. **Non-Disparagement.** After the Closing, (i) neither Seller nor Shareholder, nor any officer, director, employee or agent (including Barry B. Goldstein, Barry Lefkowitz or Victor Brodsky) of any member of the Seller Group shall, directly or indirectly, disparage Buyer or any of its members, managers, officers, employees or agents or the Business, and (ii) neither Buyer nor any member, manager, officer, employee or agent (including Matt Grossberg or Todd Yomtov) shall, directly or indirectly, disparage Seller or Shareholder or any of their respective officers, directors, employees or agents or the business of Seller or Shareholder.

6.5.8. **Successor Rights.** The covenants contained in this ***Section 6.5*** shall inure to the benefit of any successor in interest to Buyer by way of merger, consolidation, sale or other succession.

6.5.9. **Liquidated Damages.** If any member of the Seller Group directly or indirectly breaches any of its undertakings in this ***Section 6.5*** and as a result any account comprising a part of the Current Book of Business or the Closed Store Book of Business transferred to Buyer curtails or takes any of its business away from Buyer or places any insurance business or other insurance-related business with anyone other than Buyer, Buyer shall have the right, at its sole option, to recover liquidated damages from the Seller Group. For each diverted account, Buyer's liquidated damages shall be an amount equal to two hundred percent (200%) of the gross annualized commissions and other revenues realized by Buyer and/or Seller, as the case may be, in respect of the diverted account during the twelve (12) months preceding the diversion date. The Seller Group acknowledges that (i) it would be difficult to calculate Buyer's damages for business diverted as a result of violation of the undertakings in this ***Section 6.5***, (ii) an industry rule of thumb for valuing insurance agencies is 200% of revenues, with major accounts potentially being worth much more to an insurance agency than 200% of their annual revenue and, therefore, (iii) liquidated damages as provided for in this ***Section 6.5.9*** represent a fair, reasonable and appropriate approximation of Buyer's damages, and should not be considered punitive or a penalty. The Seller Group must pay liquidated damages as calculated in this ***Section 6.5.9*** within ten (10) business days after receipt of Buyer's written demand. After that, any unpaid liquidated damages shall accrue interest at a fluctuating annual rate equal to three hundred (300) basis points over the prime rate of leading money center banks reported in The Wall Street Journal, as such prime rate may change from time to time. Buyer shall have the right to off-set any unpaid liquidated damages and interest against any amounts payable to Seller by Buyer, provided that any amount so offset is paid to the Escrow Agent to be held pursuant to the terms of the Offset Escrow Agreement. Buyer shall have no obligation to require the Seller Group to pay the liquidated damages described above and may instead exercise any or all of its remedies set forth in ***Section 6.5.6***; provided, however, that if Buyer elects to require the Seller Group to pay liquidated damages in accordance with this ***Section 6.5.9***, upon payment in full by the Seller Group to Buyer of the amounts due pursuant to this ***Section 6.5.9***, Buyer shall cease pursuit of and be deemed to waive all other remedies available to Buyer only with respect to the specific breach giving rise to the payment of such liquidated damages and with respect to the particular account.

6.5.10. **Key Employees**. Each of Barry B. Goldstein, Barry Lefkowitz and Victor Brodsky (collectively, the "**Key Employees**") agree to be bound by the restrictions set forth in ***Section 6.5***; provided, however, that the parties agree that, in the event of any violation by any of the Key Employees of such restrictions, Buyer's sole remedy and relief against them shall be injunctive and other equitable relief and under no circumstances shall any of the Key Employees be liable for any monetary or other damages at law or otherwise. The foregoing shall not be construed as a limitation on the obligations of the Seller Group pursuant to ***Section 6.5*** in the event of a violation of the restrictions set forth therein by any of the Key Employees.

6.6. **Access to Information.**

6.6.1. Seller agrees that, prior to the Closing Date, Buyer and/or its lenders, legal and financial representatives shall be entitled to make such investigation of the properties, businesses and operations of the Business and such examination of the books and Records of the Business and the Purchased Assets as they reasonably request and to make extracts and copies of such books and Records, and, prior to and after the Closing Date, the Seller Group shall use commercially reasonable efforts to furnish Buyer and its representatives with such financial, business and operating data of Seller as may be required or reasonably requested by Buyer. Any information about Seller obtained by Buyer pursuant to this ***Section 6.6*** or any other provision of this Agreement which is proprietary, confidential or not generally known to the public or within the industry and which is unrelated to the Business or the Purchased Assets shall be treated as confidential and shall not be disclosed to any other Person or used or exploited by Buyer for so long as such information otherwise remains confidential, proprietary or not generally known to the public or to the industry; provided, however, that nothing in this ***Section 6.6*** shall prohibit the limited disclosure of information (i) that is required to be disclosed in connection with any Proceeding before any Governmental or Regulatory Authority, (ii) in connection with the defense by Buyer of any claim asserted against it by any member of the Seller Group, or (iii) to attorneys, accountants or financial advisors of Buyer on a "need-to-know" basis only. Anything in this ***Section 6.6*** to the contrary notwithstanding, no disclosure of information for the limited purposes set forth in subsection (i) above shall be made until Buyer has delivered written notice to Seller of its intention to disclose such information so that Seller, at its cost, may contest the need for such disclosure, and Buyer will provide reasonable cooperation (and will use reasonable efforts to cause its representatives to cooperate) in connection with any such Proceeding, and in any such event of disclosure of information, all reasonable steps will be taken to ensure that such disclosure either is made subject to a court's order of protection reasonably limiting the disclosure, or to other reasonable limitations agreed on by the parties hereto. Nothing herein shall be deemed to limit the obligations of Buyer pursuant to the letter agreement dated February 27, 2008 between Shareholder and N.I.I. (the "**Confidentiality Agreement**"), which agreement Buyer hereby adopts, and agrees to be bound by, as if a signatory thereto. The Confidentiality Agreement shall be deemed terminated effective upon the Closing and, to the extent any of the provisions of the Confidentiality Agreement are inconsistent with the provisions of this Agreement, the provisions hereof shall prevail. Without limiting the generality of the foregoing, Seller agrees that the provisions of the Confidentiality Agreement shall not limit the representations, warranties and covenants provided for in this Agreement and acknowledges that, prior to the Closing, Buyer may communicate with certain Business Associates (as defined in the Confidentiality Agreement), including Seller's employees and insurance carriers, for the purpose of entering into business relationships with them that will take effect upon the Closing.

6.6.2. On and after the Closing Date, Buyer agrees that, upon reasonable notice, Seller shall be entitled to review and make copies of all data and Records comprising a portion of the Purchased Assets, but only to the extent such data and Records relate to the period prior to the Closing Date and only to the extent (i) requested or required by, or needed in connection with a filing with, or report to, a Governmental or Regulatory Agency, (ii) related to a Proceeding, a Prior Claim, or the defense by Seller or Shareholder of any claim asserted against it by Buyer, (iii) required, or requested by the accountants for Seller and/or Shareholder, in connection with the preparation of financial statements or with respect to tax matters or (iv) otherwise required by Seller or Shareholder to fulfill any obligation to any Person.

6.7. Conduct of the Business Pending the Closing.

6.7.1. Prior to the Closing, except (i) as required by applicable Law, (ii) as otherwise contemplated by this Agreement or (iii) with the prior written consent of Buyer, Seller shall:

6.7.1.1. conduct the Business only in the ordinary course consistent with past practice and in compliance with applicable Law; and

6.7.1.2. use commercially reasonable efforts to (A) preserve the present business operations, organization and goodwill of the Business, (B) preserve the present relationships with customers, clients and accounts of the Business, (C) maintain and keep in full force and effect all Permits necessary for the operation of the Business, and (D) maintain all existing insurance policies with respect to the Business and the Purchased Assets through the Closing Date.

6.7.2. Except (i) as required by applicable Law, (ii) as otherwise contemplated by this Agreement or (iii) with the prior written consent of Buyer, Seller shall not directly or indirectly:

6.7.2.1. subject any of the Purchased Assets to any Lien;

6.7.2.2. acquire any material properties or assets that would constitute Purchased Assets or sell, assign, license, transfer, convey, lease or otherwise dispose of any of the Purchased Assets outside of the ordinary course of Business;

6.7.2.3. terminate or cause to be terminated, or agree to any material amendment or modification to, any of the Agency Agreements or Producer Agreements;

6.7.2.4. enter into any Contract affecting any of the Purchased Assets outside of the ordinary course of Business;

6.7.2.5. curtail any existing marketing or advertising programs;

6.7.2.6. take any action that would be reasonably expected to be likely to have a material detrimental effect on the goodwill of the Business or the existing relationships with clients, customers, accounts, employees or other Persons having dealings with the Business;

6.7.2.7. do or omit to do anything which will result or which would reasonably be expected to result in a material breach of any representation, warranty, covenant or obligation of Seller contained in this Agreement;

6.7.2.8. engage in any stock or asset purchase, merger, business combination or other acquisition transaction or otherwise acquire the operating assets or going business of any other Person; or curtail, transfer, sell or otherwise dispose of any segment of the Business to any Person, or enter into any Contract to do any of the foregoing; or

6.7.2.9. enter into any agreement or commitment to do anything prohibited by this ***Section 6.7***.

6.8. **Consents.** Seller shall, at its expense, use its best efforts, and Buyer shall cooperate with Seller, to diligently pursue and obtain all written consents and approvals required to consummate the transaction contemplated by this Agreement, including, the consents and approvals referred to on ***Schedule 5.5*** hereof (subject to ***Section 3.2.3.1***); provided, however, that Seller shall not be obligated to pay any consideration therefor to any third party from whom consent or approval is requested or to initiate any Proceedings to obtain any such consent or approval. At Seller's reasonable request, Buyer shall cooperate with Seller in connection with Seller's requests for consent or approval, including furnishing evidence of Buyer's financial capacity and ability to perform, and attending meetings or otherwise participating in communications with Persons from whom such consent or approval is being requested.

6.9. Permits. If any Permits must be reissued in Buyer's name rather than being transferred by Seller, Buyer will initiate the necessary applications and Seller will cooperate with Buyer in effectuating the reissuance of such Permits in Buyer's name, including confirming to any Governmental or Regulatory Authority Seller's readiness to surrender the Permits in Seller's name upon their reissuance to Buyer. Until each such Permit shall have been transferred to Buyer or reissued in Buyer's name, Seller shall use its best efforts and cooperate with Buyer and take such steps, at Buyer's request and expense, as may be necessary to secure to Buyer the operational benefits and practical use of such Permit, including maintaining the Permit in effect in Seller's name, complying with any conditions or requirements applicable under the Permit, and exercising or enforcing for Buyer's benefit the rights of the named holder under the Permit.

6.10. **Best Efforts.** Each of Buyer and Seller shall use its best efforts to (i) take all actions and do all things necessary or appropriate to consummate the transactions contemplated by this Agreement and (ii) cause the fulfillment at the earliest practicable date of all of the conditions to their respective obligations to consummate the transactions contemplated by this Agreement.

6.11. **Bulk Sales.** Seller shall comply with any and all requirements and provisions of any "bulk-transfer" or similar Laws in each applicable jurisdiction that may apply with respect to the sale of any or all of the Purchased Assets to Buyer.

6.12. **Notice of Certain Events.** Prior to Closing, Seller will with reasonable promptness (but in any event within five (5) business days of Seller learning of the circumstances or event) notify Buyer of any circumstance or event involving, or action by, Seller or otherwise, (i) which, if known at the date of this Agreement, would have been required to be disclosed in or pursuant to this Agreement, (ii) the existence, occurrence or taking of which would result in any of the representations and warranties of the Seller Group contained in this Agreement not being true, accurate and complete in any material respect immediately thereafter or on the Closing Date, (iii) which otherwise has or can reasonably be expected to have a material adverse effect on the Business or the Purchased Assets.

6.13. **Update Schedules.** Prior to Closing, Seller shall with reasonable promptness (but in any event within five (5) business days of Seller learning of the changed or new information) disclose to Buyer in writing any information set forth in the Schedules hereto which no longer obtains and any information of the nature of that set forth in such Schedules which arises after the date of this Agreement and which would have been required to be included in the Schedules if such information had obtained on or prior to the date of this Agreement; provided, however, that no amendment or supplement by Seller pursuant to this ***Section 6.13*** shall be deemed to amend or supplement the Schedules hereto or to prevent or cure any misrepresentation or breach of warranty which existed prior to such amendment or supplement.

6.14. **Seller's Change of Name.** Effective as of the Closing Date, Seller will adopt and file articles of amendment to change Seller's corporate name to delete all references to the terms "Accurate" and "Barry Scott" or any variants or derivatives of such terms, and Seller, the Shareholder and their Affiliates shall cease to use the names "Accurate Insurance" and "Barry Scott Insurance Agency" (and all variants thereof), and all other trade names or service names (and any variants or derivatives of such names) ever used by Seller prior to the Closing (other than "DCAP"). Seller will also transfer to Buyer, effective as of the Closing Date, Seller's registrations for all Internet domain names used in the Business. Notwithstanding the foregoing, Seller will retain all rights in the editorial content and page layouts comprising Seller's Internet websites. From and after the Closing Date, subject to the terms of this ***Section 6.14***, Buyer will, as between Buyer, Seller, the Shareholder and their Affiliates, have the sole and exclusive right to use and exploit the trade names "Accurate Insurance", "Barry Scott Insurance Agency" and any variants or derivatives of such trade names.

6.15. **Errors and Omissions Insurance.** Within thirty (30) days after the Closing, Seller shall at its expense obtain a tail errors and omissions liability insurance policy with respect to matters occurring prior to the Closing, effective as of the Closing Date and providing continuous coverage for no less than three (3) years from and after the Closing Date (the "**Tail E&O Policy**"). The Tail E&O Policy must provide at least the same coverage, and contain terms and conditions which are no less advantageous to Seller, as the errors and omissions liability insurance policy most recently maintained by Seller prior to the Closing. Seller shall provide Buyer with a true and complete copy of the Tail E&O Policy, together with proof of payment of the applicable premium, on or before the expiration of the 30-day period referenced above.

6.16. **Return Commissions.** Buyer shall be responsible for and shall indemnify and hold Seller harmless from all losses, claims, damages, costs and expenses in connection with any and all unearned or return commissions and other policy audit charges arising from policy cancellations relating to (a) the Current Book of Business transferred to Buyer for all policy years which commence prior to the Closing and (b) the Closed Store Book of Business to the extent that such unearned or return commissions and other policy audit charges are offsets pursuant to the provisions of ***Section 2.4.2.1*** or otherwise appear on statements of insurers that are received on or after the Closing Date (collectively, "**Unearned Commissions**").

6.17. **Receipt of Commissions Post-Closing.** All commissions received by Seller or Buyer on or after the Closing Date with respect to policies or policy renewals with an effective date before, on or after the Closing Date shall constitute the property of Buyer. Except as set forth in ***Section 6.18,*** all contingency, bonus and profit sharing payments paid on or after the Closing Date shall constitute the property of Buyer, regardless of the period to which such payments relate.

6.18. **Override Amounts.**

6.18.1. All override amounts received by Seller or Buyer on or after the Closing Date from Progressive Insurance Company or its Affiliates ("**Progressive**") that relate to the period prior to the Closing Date ("**Pre-Closing Overrides**") shall constitute the property of Seller. In the event that the Closing Date is not the first day of a calendar month, any override amounts for the month in which the Closing falls shall be considered Pre-Closing Overrides on a pro rata basis, i.e., based upon the number of calendar days in the month that fall prior to the Closing Date as compared to the total number of days in the month. Any Pre-Closing Overrides received by Buyer shall be paid to Seller promptly.

6.18.2. All override amounts received by Seller or Buyer on or after the Closing Date from Progressive that relate to the period on and after the Closing Date and through September 30, 2010 (the "**Post-Closing Overrides**" and together with the Pre-Closing Overrides, the "**Overrides**") shall constitute the property of Buyer; provided, however, that subject to offset as provided herein, Buyer shall pay to Seller an amount equal to sixty percent (60%) of the Post-Closing Overrides. Such amounts will be paid to Seller within 20 days after the end of each calendar quarter (or, if the 20th day is not a business day, then no later than the next business day).

6.18.3. Each remittance made pursuant to this ***Section 6.18*** shall be accompanied by Progressive statements evidencing the amount of the Overrides paid for each month.

6.19. **Client Deposits.** Seller and Buyer acknowledge and agree that Buyer is not purchasing or assuming any customer or client deposits held by Seller in fiduciary accounts ("**Client Deposits**"). Following the Closing, it shall be Seller's responsibility to pay and remit all premium and other amounts held or received by Seller in fiduciary accounts as and when due to the applicable insurance carriers or third party wholesalers and brokers, and Seller and Shareholder shall indemnify, defend and hold Buyer harmless from and against any and all Adverse Consequences which may be asserted against, imposed on or incurred by Buyer as a result of or in connection with Seller's failure to timely pay and remit all Client Deposits. If Seller shall receive any Client Deposits after the Closing, it shall immediately notify Buyer in writing of the name of the client and the amount received.

6.20. Client Notification; Transition of Business.

6.20.1. Effective upon the Closing, Buyer may prepare and forward to the clients of the Business, or to such portion of the clients as Buyer may elect, and/or to such insurance carriers as Buyer may deem appropriate, a notice from Buyer informing the clients of the transition of the Business and directing them to remit all future payments to Buyer at the address specified by Buyer. If requested by Buyer, Seller shall join in any such notice. Buyer shall be responsible for the costs of preparing and mailing the notice.

6.20.2. From and after the Closing, Seller and Shareholder agree to reasonably cooperate with Buyer in connection with Seller's transition of the Business to Buyer.

6.21. **Computers, Client Management Systems and Files.** Buyer acknowledges that certain computers and monitors used by Seller and described on ***Schedule 6.21*** (the "**Computers**") are leased by BSA. Following the Closing, Buyer shall have the right to use the Computers where currently located, without charge, during the lease term for the Computers which expires on May 31, 2011 (the "**Lease Expiration Date**"). Seller shall, at Seller's cost and expense, pay and perform all Seller's obligations under all Leases covering the Computers through the Lease Expiration Date. On or about the Lease Expiration Date, Seller agrees to purchase the Computers and thereupon sell the Computers to Buyer for a purchase price of $1. In addition, (a) at the Closing, Seller shall convey to Buyer all of its right, title and interest to its physical files relating to the Current Book of Business and the Closed Store Book of Business, which files Buyer shall remove from Seller's premises promptly following the Closing, and (b) following the Closing, Buyer shall have the right to use, without charge, Seller's computer servers and client management systems relating to the Current Book of Business and the Closed Store Book of Business.

6.22. **Premium Financing.** Following the Closing and through January 31, 2018, Buyer will refer each of its customers who desire premium financing to Payments Inc. and its successors and assigns ("**Payments Inc.**"), and only to Payments Inc. Buyer acknowledges and agrees that it shall not be entitled to any compensation for such referrals or otherwise in connection with any premium financing provided; and Seller acknowledges that Buyer may charge any such customers fees and service charges in connection with such premium financing, and Seller agrees that Seller shall not be entitled to any portion of any such fees and charges.

7. INDEMNIFICATION.

7.1. **Indemnification by Buyer.** Buyer shall indemnify, defend and hold Seller and Shareholder and each of Seller's and Shareholder's officers, directors, employees, representatives and Affiliates harmless from and against, and shall reimburse Seller and Shareholder on demand on account of, any and all Adverse Consequences which may be asserted against, imposed on or incurred by any of them as a result of or arising out of or in any manner relating or attributable to (a) any misrepresentation or breach by Buyer of any representation or warranty made by Buyer in this Agreement or any document delivered by Buyer pursuant to this Agreement, (b) any breach or non-fulfillment by Buyer of any of its covenants or obligations contained in this Agreement or any document delivered by Buyer pursuant to this Agreement, (c) Buyer's operation of the Business, ownership of the Purchased Assets and use of the Computers after the Closing Date, or (d) the Assumed Liabilities.

7.2. **Indemnification by the Seller Group.** Each of Seller and Shareholder, jointly and severally, shall indemnify, defend and hold Buyer and each of its officers, directors, members, managers, employees, representatives, Affiliates, successors and assigns harmless from and against, and shall reimburse Buyer on demand on account of, any and all Adverse Consequences which may be asserted against, imposed on or incurred by any of them as a result of or arising out of or in any manner relating or attributable to (a) any misrepresentation or breach by any member of the Seller Group of any representation or warranty made by Seller or Shareholder in this Agreement or any document delivered by Seller or Shareholder pursuant to this Agreement, (b) any breach or non-fulfillment by Seller or Shareholder of any of their respective covenants or obligations contained in this Agreement or any document delivered by Seller or Shareholder pursuant to this Agreement, (c) Prior Claims or any other Liabilities of Seller or the Business (other than Assumed Liabilities), including any failure of Seller to pay, perform, discharge or satisfy any Prior Claims or any such other Liabilities (other than Assumed Liabilities), (d) any noncompliance with any bulk sales Laws in connection with the sale and transfer of the Purchased Assets to Buyer, or (e) Seller's operation of the Business or ownership of the Purchased Assets prior to the Closing Date.

7.3. **Indemnification Procedure for Third-Party Claims.** Any Persons entitled to indemnification under this Agreement (the "**Indemnified Parties**") receiving notice of a claim from a third party will promptly give notice of the claim to the party under this Agreement required to provide indemnification (the "**Indemnifying Party**"); provided, however, that the failure to give notice will not relieve or otherwise affect the Indemnifying Party's obligations under this ***Section 7*** with respect to such claim, except to the extent that the failure to give notice demonstrably prejudices or otherwise impairs the Indemnifying Party's ability to defend against or contest the claim.

7.3.1. The Indemnifying Party will be entitled at its own cost and expense to contest and defend any third-party claim; provided, however, that the Indemnifying Party will not be entitled to contest and defend any claim that seeks relief that, if successful, would be reasonably likely to have a material adverse effect on the business of the Indemnified Party (a "**Material Claim**") (it being understood that a claim that only seeks monetary relief shall not be considered a Material Claim); provided, further, that the Indemnifying Party will notify the Indemnified Parties within a reasonable period of time, not to exceed twenty (20) days after receipt of notice of the third-party claim, that the Indemnifying Party intends to so contest. The contest will be conducted by counsel selected by the Indemnifying Party and reasonably acceptable to the Indemnified Parties, but any of the Indemnified Parties will have the right to participate in the Proceedings and to be represented by attorneys of their own choice, at their own cost and expense. The Indemnifying Party will otherwise be responsible for the costs and expenses of the defense, including payment of any judgment, award or settlement amount for which the Indemnifying Party is liable under this ***Section 7***.

7.3.2. If the Indemnifying Party does not elect within the 20-day period to contest any third-party claim which is not a Material Claim, or if the third-party claim is a Material Claim, the Indemnified Parties will be entitled to defend or otherwise deal with the claim. The Indemnifying Party will have the right to participate in the Proceedings and to be represented by attorneys of its own choice, at its own cost and expense. At any time after taking over defense or contest of a third party claim, the Indemnified Parties may elect to pay or compromise the third-party claim with the prior written consent of the Indemnifying Party (not to be unreasonably withheld), and the Indemnifying Party will be bound by such action and will indemnify the Indemnified Parties with respect to such action in accordance with this ***Section 7***.

7.3.3. The Indemnified Parties will provide reasonable assistance to the Indemnifying Party in its defense or contest of third-party claims, including document production, responses to discovery and making the present or former employees, contractors and agents of the Business available for depositions and trial testimony. The party conducting the defense or contest of a third-party claim which is subject to indemnification will keep the other party to this Agreement reasonably informed as to the status of the defense or contest.

7.3.4. Notwithstanding anything to the contrary contained in this ***Section 7***, the Indemnifying Party will not have the right to settle or compromise any third-party claim without the Indemnified Party's consent if the Indemnified Party reasonably concludes that the settlement or compromise could materially and adversely affect the Indemnified Party, or, in the case of Buyer, materially impair Buyer's ability to continue to conduct the Business consistent with the manner in which the Business was conducted by Seller; provided, however, that the Indemnifying Party will have the right to settle or compromise any third-party claim without the Indemnified Party's consent if the settlement or compromise includes as an unconditional term the giving by all claimants or plaintiffs to the Indemnified Party of a release from all liability in respect of the claim and if no injunctive or other equitable relief would be imposed against the Indemnified Party pursuant to or as a result of such settlement.

7.4. **Survival.** All covenants and obligations on the part of Seller and Buyer in this Agreement, or in any document delivered pursuant to this Agreement at Closing or otherwise, will survive the Closing. Notwithstanding any investigation by or on behalf of Buyer or Seller, all representations and warranties of Buyer, Seller and Shareholder in this Agreement, or in any documents delivered pursuant to this Agreement at Closing or otherwise, will survive the Closing for a period of two (2) years, provided, however, that (i) the representations and warranties in ***Section 5.16*** with respect to Taxes shall survive until ninety (90) days after the expiration of the applicable statute of limitations; and (ii) the representations and warranties in ***Section 5.9*** with respect to Seller's title to the Purchased Assets shall survive indefinitely. Notwithstanding anything to the contrary contained in this Agreement, any representation or warranty on the part of Seller and Buyer in this Agreement will survive indefinitely to the extent a claim with respect thereto has been submitted in writing prior to the applicable survival expiration date.

7.5. **Right of Set-Off.** Subject to the provisions of ***Section 7.3*** hereof, Buyer shall have the right (but shall not be obligated) to set-off against the Promissory Note, or to set-off against the Purchase Price for the Closed Store Book of Business pursuant to ***Section 2.4.2***, or any portion of the Post-Closing Overrides payable to Seller pursuant to ***Section 6.18.2***, any Adverse Consequences with respect to which Buyer is entitled to indemnification under ***Section 7.2*** but has not been indemnified in full by Seller or Shareholder~~.~~; provided, however, that any amount so set-off (other than any amount set off with respect to a claim by any third party) ("**Direct Claim**") shall be paid to the Escrow Agent, to be held pursuant to the provisions of the Offset Escrow Agreement. Amounts held in escrow pursuant to the Offset Escrow Agreement shall be disbursed by the Escrow Agent only as set forth therein. The principal amount of the Promissory

Note, or any payment due Seller pursuant to either ***Section 2.4.2*** or ***Section 6.18.2*** shall not be deemed to constitute a limit or cap on the amount of any indemnification required to be provided pursuant to this Agreement, or preclude any Indemnified Party from recovering the full amount of all Adverse Consequences, subject to the provisions hereof.

7.6. **Purchase Price Adjustment.** All indemnification payments made pursuant to this Agreement shall be treated as adjustments to the Purchase Price.

7.7. **Limitations.** Notwithstanding anything herein to the contrary, as to matters which are subject to indemnification pursuant to this ***Section 7,*** (a) Seller and Shareholder shall not be liable unless and until the aggregate Adverse Consequences to the Indemnified Parties resulting from such otherwise indemnifiable matters shall exceed a cumulative aggregate of thirty thousand dollars ($30,000) (the "**Indemnification Threshold**") (with Seller and Shareholder being responsible for all Adverse Consequences that exceed the Indemnification Threshold), and (b) the aggregate amount of any payments that shall be payable by Seller and Shareholder as a result of any claims for indemnification made hereunder shall be limited to the Purchase Price.

7.8. **Other Rights and Remedies.** Notwithstanding anything in this Agreement to the contrary, in no event shall any Indemnified Party directly or indirectly bring any claim with respect to any matter for which there is a basis for indemnity under this Agreement except pursuant and subject to the terms, conditions and limitations (including time periods) contained in this ***Section 7*** whether for breach of contract, or based on any other theory of recovery whatsoever.

7.9. **Tax Benefit.** The amount of any Adverse Consequences suffered by any Indemnified Party shall be reduced by the amount, if any, of the present value of any federal, state or local income tax benefit (net of reasonable expenses incurred in obtaining such benefit) such Indemnified Party shall have enjoyed, and if such a benefit is enjoyed by an Indemnified Party after it receives payment or other credit under this Agreement with respect to any Adverse Consequences (an "**Indemnity Payment**"), then a refund equal in aggregate amount to the benefit, net of reasonable expenses and tax or other costs incurred in obtaining such benefit, shall be made promptly to the party making such Indemnity Payment.

7.10. **Insurance; Time Value of Money.** In the event that an Indemnified Party recovers any insurance proceeds from any policies which are then in force which cover any Adverse Consequences, the amount which the Indemnified Party shall be entitled to recover from the Indemnifying Party for such Adverse Consequences shall be reduced by the amount of insurance proceeds actually recovered. The amount of any Adverse Consequences that are future Adverse Consequences shall be reduced to their present value as of the date of payment therefor, using reasonable and appropriate assumptions.

8. CONDITIONS TO CLOSING.

8.1. **Conditions Precedent to Obligations of Buyer.** The obligation of Buyer to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by Buyer in whole or in part to the extent permitted by applicable Law):

8.1.1. the representations and warranties of the Seller Group set forth in this Agreement shall continue to be true and correct in all material respects, on and as of the Closing Date, except (i) for those representations and warranties already qualified by the word "material", in which case they shall continue to be true and correct on and as of the Closing Date in all respects, and (ii) to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date);

8.1.2. Seller shall have performed and complied with in all material respects all covenants and obligations contained in this Agreement and required to be performed or complied with on Seller's part at or prior to the Closing;

8.1.3. there shall have occurred between the date hereof and the Closing Date no facts or circumstances that give rise to a material adverse effect on the Business, assets, properties, results of operations or financial condition of Seller or the Purchased Assets (taken as a whole), or a material adverse effect on the ability of Seller to consummate the transactions contemplated by this Agreement;

8.1.4. the insurance carrier under such each Agency Agreement to which Seller is a party as set forth on ***Schedule 5.12.2*** shall have consented to the appointment of Buyer to sell such carrier's products; provided, however, that the receipt of such consent to appointment by any particular insurance carriers shall not be a condition hereunder to the extent that the aggregate Gross Commissions paid during the twelve months ended November 30, 2008 by all such insurance carriers whose consent to appointment is not obtained did not exceed ten percent (10%) of the Seller 2008 Commission Amount, provided that there shall be a reduction in the Purchase Price as provided for on ***Schedule 8.1.4*** to account for the failure to obtain such consents to appointment; provided further, however, that if any such consent to the assignment of any Producer Agreement has not been obtained, the wholesaler or other Person under such Producer Agreement shall have consented to the appointment of Buyer to sell such wholesaler's or other Person's products;

8.1.5. subject to ***Section 3.2.3.1***, any required consent to the assignment of the Assumed Contracts (including that of Progressive to the assignment of the Progressive Agreement to Buyer), and any other consent set forth on ***Schedule 5.5*** shall have been obtained in writing (subject to ***Section 8.1.4***);

8.1.6. Seller shall have delivered, or caused to be delivered, to Buyer all items set forth in ***Section 3.2*** (subject to ***Sections 3.2.3.1*** and ***8.1.4***);

8.1.7. no Order by a Governmental or Regulatory Authority shall be in effect which restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby, and no Proceeding shall be pending or threatened which seeks to enjoin or which challenges the validity of this Agreement or the consummation of the transactions contemplated hereby;

8.1.8. Shareholder shall have loaned to Grossberg the sum One Hundred Thousand Dollars ($100,000) (the "**Loan**"). The Loan shall be evidenced by a promissory note substantially in the form attached hereto as ***Exhibit E*** (the "**Grossberg Promissory Note**"). The Grossberg Promissory Note shall be dated as of the Closing Date and will provide for the principal balance to be paid in two equal installments of principal of Fifty Thousand Dollars ($50,000.00), the first being due on March 31, 2010 and the second being due on September 30, 2010 (the "**Grossberg Maturity Date**"), together with applicable interest payments accruing from the Closing Date at the rate of five and 25/100 percent (5.25%) per annum. All accrued and unpaid interest on the unpaid principal under the Grossberg Promissory Note to the date of the first such installment shall be due and payable with such first installment, and all accrued and unpaid interest on the unpaid principal remaining after the payment of the first installment, from the date of the first installment to the Grossberg Maturity Date, shall be due and payable with such second installment on the Grossberg Maturity Date; and

8.2. **Conditions Precedent to Obligations of Seller.** The obligation of Seller to consummate the transactions contemplated by this Agreement is subject to the fulfillment, on or prior to the Closing Date, of each of the following conditions (any or all of which may be waived in writing by Seller in whole or in part to the extent permitted by applicable Law):

8.2.1. the representations and warranties of Buyer set forth in this Agreement shall continue to be true and correct in all material respects, on and as of the Closing Date, except (i) for those representations and warranties already qualified by the word "material", in which case they shall continue to be true and correct on and as of the Closing Date in all respects, and (ii) to the extent such representations and warranties relate to an earlier date (in which case such representations and warranties shall be true and correct in all material respects on and as of such earlier date);

8.2.2. Buyer shall have performed and complied with in all material respects all covenants and obligations contained in this Agreement and required to be performed or complied with on Buyer's part at or prior to the Closing;

8.2.3. Buyer shall have delivered, or caused to be delivered, to Seller the items set forth in ***Section 3.3***;

8.2.4. no Order by a Governmental or Regulatory Authority shall be in effect which restrains, enjoins or otherwise prohibits the consummation of the transactions contemplated hereby, and no Proceeding shall be pending or threatened which seeks to enjoin or which challenges the validity of this Agreement or the consummation of the transactions contemplated hereby; and

8.2.5. Progressive shall have consented to be assignment of the Progressive Agreement to Buyer.

8.3. **Frustration of Closing Conditions.** Neither Seller nor Buyer may rely on the failure of any condition set forth in ***Section 8.1*** or ***8.2***, as the case may be, if such failure was caused by such party's failure to comply with any provision of this Agreement.

9. MISCELLANEOUS.

9.1. **Notices.** Notices given pursuant to this Agreement must be in writing. They will be deemed to have been duly given: (i) upon delivery or refusal to accept delivery, if hand-delivered; (ii) three (3) business days after being sent by certified United States mail, return receipt requested; or (iii) one (1) business day after being deposited for next-day delivery with Federal Express or other national overnight courier service. In each case, notice will be marked "Personal and Confidential" and will be addressed as follows:

If to Seller:

DCAP Group, Inc.
1158 Broadway
Hewlett, NY 11557
Attn: Barry Goldstein
Fax: (516) 295-7216

With a copy to:

Fred Skolnik, Esq.
Certilman Balin Adler & Hyman, LLP
90 Merrick Avenue
East Meadow, NY 11554
Fax: (516) 296-7111

If to Buyer:

N.I.I. Brokerage, L.L.C.
28 West Grand Avenue, 2nd Floor
Montvale, NJ 07645
Attn: Matt Grossberg
Fax: (201) 476-9000

With a copy to:

Richard H. Lewis, Esq.
Kagan Lubic Lepper Lewis Gold & Colbert, LLP
200 Madison Ave., 24th Floor
New York, NY 10016
Fax: (646) 442-2287

Any party may change the address to which notices, requests, demands, claims, and other communications hereunder are to be delivered by giving the other parties notice in the manner herein set forth.

9.2. **Entire Agreement.** This Agreement together with the attached Exhibits and Schedules, the Confidentiality Agreement and, following the Closing, the Transaction Documents, constitutes the entire agreement and understanding between the parties hereto and supersede all prior agreements, understandings, negotiations and discussions, both written and oral, between and among the parties hereto with respect to the subject matter hereof. This Agreement may not be amended, modified or supplemented except in a writing signed by all of the parties hereto.

9.3. **Benefits; Binding Effect.** This Agreement shall be for the benefit of and binding upon the parties hereto, their respective heirs, executors, legal representatives, successors and permitted assigns. No party to this Agreement may assign or delegate any of its rights, duties or obligations under this Agreement to any Person without prior written consent of the other parties hereto; provided that Buyer shall have a right to assign and delegate its rights and obligations to any one or more of its Affiliates, without any such consent. Any attempted assignment or delegation in violation of the foregoing sentence shall be void and of no effect. Notwithstanding the foregoing, if Buyer assigns its rights and obligations hereunder, it shall guarantee the payment of the Promissory Note and the obligations of its assignee under this Agreement and the other Transaction Documents.

9.4. **Waiver.** Buyer, by an instrument duly executed by its authorized representative in writing, may extend the time for or waive the performance of any of the obligations of Seller or waive compliance by Seller with any of the covenants or conditions contained herein. Seller, by an instrument in writing, may extend the time for or waive the performance of any of the obligations of Buyer or waive compliance by Buyer with any of the covenants or conditions contained herein. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any of the other provisions hereof (whether or not similar), nor shall any such waiver constitute a continuing waiver unless otherwise expressly so provided.

9.5. **No Third Party Beneficiary.** Nothing expressed or implied in this Agreement is intended, or shall be construed, to confer upon or give any Person other than the parties hereto and their respective successors and permitted assigns any rights or benefits under or by reason of this Agreement.

9.6. **Severability.** It is the desire and intent of the parties hereto that the provisions of this Agreement be enforced to the fullest extent permissible under the Laws and public policies applied in each jurisdiction in which enforcement is sought. Accordingly, if any particular provision of this Agreement (including the Restricted Period or the Restricted Area) shall be adjudicated by a court of competent jurisdiction to be invalid, prohibited or unenforceable for any reason, such provision, as to such jurisdiction, shall be ineffective, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction. Notwithstanding the foregoing, if such provision could be more narrowly drawn so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

9.7. **Expenses.** Whether or not the transactions contemplated by this Agreement shall be consummated, all legal, accounting and other costs and expenses incurred in connection with this Agreement and any of the transactions contemplated hereby on behalf of Buyer shall be borne and paid by Buyer and all such costs and expenses incurred on behalf of the Seller Group shall be borne and paid by the Seller Group, and no party shall be obligated for any cost or expense incurred by any other party unless this Agreement expressly so provides. Notwithstanding the foregoing, in the event of any litigation based upon or arising out of this Agreement, the court having jurisdiction shall be authorized to award the prevailing party reimbursement of all reasonable costs and expenses incurred by the prevailing party in connection with such litigation, including reasonable attorneys' fees and post-judgment collection and enforcement proceedings.

9.8. **Counterparts.** This Agreement may be executed in any number of counterparts and by the several parties hereto in separate counterparts, all of which taken together shall be deemed to be one and the same instrument.

9.9. **Further Assurances.** Seller, Shareholder and Buyer agree, upon request and for no additional consideration, to sign, acknowledge and deliver any documents and to do anything else which the other may reasonably request in order to perfect or confirm the transfer of the Purchased Assets and the Business to Buyer, or otherwise carry out more completely the purpose and intent of this Agreement consistent with its terms.

9.10. **Remedies Cumulative.** Except as otherwise expressly provided herein, no remedy made available by any of the provisions of this Agreement is intended to be exclusive of any other remedy, and each and every remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing under Contract, at Law or in equity.

9.11. **Governing Law; Jurisdiction.**

9.11.1. THIS AGREEMENT WILL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE DOMESTIC LAWS OF THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CHOICE OF LAW OR CONFLICTING PROVISION OR RULE (WHETHER OF THE STATE OF NEW YORK OR ANY OTHER JURISDICTION) THAT WOULD CAUSE THE LAWS OF ANY JURISDICTION OTHER THAN THE STATE OF NEW YORK TO BE APPLIED. IN FURTHERANCE OF THE FOREGOING, THE INTERNAL LAW OF THE STATE OF NEW YORK WILL CONTROL THE INTERPRETATION AND CONSTRUCTION OF THIS AGREEMENT, EVEN IF UNDER SUCH JURISDICTION'S CHOICE OF LAW OR CONFLICT OF LAW ANALYSIS, THE SUBSTANTIVE LAW OF ANOTHER JURISDICTION WOULD ORDINARILY APPLY.

9.11.2. Any Proceeding arising out of or relating to this Agreement or any of the transactions contemplated by this Agreement shall be brought exclusively in the courts of the State of New York located in New York County, and each of the parties irrevocably submits to the exclusive jurisdiction of such courts in any such Proceeding, and waives any objection it or he may now or hereafter have to venue or to convenience of forum.

9.12. **Waiver of Right to Trial by Jury.** Each party to this Agreement waives any right to trial by jury in any action, matter or Proceeding regarding this Agreement or any provision hereof.

9.13. **Consented Assignment.** Anything contained herein to the contrary notwithstanding, this Agreement shall not constitute an agreement to assign any claim, right, Contract or Permit if an attempted assignment thereof without the consent of another party thereto would constitute a breach thereof or in any way affect the rights of Seller thereunder, unless such consent is obtained. If such consent is not obtained, or if an attempted assignment would be ineffective or would affect Seller's rights thereunder so that Buyer would not in fact receive all such rights, Seller shall cooperate in any reasonable arrangement designed to provide for Buyer the benefit under any such claims, rights, Contracts or Permits, including without limitation enforcement, at the expense of Buyer, of any and all rights of Seller against the other party or parties thereto arising out of the breach, termination or cancellation by such other party or otherwise.

9.14. **Payment of Sales, Use or Similar Taxes**. Seller shall be responsible for (and shall indemnify and hold Buyer harmless against) one hundred percent (100%) of any sales Taxes incident to the sale and transfer of the Purchased Assets and for all other applicable sales, use, stamp, documentary, filing, recording, transfer or similar fees or Taxes or governmental charges (including UCC-3 filing fees, if any) in connection with the sale of the Purchased Assets contemplated by this Agreement; provided, however, that if any such Taxes are those imposed upon a buyer pursuant to applicable law, then Buyer shall be responsible for (and shall indemnify and hold Seller harmless against) one hundred percent (100%) of such Taxes. Seller shall file all necessary documents (including all Tax Returns) with respect to all such amounts in a timely manner.

[*remainder of page intentionally left blank*]

IN WITNESS WHEREOF, the parties have duly executed this Asset Purchase Agreement as of the date first above written.

BUYER:

NII BSA LLC

By: /s/
Name: Matthew Grossberg
Title: Manager

SELLER:

DCAP ACCURATE, INC.

By: /s/
Name: Barry B. Goldstein
Title: President

BARRY SCOTT AGENCY, INC.

By: /s/
Name: Barry B. Goldstein
Title: President

SHAREHOLDER:

DCAP GROUP, INC.

By: /s/
Name: Barry B. Goldstein
Title: President

As to Section 6.5.10 only:

/s/
Barry B. Goldstein

/s/
Barry Lefkowitz

/s/
Victor Brodsky

As to Sections 2.6 and 6.10 only:

/s/
Matthew Grossberg

Schedules and Exhibits

Schedule 2.2	Assumed Contracts
Schedule 2.4.2.4	Closed Store Client List
Schedule 2.4.2.5	Closed Stores
Schedule 2.4.4	Purchase Price Allocation
Schedule 2.5.9	Excluded Personal Property
Schedule 2.5.16	Pennsylvania Customers
Schedule 4.5	Appointed Carriers
Schedule 5.4	Absence of Certain Events
Schedule 5.5	Consents and Approvals
Schedule 5.7.2	Permits
Schedule 5.8	Intellectual Property
Schedule 5.9	Material Assets to be Excluded from Sale
Schedule 5.10	Real Property Leases
Schedule 5.12.1	Split Commissions; Other Payouts
Schedule 5.12.2	Agency Agreements and Revenues
Schedule 5.13	Contracts
Schedule 5.14	Personnel
Schedule 5.16	Tax Matters
Schedule 5.17	Tangible Personal Property
Schedule 5.19	Insurance
Schedule 5.20	Employee Benefit Plans
Schedule 6.2	Transferred Employees
Schedule 6.5.4	Excluded Trade Names
Schedule 6.21	Computers
Schedule 8.1.4	Preliminary Purchase Price Reduction
Schedule A	Telephone Numbers, Facsimile Numbers, E-mail Addresses and Domain Names

Exhibit A	Definitions
Exhibit B	Promissory Note
Exhibit C	Guaranty
Exhibit D	Offset Escrow Agreement
Exhibit E	Grossberg Promissory Note
Exhibit F	Standby Creditor’s Agreement
Exhibit G	Landlord’s Agreement

EXHIBIT A

DEFINITIONS

"**Adverse Consequences**" means all claims, charges, penalties, fines, amounts paid in settlement, liabilities, obligations, losses, damages, deficiencies, fees, costs and expenses, including all reasonable attorneys' fees and court costs and the reasonable costs incurred by any Person to enforce another Person's indemnification obligations under this Agreement, but excluding incidental, exemplary, indirect, punitive and special damages.

"**Affiliate**" means, with respect to a particular Person, any other Person that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such particular Person.

"**Agency Agreements**" means all agency agreements, carrier contracts and other similar arrangements with insurance companies to which Seller is a party and under which Seller derives any Gross Commissions.

"**Agreement**" means this Asset Purchase Agreement, as the same may be amended, supplemented or otherwise modified from time to time.

"**Business**" means the insurance agency business of Seller.

"**Buyer**" has the meaning set forth in the preamble to this Agreement.

"**Client Information**" means all list(s) or Records of clients or customers or accounts, together with all files, computer records and client, customer and account records (whether in written format, digital format or any other media) used or held by, for or in connection with the Business or Seller.

The terms "client" or "customer" or "account" for the definition of "Client Information", mean as to any Person at any time, any other Person listed or otherwise identified on or in the books or records of such Person (whether in written format, digital format or any other media) at such time as a client, customer, account or other Person from whom such Person directly or indirectly (i) derived or received any revenue or other income, (ii) may prospectively derive or receive any revenue or other income or (iii) derived or received revenue or other income during the twenty-four (24) month period prior to such time.

"Closed Store Book of Business" means, as of a particular date or for a particular period, the Seller's then insurance agency and brokerage business and the renewals and expirations thereof together with all written or otherwise recorded documentation, data or information relating solely to the Closed Stores, including (a) the list of insurance companies with which Seller did business through any Closed Store and Records pertaining thereto, and (b) the list of customer accounts of the Business conducted through any Closed Store, sometimes referred to as daily reports or dailies, which contain, with respect to each such account the name and address of the insured, the type of insurance, the insurance carrier, the expiration date of each policy, and all other types of information customarily used by Seller. Closed Store Book of Business does not include any accounts that have cancelled or non-renewed as of the particular date as of which the Closed Store Book of Business is measured.

"**Contract**" means any agreement, contract, Lease, consensual obligation, promise or undertaking (whether written or oral and whether express or implied) that is legally binding.

"**Current Book of Business**" means, as of a particular date or for a particular period, all of Seller's then insurance agency and brokerage business and the renewals and expirations thereof, together with all written or otherwise recorded documentation, data or information relating to the Open Stores, including, but not limited to, (a) the list of insurance companies with which Seller does business and records pertaining thereto, and (b) the list of customer accounts, of the Business conducted through the Open Stores, sometimes referred to as daily reports or dailies, which contain, with respect to each such account, the name and address of the insured, the type of insurance, the insurance carrier, the expiration date of each policy and all other types of information customarily used by Seller. Current Book of Business does not include any accounts that have canceled or non-renewed as of the particular date as of which the Current Book of Business is measured.

"**Environmental Laws**" means all Laws governing the use, storage, shipment, handling, disposal, discharge, release, cleanup, reporting, warning, workplace disclosure or monitoring of Hazardous Materials, or otherwise relating to environmental pollution or environmental protection.

"**ERISA**" means the Employee Retirement Income Security Act of 1974, as amended.

"**Escrow Agent**" means Certilman Balin Adler & Hyman, LLP.

"**Executive Employee**" means Barry Lefkowitz.

"**Governmental or Regulatory Authority**" means any court, tribunal, arbitrator, authority, agency, commission, official or other instrumentality of the United States, any foreign country or any domestic or foreign state, province, county, city or other political subdivision.

"**Gross Commissions**" means, in respect of any period, all new and renewed agency billed and direct billed commissions earned during such period on account of the Current Book of Business or the Closed Store Book of Business, as the case may be, during such period from the sale of insurance products and service fees paid on the then Current Book of Business or the Closed Store Book of Business, as the case may be; provided, that Gross Commissions shall not include any (1) contingent or bonus income, interest income or any other miscellaneous income or any commissions attributable to non-owned business or business written prior to the commencement of such period (to the extent earned in such prior period), or (2) commissions paid to any third party producing agent or agency or to any third party broker.

"**Hazardous Materials**" means all substances, in whatever form or concentration, which are classified as hazardous, toxic or dangerous or as pollutants or contaminants under any Environmental Laws. "Hazardous Materials" specifically include gasoline, oil, diesel fuel and other petroleum products, their fractions and their constituent and residual compounds and by-products, and radon, asbestos and asbestos-containing materials, urea formaldehyde and PCB's.

"**Law**" means any law, statute, rule, regulation, ordinance or other pronouncement having the effect of law, in each case, of any Governmental or Regulatory Authority.

"**Lease**" means any real property lease, personal property lease or any other lease or rental agreement, license, right to use or installment and conditional sale agreement to which Seller is a party and any other Contract pertaining to the leasing or use of any Tangible Personal Property or real property.

"**Lease and Utility Security Deposits**" means all security deposits paid by Seller under utility accounts and real estate Leases which are transferred to Buyer at Closing.

"**Lender**" means the lender identified in the Standby Creditor's Agreement.

"**Liabilities**" means, collectively, any and all of Seller's liabilities or obligations (as such terms may be most broadly interpreted under applicable Law) of any kind (whether express, implied, contingent, non- contingent or otherwise), whether or not relating to the Purchased Assets, the Business or otherwise and whether incurred or accrued prior to or after the Closing Date.

"**Liens**" means any mortgage, pledge, assessment, security interest, lease, lien, right of possession in favor of any third party, claim, levy, charge, equitable interest, option, right of way, easement, encroachment, right of first option, right of first refusal or similar restriction or other encumbrance of any kind, or any conditional sale agreement, factor's lien agreement or any other right of any third party of any kind.

"**Offset Escrow Agreement**" means the offset escrow agreement substantially in the form attached hereto as ***Exhibit D***.

"**Orders**" means any writ, judgment, decree, injunction, or similar order of any Governmental or Regulatory Authority (in each such case whether preliminary, final or otherwise).

"**Permits**" means all licenses, permits, certificates, orders, approvals, registrations, certifications and authorizations with all Governmental and Regulatory Authorities required in connection with the ownership and use of the Purchased Assets as presently owned and used or the operation of the Business as presently conducted.

"**Person**" means any natural person, corporation, unincorporated organization, partnership (general, limited or otherwise), limited liability company, association, joint-stock company, joint venture, trust, governmental body or agency or other entity having legal status of any kind.

"**Prior Claims**" means all claims or causes of action related to the Business (including general liability claims, claims for personal injury and property damage, claims arising out of motor vehicle accidents, property damage or economic injury, contract claims and claims arising out of violations or alleged violations of Laws) which: (i) are asserted at any time before the Closing; or (ii) arise out of events or occurrences that take place or circumstances or conditions that are existing at any time before the Closing, including environmental conditions antedating the Closing which under applicable Environmental Laws require or will require remediation, disclosure or other response action; or (iii) involve an alleged injury, damage or violation that occurred or was existing before the Closing; and, in the case of clauses (ii) and (iii), without regard to whether such claims have been asserted, or are known to Seller, as of the Closing Date.

"**Proceedings**" means all litigation, complaints, actions, suits, proceedings, hearings, investigations, grievances, arbitrations or other legal, administrative or governmental proceedings or enforcement actions.

"**Producer Agreements**" means all producer, subproducer, wholesaler, brokerage and agency marketing agreements and other similar arrangements with third party brokers or agencies to which Seller is a party and under which Seller places any business.

"**Purchased Assets**" means Seller's entire right, title and interest in, to and under (i) the Current Book of Business and the Closed Store Book of Business as of the Closing Date, (ii) all Client Information, (iii) all Intellectual Property and other intangible rights and property of the Business, including, (a) the goodwill and going concern value of the Business, (b) the exclusive use of all trade names and service names of Seller, including all of the trade names listed on ***Schedule 6.5.4***, and all derivatives thereof, and (c) all telephone number(s), facsimile number(s), e-mail addresses and domain name registrations used in connection with the Business, each of which is identified on ***Schedule A*** attached hereto, (iv) all Assumed Contracts, (v) the Tangible Personal Property owned by Seller, including those items listed on ***Schedule 5.17***, (vi) all Lease and Utility Security Deposits, (vii) all rights of Seller under non-disclosure or confidentiality, non-compete, or non-solicitation agreements with employees and agents of Seller or with third parties to the extent relating to the Business or the Purchased Assets (or any portion thereof), (viii) all data and Records related to the operation of Seller not otherwise described in the definitions of Current Book of Business or the Closed Store Book of Business and Client Information, including referral sources, research and development reports and Records, personnel Records, production reports and Records, service and warranty Records, equipment logs, operating guides and manuals, financial and accounting Records, creative materials, advertising materials, promotional materials, studies, correspondence and other similar documents and Records to the extent related to the Business, (ix) the Permits (to the extent transferable under applicable law), (x) all accounts, commissions and fees receivable, (xi) the Seller's Proprietary Information, and (xii) all rights (including renewal rights), warranties, guaranties, privileges, claims, causes of action, and goodwill associated with any of the assets described in the immediately preceding clauses (i) through (x) inclusive, but does not include the Excluded Assets or any Liabilities other than the Assumed Liabilities.

"**Records**" means all information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form.

"**Restricted Area**" means any geographic area within twenty-five (25) miles of the location (as of the Closing Date) of any office of Seller in any direction.

"**Restricted Period**" means a period of three (3) years beginning on the Closing Date.

"**Seller**" has the meaning set forth in the preamble to this Agreement.

"**Seller Group**" has the meaning set forth in the preamble to this Agreement.

"**Seller 2008 Commission Amount**" means an amount equal to Two Million Two Hundred Twenty Five Thousand Six Hundred Sixty Nine Dollars ($2,225,669), representing the amount of Gross Commissions earned by Seller during the one year period ended November 30, 2008 and attributable solely to the Open Stores.

"**Shareholder**" has the meaning set forth in the preamble to this Agreement.

"**Tangible Personal Property**" means all machinery, equipment, tools, furniture, office equipment, computer hardware, supplies, materials, vehicles and other items of tangible personal property of every kind used or held for use in the Business, together with any express or implied warranty by the manufacturers or sellers of any item or component part thereof and all maintenance records and other documents relating thereto.

"**Tax Authority**" means any state or local government, or agency, instrumentality or employee thereof, charged with the administration of any law or regulation relating to Taxes.

"**Tax Return**" means all returns, declarations, reports, estimates, information returns and statements required to be filed in respect of any Taxes.

"**Taxes**" means (i) all federal, state, local or foreign taxes, charges, or other assessments, including all net income, gross receipts, capital, sales, use, motor fuel, ad valorem, value added, transfer, franchise, profits, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, property and estimated taxes and (ii) all interest, penalties, fines, additions to tax or additional amounts imposed by any Tax Authority in connection with any item described in clause (i).

"**Transaction Documents**" means this Agreement, the Bill of Sale, the Promissory Note, the Guaranty, the Offset Escrow Agreement, the Standby Creditor's Agreement and the other instruments and documents required to be (or actually) delivered at the Closing Date in connection with the transactions contemplated under this Agreement, including the Lender's Loan (as defined in the Standby Creditor's Agreement).

The following terms, when used in this Agreement, shall have the meanings defined for such terms in the section or schedule set forth adjacent to such terms:

AMS Obligation	2.4.2.4
Applicable Period	Schedule 8.1.4
Assumed Contracts	2.2
Assumed Liabilities	2.2
Bill of Sale	3.2.1
Cash Payment	2.4.1.1
Client Deposits	6.19
Closed Stores	2.4.2.5
Closed Store Account	2.4.2.1
Closing	3.1
Closing Date	3.1
Computers	6.21
Confidentiality Agreement	6.6.1
Current Book of Business Customers	Schedule 8.1.4
Direct Claim	7.5
Disc	2.4.2.4
Employee Plans	5.20.1
Excluded Assets	2.4
Excluded Liabilities	2.3
Grossberg	2.6
Grossberg Maturity Date	8.1.8
Grossberg Promissory Note	8.1.8
Guaranty	2.6
Indemnification Threshold	7.7
Indemnified Parties	7.3
Indemnifying Party	7.3
Indemnity Payment	7.9
Intellectual Property	5.8
Key Employees	6.5.10
Lease Expiration Date	6.20
Loan	8.1.8
Material Claim	7.3.1
Maturity Date	2.4.1.2
Net Commissions Derived from the Closed Stores	2.4.2.1
N.I.I.	4.5
Nonconsenting Carriers	Schedule 8.1.4
NY WARN	2.3
Open Stores	2.4.2.5
Overrides	6.18.2
Payment Period	2.4.2
Payments Inc.	6.22
Post-Closing Overrides	6.18.2
Pre-Closing Overrides	6.18.1
Preliminary Purchase Price Reduction	Schedule 8.1.4
Progressive	6.18.1
Progressive Agreement	Schedule 2.2
Promissory Note	2.4.1.2
Proprietary Information	6.5.1
Purchase Price	2.4
Recipient	6.4
Rightful Owner	6.4
Seller’s Shares	2.4.2
Standby Creditor’s Agreement	3.2.16
Tail E&O Policy	6.15
Termination Date	3.4.2
Third Party Determination	Schedule 8.1.4
Transferred Employees	6.2
Unearned Commissions	6.16

Exhibit 21

LIST OF SUBSIDIARIES

Name of Subsidiary	**State of Incorporation**
AIA-DCAP Corp.(1)	Pennsylvania
Barry Scott Agency Inc.(2)	New York
Barry Scott Companies, Inc.(1)	Delaware
Blast Acquisition Corp.	Delaware
DCAP Agency, Inc.	New York
DCAP Management Corp.	New York
Dealers Choice Automotive Planning Inc.	New York
DCAP Accurate, Inc.(2)	Delaware
Intandem Corp.	New York
Payments Inc.	New York

_____

(1) A wholly-owned subsidiary of Blast Acquisition Corp.
(2) A wholly-owned subsidiary of Barry Scott Companies, Inc.

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference into the Registration Statements on Form S-3 (No. 333-134102) and Form S-8 (No. 333-104060 and No. 333-132898) of DCAP Group, Inc. and Subsidiaries of our report dated April 13, 2009 with respect to the consolidated financial statements of DCAP Group, Inc. appearing in this Annual Report on Form 10-K of DCAP Group, Inc. for the year ended December 31, 2008.

/s/ Holtz Rubenstein Reminick LLP

Holtz Rubenstein Reminick LLP
Melville, New York
April 13, 2009

CERTIFICATIONS

I, Barry B. Goldstein, certify that:

1. I have reviewed this Annual Report on Form 10-K of DCAP Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 13, 2009

By: /s/ Barry B. Goldstein
Barry B. Goldstein
Principal Executive Officer

CERTIFICATIONS

I, Victor Brodsky, certify that:

1. I have reviewed this Annual Report on Form 10-K of DCAP Group, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the small business issuer and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 13, 2009

By: /s/ Victory Brodsky
Victor Brodsky
Principal Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

AND CHIEF FINANCIAL OFFICER

PURSUANT TO

18 U.S.C. SECTION 1350,

AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned hereby certify, pursuant to, and as required by, 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report of DCAP Group, Inc. (the "Company") on Form 10-K for the year ended December 31, 2008 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: April 13, 2009

By: /s/ Barry B. Goldstein
Barry B. Goldstein
Chief Executive Officer

By: /s/ Victor Brodsky
Victor Brodsky
Chief Accounting Officer and
Principal Financial Officer