

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

X Quarterly report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934

For the quarterly period ended December 31, 1999

OR

____ 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 0-22265

GBI CAPITAL MANAGEMENT CORP.

(Exact Name of Registrant as Specified in its Charter)

Florida _____ 65-0701248 _____
 (State or Other Jurisdiction of (I.R.S. Employer Identification No.)
 Incorporation or Organization)

1055 Stewart Avenue, Bethpage, New York 11714

 (Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (516) 470-1000

Indicate by check whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date: At February 9, 2000, Issuer had outstanding 18,806,612 shares of Common Stock, par value \$.0001 per share.

PART I. FINANCIAL INFORMATION
 ITEM 1. FINANCIAL STATEMENTS

GBI CAPITAL MANAGEMENT CORP. AND SUBSIDIARIES
 Consolidated Statements of Financial Condition

<TABLE>

	December 31, 1999	August 24, 1999
	----- (Unaudited) <C>	----- <C>
<S> Assets		
Cash	\$ 228,878	\$ 502,437
Receivable from brokers and dealerws	20,314,466	8,576,148
Securities owned, at market value	13,148,681	3,390,606
Furniture, fixtures and leasehold improvements, at cost net of accumulated depreciation and amortization of \$2,251,101 and \$2,051,418 for December 31, 1999 and August 24, 1999 respectively	2,607,064	2,468,361
Deferred tax asset	1,019,206	834,000
Other assets	1,420,332	1,361,393
	-----	-----
Total assets	\$ 38,738,627 =====	\$ 17,132,945 =====

Liabilities and Stockholders' Equity
 Liabilities:

Securities sold, not yet purchased, at market value	\$ 12,023,506	\$ 3,918,091
Note payable	-	243,667

Income taxes payable	964,007	84,600
Accrued expenses and other liabilities	11,093,983	4,820,811
	-----	-----
Total liabilities	24,081,496	9,067,169
	-----	-----
Stockholders' equity:		
Common stock - \$.0001 par value;		
Authorized 100,000,000, shares issued and outstanding		
18,806,612 and 15,999,410 shares, respectively.	1,881	1,600
Additional paid-in capital	7,531,763	3,112,021
Retained earnings	7,123,487	4,952,156
	-----	-----
Total stockholders' equity	14,657,131	8,065,776
	-----	-----
Total liabilities and stockholders' equity	\$ 38,738,627	\$ 17,132,945
	=====	=====

</TABLE>

See accompanying notes to financial statements.

GBI CAPITAL MANAGEMENT CORP. AND SUBSIDIARIES
Consolidated Statements of Operations

<TABLE>

	For the Three Months Ended	
	December 31,	December 31,
	1999	1998
	(Unaudited)	(Unaudited)
<S>	<C>	<C>
Revenues:		
Commissions and trading income	\$ 23,643,961	\$ 15,874,460
Interest and dividends, net	368,025	172,657
Underwriting fees	343,127	(91,801)
Other	43,092	16,667
	-----	-----
Total revenues	24,398,205	15,971,983
	-----	-----
Expenses:		
Compensation and benefits	16,261,551	11,935,449
Brokerage, clearance and exchange fees	1,635,225	1,131,809
Communications	702,473	485,576
Occupancy and equipment	1,339,360	1,009,067
Professional fees	323,444	181,527
Business development	389,362	374,533
Other	1,250,879	1,231,819
	-----	-----
Total expenses	21,902,294	16,349,780
	-----	-----
Income (loss) before provisions for income taxes	2,495,911	(377,797)
Income tax provision (benefit)	1,009,292	(40,700)
	-----	-----
Net income (loss)	\$ 1,486,619	\$ (337,097)
	=====	=====
Basic earnings (loss) per common share	\$.08	\$ (.02)
	=====	=====
Diluted earnings (loss) per common share	\$.08	\$ (.02)
	=====	=====

</TABLE>

See accompanying notes to financial statements.

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GBI CAPITAL MANAGEMENT CORP. AND SUBSIDIARIES
Consolidated Statements Changes in Stockholders' Equity

<TABLE>

For the Three Months Ended December 31, 1999				
Common Stock		Additional		
Shares	Par Value	Paid-in	Retained	Total
		Capital	Earnings	

<S>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1999	18,806,612	1,881	7,536,801	5,636,867	13,175,549
Syndication costs	-	-	(5,038)		(5,038)
Net income	-	-	-	1,486,619	1,486,619
Balance at December 31, 1999	18,806,612	\$ 1,881	\$ 7,531,763	\$ 7,123,486	\$ 14,657,130

</TABLE>

See accompanying notes to financial statements.

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GBI CAPITAL MANAGEMENT CORP. AND SUBSIDIARIES
Consolidated Statement of Cash Flows

<TABLE>

	Three Months Ended December 31,	
	1999	1998
<S>	(Unaudited)	(Unaudited)
<C>	<C>	<C>
Operating activities:		
Net income	\$ 1,486,619	\$ (337,097)
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	151,408	133,500
Deferred taxes	(167,206)	(5,200)
Decrease (increase) in operating assets:		
Receivable from brokers and dealers	(6,201,384)	137,560
Securities owned, at market value	(4,054,863)	(1,161,105)
Other assets	(312,611)	(2,961,096)
(Decrease) increase in operating liabilities:		
Securities sold, not yet purchased	4,769,698	2,037,815
Income taxes payable	463,165	(2,377,032)
Accrued expenses and other liabilities	3,881,769	1,955,587
Net cash provided by (used in) operating activities	16,595	(2,577,068)
Investing activities:		
Purchase of office furniture, equipment and leasehold improvements	(268,049)	(122,602)
Syndication costs	(5,038)	(115,035)
Net cash used in investing activities	(273,087)	(237,637)
Financing activities:		
Subscriptions received	-	3,070,267
Net cash provided by financing activities	-	3,070,267
Net (decrease) increase in cash	(256,492)	255,562
Cash at beginning of period	485,370	501,912
Cash at end of period	\$ 228,878	\$ 757,474
Supplemental disclosure or cash flow information		
Cash paid during the year for:		
Interest	\$ 874,429	\$ 639,414

See accompanying notes to financial statements.

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GBI CAPITAL MANAGEMENT CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements include the accounts of GBI Capital Management Corp, and its wholly owned subsidiaries Gaines, Berland Inc. ("Gaines Berland"), GBI Trading Corp. (a development stage company) and GBI Fund Management Corp. (the general partner of the GBI 1500 Focus Fund L.P., a private investment partnership formed in August 1999), (collectively the "Company"). GBI Trading Corp. was incorporated in February 1999 and GBI Fund Management Corp. was incorporated in August 1999.

On August 24, 1999 GBI Capital Management Corp., formerly known as Frost Hanna Capital Group, Inc., acquired all of the outstanding common stock of Gaines Berland. For accounting purposes, the acquisition has been treated as a recapitalization of Gaines Berland with Gaines Berland as the acquirer (reverse acquisition). The historical financial statements prior to August 24, 1999 are those of Gaines Berland.

Gaines, Berland Inc. is a broker-dealer registered with the Securities and Exchange Commission and is a member of the National Association of Securities Dealers, Inc. Gaines Berland acts as an introducing broker, market maker, underwriter and trader for its own account.

Gaines Berland does not carry accounts for customers or perform custodial functions related to customers' securities. Gaines Berland introduces all of its customer transactions, which are not reflected in these financial statements, to its clearing broker, which maintains the customers' accounts and clears such transactions. Additionally, this clearing broker provides the clearing and depository operations for Gaines Berland's proprietary securities transactions. These activities may expose the company to off-balance-sheet risk in the event that customers do not fulfill their obligations with the clearing broker, as Gaines Berland has agreed to indemnify the clearing broker for any resulting losses.

At December 31, 1999, all of the securities owned and securities sold, not yet purchased, and the amount receivable from clearing broker reflected on the consolidated statement of financial condition are security positions with and amounts due from this clearing broker.

The Company maintains cash in bank deposit accounts, which at times, may exceed federally insured limits. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash.

Securities transactions, commission revenue and commission expenses are recorded on a trade-date basis. Unrealized gains and losses on securities transactions are included in commissions and trading income in the consolidated statement of operations.

The financial statements have been prepared in conformity with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly they do not include all of the information and footnotes as required by generally accepted accounting principles for annual financial statements. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended August 24, 1999, contained in its Annual Report on Form 10-K. Certain reclassifications have been made to the prior year amounts to conform to the current presentation. In the opinion of management of the Company, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation have been included. The operations for the three months ended December 31, 1999 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2000.

Furniture and fixtures are depreciated on a straight-line basis over the economic useful lives of the assets, not exceeding seven years. Leasehold improvements are amortized over the lesser of their economic useful lives or the expected term of the related lease.

Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying consolidated financial statements.

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2. INCOME TAXES

The Company files consolidated federal income tax returns, but each

constituent entity files separate state income tax returns. The provision for income taxes differs from the amount of income taxes determined by applying the federal statutory rates principally because of the effect of state taxes and permanent differences.

3. NET CAPITAL REQUIREMENT

As a registered broker-dealer, Gaines Berland is subject to the SEC's Uniform Net Capital Rule 15c3-1 ("Net Capital Rule"), which requires the maintenance of minimum net capital. Gaines Berland computes its net capital under the aggregate indebtedness method permitted by rule 15c3-1, which requires that Gaines Berland maintain minimum net capital, as defined, of the greater of 6-2/3% of aggregate indebtedness, as defined, or \$100,000, or an amount determined based on the market price and number of securities in which Gaines Berland is a market-maker, not to exceed \$1,000,000.

At December 31, 1999, Gaines Berland had net capital, as defined, of \$3,297,221, which exceeded minimum net capital requirements of \$803,532 by \$2,493,689.

4. COMMITMENTS AND CONTINGENCIES

Gaines Berland has been named as defendant in certain legal actions in the ordinary course of business. At December 31, 1999 and December 31, 1998, Gaines Berland had accrued \$2,463,100 and \$1,392,000, respectively, for settlement of all such legal proceedings.

5. EARNINGS PER SHARE

Net income per common share is calculated by dividing net income by the weighted average number of shares of common stock outstanding. The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

Three months ended December 31, 1999:

Basic and dilutive:

Income available to common stockholders (numerator)	\$ 1,486,619
Weighted-average shares (denominator)	18,806,612
Per-Share amount	\$.08

Three months ended December 31, 1998:

Basic and dilutive:

Loss available to common stockholders (numerator)	\$ (337,097)
Weighted-average shares (denominator)	17,046,850
Per-Share amount	\$ (.02)

6. ACCRUED EXPENSES

At December 31, 1999 Gaines Berland had accrued expenses of \$11,093,983, of which \$6,603,000 was for commissions payable, \$825,000 was for bonus accrual, \$2,463,100 was for settlements and \$759,794 was for deferred rent payable.

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

When used in this form 10-Q and in future filings by the Company with the Securities and Exchange Commission, the words or phrases "will likely result," "management expects," or "the Company expects," "will continue," "is anticipated," "estimated" or similar expressions are intended to identify "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any such forward-looking statements, each of which speak only as of the date made. Such statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. These risks and uncertainties include those set forth in the Company's definitive Proxy Statement relating to a special meeting of Stockholders held on August 23, 1999. The Company has no obligation to publicly release the result of any revisions which may be made to any forward-looking statements to reflect anticipated or unanticipated events or circumstances occurring after the date of such statements.

Results of Operations

Commissions and trading income for the three months ended December 31, 1999 increased 48.9% to \$23,643,961 from the three months ended December 31, 1998. This increase is a result of the addition of registered representatives and an active market in equity securities.

Interest and dividend income, net for the three months ended December 31, 1999 increased 113.1%, to \$368,025 from the comparable period in 1998. The

increase is primarily due to higher average cash balances with our clearing broker, rising interest rates and the elimination of interest expense on a subordinated loan that was satisfied in July of 1999.

Underwriting fees for the three months ended December 31, 1999 increased by 473.8%, to \$343,127, from the comparable period in 1998. The increase is the result of our participation in three underwritten public offerings as a co-manager, during the 1999 period, as opposed to not participating in any public offerings for the comparable period in 1998.

Other revenues for the three months ended December 31, 1999 increased 158.6%, to \$43,092 from the three months ended December 31, 1998. This increase is due to an insurance claim for a faulty telephone switch that was settled in December 1999.

Employee compensation and benefits for the three months ended December 31, 1999 increased 36.3%, to \$16,261,551 from the comparable period in 1998. The increase is primarily attributable to the increase in our revenues since employee compensation to the Company's traders and registered representatives is directly related to certain components of revenue. Employee compensation and benefits as a percentage of commission and trading revenue actually decreased 6.8% in 1999.

Brokerage, clearance and exchange fees for the three months ended December 31, 1999 increased 44.5%, to \$1,635,225, from the comparable period in 1998 as a result of higher ticket volume.

Communications expense for the three months ended December 31, 1999 increased 44.7%, to \$702,473, from the comparable period in 1998. This increase is a result of the establishment and operations of an additional branch office in Florida and the expansion of the New York City office.

Occupancy and equipment costs for the three months ended December 31, 1999 increased 32.7%, to \$1,339,360, from the comparable period in 1998. This increase is a result of the establishment of an additional branch office in Florida and the relocation to a larger facility in New York City.

Professional fees for the three months ended December 31, 1999 increased 78.2%, to \$323,444, from the comparable period in 1998. This increase is primarily a result of our decision to use outside counsel for customer arbitrations in 1999.

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Business development costs for the three months ended December 31, 1999 increased 4%, to \$389,362, from the comparable period in 1998. This increase is primarily the result of additional registered representatives and broker trainees, and the purchase of additional prospective customer lists used to generate new business.

Other expenses for the three months ended December 31, 1999 were generally comparable to the corresponding period in 1998.

Income tax provision for the three months ended December 31, 1999 was \$1,009,292 as compared to the income tax benefit of \$40,700 for the three months ended December 31, 1998, which was consistent with the increase in income before this income tax provision.

Net income of \$1,486,619 for the three months ended December 31, 1999, compares to net loss of \$337,097 for the three months ended December 31, 1998. This resulted primarily from the increase in revenues offset by increases in expenses as discussed above.

Liquidity and Capital Resources

Approximately 87% of the Company's assets at December 31, 1999 are highly liquid, consisting primarily of cash and cash equivalents, securities inventories, and receivables from other broker-dealers, all of which fluctuate, depending upon the levels of customer business and trading activity. Receivables from broker-dealers, which are primarily from the Company's clearing broker, turn over rapidly. As a securities dealer, we may carry significant levels of securities inventories to meet customer needs. Our inventory of market-making securities is readily marketable; however, holding large blocks of the same security may limit liquidity and prevent realization of full market value for the securities. A relatively small percentage of our total assets are fixed. The total assets or the individual components of total assets may vary significantly from period to period because of changes relating to customer demand, economic and market conditions, and proprietary trading strategies.

The Company's brokerage subsidiary, Gaines, Berland Inc., is subject to net capital rules of the NASD and the SEC. Therefore, it is subject to certain restrictions on the use of capital and its related liquidity. Gaines Berland's net capital position as of December 31, 1999, was \$3,297,221, which was \$2,493,689, in excess of its' net capital requirement.

The Company's overall capital and funding needs are continually reviewed to ensure that its capital base can support the estimated needs of its business

units. These reviews take into account business needs as well as regulatory capital requirements of the subsidiary. Based upon these reviews, management believes that the Company's capital structure is adequate for current operations and reasonably foreseeable future needs.

The Company's brokerage subsidiary, as guarantor of its customer accounts to its clearing broker, is exposed to off-balance-sheet risks in the event that its customers do not fulfill their obligations with the clearing broker. In addition, to the extent the Company maintains a short position in certain securities, it is exposed to a further off-balance-sheet market risk, since the Company's ultimate obligation may exceed the amount recognized in the financial statements.

Other Matters

Year 2000 computer issue

We initiated a firm-wide program to address the Year 2000 computer issue in order to prepare our computer systems and applications for properly processing dates after December 31, 1999. This program consisted of a series of steps to identify all critical and non-critical systems, determine Year 2000 compliance through inquiries and testing and change non-compliant systems. Our program was substantially in place before yearend 1999, and, to our knowledge, has prevented any problems associated with the Year 2000 computer issue. Our entire program cost less than \$200,000. We do not foresee the occurrence of any Year 2000 problems in the future.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In January 1999, Gaines Berland was named as a defendant in a class action lawsuit commenced in the United States District Court for the Southern District of Texas relating to a secondary public offering of Mitcham Industries, Inc. for which it served as an underwriter with Jefferies & Company, Inc. and Rauscher Pierce Refsnes, Inc. (the "Moskowitz Class Action"). That offering involved the sale of approximately \$35,000,000 in securities, although the amount of damages claimed is undeterminable at this time. Gaines Berland, along with the other underwriters, is entitled to be indemnified by Mitcham pursuant to the underwriting agreement executed in connection with that offering, subject to certain qualifications, reservations and limitations as provided in that underwriting agreement. On September 28, 1999, the underwriter defendants' (including Gaines Berland) motion to dismiss this lawsuit against them was granted by the Court. On or about December 8, 1999, plaintiffs filed an amended complaint. On January 18, 2000, the underwriter defendants filed a motion to dismiss the amended complaint. The motion to dismiss is currently pending.

In addition to the foregoing, Gaines Berland has been, and continues to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to its activities as a broker-dealer in securities, as an employer and as a result of other business activities. In general, the cases involve various allegations that employees of Gaines Berland had mishandled customer accounts. At December 31, 1999, we estimate that the total amount sought from Gaines Berland in pending and threatened claims is approximately \$12,020,000. It is our opinion, based upon our historical experience and the reserves established by us, that the resolution of all claims presently pending will not have a material adverse effect on the consolidated financial condition of our company.

ITEM 2. SALES OF UNREGISTERED SECURITIES

<TABLE>

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price Afforded To Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, Terms of Exercise or Conversions
<C>	<C>	<C>	<C>	<C>	<C>
12/13/99	Options to purchase Common Stock	1,115,624	Options granted under 1999 Performance Equity Plan; no cash consideration received by Company until exercise	4(2)	1/3 exercisable 12/13/00, 12/13/01, 12/13/02 at an exercise price of \$3.00 per share and which all expire 12/12/09
12/13/99	Options to purchase Common Stock	40,000	Options granted under 1999 Performance Equity Plan; no cash		100% exercisable immediately at an exercise price of

consideration received
by Company until
exercise

4(2)

\$3.00 per share and
which all expire
12/12/00

</TABLE>

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ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

- (a) Exhibits
27. Financial Data Schedule (12/31/99)
- (b) Reports on Form 8-K
- None.

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SIGNATURES

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

GBI CAPITAL MANAGEMENT CORP.

(Registrant)

Dated: February 10, 2000

By: /s/ Joseph Berland

Joseph Berland
Chairman of the Board and
Chief Executive Officer

By: /s/ Diane Chillemi

Diane Chillemi
Chief Financial Officer

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EXHIBIT INDEX

Exhibit Number	Description
-----	-----
27	Financial Data Schedule (9/30/99)

<TABLE> <S> <C>

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5

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