

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2000

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 1-15799

GBI CAPITAL MANAGEMENT CORP.
(Name of Exact Registrant as Specified in Its Charter)

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

Securities registered pursuant to Section 12(b) of the Act:
Common Stock, par value \$.0001 per share

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

Indicated 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 issuer was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicated 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.

As of December 12, 2000, the aggregate market value of the Registrant's Common Stock (based on the closing price on the American Stock Exchange on that date) held by non-affiliates of the registrant was \$16,709,786.63.

As of December 15, 2000, 18,806,612 shares of the Registrant's Common Stock were outstanding.

The information required in Part III by Items 10, 11, 12 and 13 is incorporated by reference to Registrant's proxy statement in connection with its next Annual Meeting of Stockholders, which will be filed by the Registrant within 120 days after the close of its fiscal year.

PART I

ITEM 1. BUSINESS.

General

We are a holding company engaged in the retail and institutional securities brokerage business and provide investment banking and research services through GBI Capital Partners, Inc. (formerly Gaines, Berland Inc.), our primary operating subsidiary. GBI Capital Partners is registered as a broker-dealer with the Securities and Exchange Commission and is a member firm of the National Association of Securities Dealers, Inc. and the Securities Investor Protection Corporation. GBI Capital Partner's business activities consist primarily of retail sales and trading of exchange listed and over-the-counter equity securities, options and mutual funds, as well as investment banking and research services. At September 30, 2000, the Company had approximately 407 registered representatives and maintained approximately 55,000 retail and institutional accounts. GBI Capital Partners is currently licensed to conduct activities as a broker-dealer in all 50 states, the District of Columbia and the Commonwealth of Puerto Rico, and operates primarily from its headquarters in Bethpage, New York. GBI Capital Partners also maintains branch offices in California, New York City and Florida.

We were incorporated under the laws of the State of Florida on February 5, 1996. GBI Capital Partners was incorporated under the laws of the State of New York in August 1983. GBI Capital Partners became our wholly-owned subsidiary

on August 24, 1999 pursuant to a merger with FHGB Acquisition Corporation, our wholly-owned subsidiary, with GBI Capital Partners surviving the merger. All references to the Company, unless the context requires otherwise, refers to the Company and GBI Capital Partners.

Sources of Revenue

The following table indicates the dollar amount and the percentage of total revenues we derived from our sources of revenues for the last three fiscal "years" (although we refer to them as fiscal years, we are actually referring to the fiscal period from August 25, 1999 to September 30, 2000, the fiscal period from September 1, 1998 to August 24, 1999 and the fiscal year ended August 31, 1998). Revenues from agency transactions in securities for customers are shown as commissions. Principal transactions include profits from market making and other trading activities, as well as revenues from transactions in securities for customers where we acted in a principal capacity. Investment banking revenues consists of commissions, selling commissions, consulting fees and income from underwriting participation activities and placement agent fees. "Other Income" consists primarily of rental income and dividends.

<TABLE>
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<S>	<C>		<C>		<C>	
	2000 ---- Amount -----	Percent -----	1999 ---- Amount -----	Percent -----	1998 ---- Amount -----	Percent -----
Commissions and Trading Income	\$ 118,160,646	94%	\$ 54,625,000	95.9%	\$ 52,025,000	89.8%
Underwriting Fees and Investment Banking	\$ 4,762,978	3.8%	\$ 1,387,000	2.4%	\$ 4,795,000	8.3%
Interest and Dividends and Other Income	\$ 2,777,897	2.2%	\$ 971,000	1.7%	\$ 1,074,000	1.9%
Total Revenues	\$ 125,701,521	100%	\$ 56,983,000	100.0%	\$ 57,894,000	100%

</TABLE>

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Retail Business

Most of our revenues in the last several years are generated from our retail business. We charge commissions to our individual and institutional clients for executing buy and sell orders of securities on national and regional exchanges and in the over-the-counter market. When we receive a buy or sell order for a security in which we make a market, we may act as a principal and purchase from, or sell to, our customers the security on a disclosed basis at a price set in accordance with applicable securities regulations.

We buy, sell and maintain an inventory of various securities in order to "make a market" in those securities. In executing customer orders for over-the-counter securities in which we do not make a market, we charge a commission and act as agent between our customers and an unaffiliated market-maker. However, when the buy or sell order is in a security in which we make a market, we may act as principal and purchase securities from or sell securities to its customers, which includes the permissible mark-up or mark-down from the current market price, in accordance with applicable securities regulations.

Trading profits or losses depend upon the skills of the employees engaged in market making activities, the capital allocated to positions in securities and the general trends of prices in the securities markets. Trading as principal requires the commitment of capital and creates an opportunity for profits and risk of loss due to market fluctuations. We may take both long (ownership) and short (borrowing shares to effect sales of such shares) positions in those securities in which we make a market. As of September 30, 2000, we made markets in approximately 1,000 securities.

Investment Banking Activities

Our investment banking revenues are principally derived from managing or co-managing public offerings of equity securities and from fees for providing investment banking and corporate finance consulting services. In the corporate finance area, we have been active as an underwriter or selling group member in 187 public equity transactions since 1994. Participation as a managing underwriter or in an underwriting syndicate involves both economic and regulatory risks. An underwriter may incur losses if it is unable to resell the securities it is committed to purchase. In addition, under the federal securities laws, other laws and court decisions with respect to underwriters' liabilities and limitations on the indemnification of underwriters by issuers, an underwriter is subject to substantial potential liability for misstatements or omissions of material facts in prospectuses and other communications with respect to such offerings. Acting as a managing underwriter increases these risks. Underwriting commitments constitute a charge against net capital and our ability to make underwriting commitments may be limited by the requirement that we must at all times be in compliance with regulations regarding our net capital.

Investment Activities

We also seek to realize investment gains by purchasing, selling and

holding securities for our own account on a daily basis. We trade as principal in domestic equity and equity-related securities both on exchanges and in the over-the-counter market. We also engage for our own account in the arbitrage of securities. We are required to commit the capital necessary for use in these investment activities. The amount of capital committed at any particular time will vary according to market, economic and financial factors, including the other aspects of our business. Additionally, in connection with our investment banking activities, we also receive warrants that entitle us to purchase securities of the corporate issuers for which we raise capital or provide advisory services.

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Research Services

Our research activities, which historically were focused primarily on the energy industry, now also include the review and analysis of general market conditions and other industry groups; the issuance of written reports of companies, with recommendations on specific actions to buy, sell or hold; the furnishing of information to retail and institutional customers; and responses to inquiries from customers and account executives. GBI Capital Partners also utilizes the services of Bear Stearns to provide research and analysts' reports.

Wholesale Trading Activities

We have instituted wholesale trading operations in our Ft. Lauderdale, Florida office. We currently employ eleven traders and traders assistants who at September 30, 2000, made markets in approximately 1,000 securities and who also execute trades for institutional and high net worth investors.

Money Management Strategy

We expanded our operations in November 1999 to include money management services by establishing a private investment fund, GBI 1500 Focus Fund, L.P., which invests its capital in publicly traded equity securities. At September 30, 2000, net partners' capital in this fund amounted to approximately \$10,400,000. Our wholly-owned subsidiary, GBI Fund Management Corp., is the general partner of this fund for which it receives an annual management fee based on the net assets of the fund and an incentive fee based on the performance of the fund each year.

Internet Strategy

We have established a new website, www.gbicapital.com, which provides general information about the Company and provides our clients with continuous access to accounts, statements, market updates, charts, quotes, stock alerts and numerous other features.

Administration, Operations, Securities Transactions Processing and Customer Accounts

We do not hold any funds or securities for our customers. Instead, we use the services of Bear Stearns Securities Corp. as our clearing agent on a fully disclosed basis. Bear Stearns processes all securities transactions and maintains customer accounts on a fee basis. Customer accounts are protected through the SIPC for up to \$500,000, of which coverage for cash balances is limited to \$100,000. In addition, all customer accounts are fully protected by an Excess Securities Bond issued by the Travelers Casualty & Surety Company providing protection for the account's entire net equity (both cash and securities). The services of Bear Stearns include billing, credit control, and receipt, custody and delivery of securities. Bear Stearns provides operational support necessary to process, record, and maintain securities transactions for our brokerage activities. Bear Stearns provides these services to our customers at a total cost which we believe is less than it would cost us to process such transactions on our own. Bear Stearns also lends funds to our customers through the use of margin credit. These loans are made to our customers on a secured basis, with Bear Stearns maintaining collateral in the form of saleable securities, cash or cash equivalents. Under the terms of the clearing agreement, we indemnify Bear Stearns for any loss on these credit arrangements.

Competition

We encounter intense competition in all aspects of our business and compete directly with many other securities firms for clients, as well as registered representatives. A significant number of our competitors offer their customers a broader range of financial services and have substantially greater resources than GBI Capital Partners. National retail firms such as Merrill Lynch Pierce Fenner & Smith Incorporated, Salomon Smith Barney, Inc. and Morgan Stanley/Dean Witter dominate the industry. We also compete with numerous regional and local firms. In addition, a number of firms offer discount brokerage services to retail customers and generally effect transactions at substantially lower commission rates on an "execution only" basis, without offering other services such as investment recommendations and research.

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Moreover, there is substantial commission discounting by full-service broker-dealers competing for institutional and retail brokerage business. The recent emergence of online trading has further intensified the competition for brokerage customers. We currently do not offer any online trading services to our customers. The continued expansion of discount brokerage firms and online trading could adversely effect our retail business. Other financial institutions, notably commercial banks and savings and loan associations, offer customers some of the same services and products presently provided by securities firms. While it is not possible to predict the type and extent of

competing services which banks and other institutions ultimately may offer to customers, we may be adversely affected to the extent those services are offered on a large scale basis. We try to compete through our advertising and recruiting programs for registered representatives interested in joining us.

Government Regulation

The securities industry is subject to extensive and constantly evolving federal and state regulations promulgated by the SEC and various state agencies, as well as self-regulatory organizations such as NASD Regulation, Inc., the regulatory arm of the NASD. The principal purpose of such regulations is the protection of customers and the securities markets. The SEC is the federal agency charged with the administration of the federal securities laws. Much of the regulation of broker-dealers, however, has been delegated to self-regulatory organizations, principally the NASD and the national securities exchanges. These self-regulatory organizations adopt rules (subject to approval by the SEC) which govern the industry and conduct periodic examinations of member broker-dealers. Securities firms are also subject to regulation by state securities commissions in the states in which they are registered. GBI Capital Partners is registered with, and subject to the state securities commissions in 50 states, the District of Columbia and the Commonwealth of Puerto Rico.

The regulations to which broker-dealers are subject cover all aspects of the securities industry, including sales methods, trading practices among broker-dealers, capital structure of securities firms, record keeping and the conduct of directors, officers, employees and registered representatives. Additional legislation, changes in rules promulgated by the SEC and by self-regulatory bodies or changes in the interpretation or enforcement of existing laws and rules often directly affect the method of operation and profitability of broker-dealers. The SEC and the self-regulatory bodies may conduct administrative proceedings which can result in censure, fine, suspension or expulsion of a broker-dealer, its officers, employees or registered representatives.

Net Capital Requirements

As a registered broker-dealer and member of the NASD, GBI Capital Partners is subject to the SEC's net capital rule, which is designed to measure the general financial integrity and liquidity of a broker-dealer. Net capital is defined as the net worth of a broker-dealer subject to certain adjustments. In computing net capital, various adjustments to net worth are made with a view to excluding assets which are not readily convertible into cash and making a conservative valuation of other assets, such as firm's position in securities. GBI Capital Partners computes its minimum net capital requirement based on the "aggregate indebtedness method," which stipulates minimum net capital to be the greater of \$100,000 or 6-2/3% of aggregate indebtedness or an amount determined based upon the market price and number of securities in which GBI Capital Partners is a market-maker, not to exceed \$1,000,000. Aggregate indebtedness is the total of certain liabilities of a broker-dealer arising from or in connection with any transaction whatsoever, and includes, among other things, money borrowed, money payable against securities loaned and securities "failed to receive," the market value of securities borrowed to the extent to which no equivalent value is paid or credited. For broker-dealers using this method, the net capital rule requires that the ratio of aggregate indebtedness to net capital not exceed 15 to 1, and imposes restrictions on operations as described below. Compliance with the net capital rule limits those operations of securities firms which require the intensive use of their capital, such as underwriting commitments and principal trading activities, and limits the ability of securities firms to pay dividends or make payments on certain indebtedness, including subordinated debt, as it matures.

In addition to the above requirements, funds invested as equity capital may not be withdrawn, nor may any unsecured advances or loans be made to any

stockholder of a registered broker-dealer, if, after giving effect to such withdrawal, advance or loan and to any other such withdrawal, advance or loan as well as to any scheduled payments of subordinated debt which are scheduled to occur within six months, the net capital of the broker-dealer would fall below 120% of the minimum dollar amount of net capital required or the ratio of aggregate indebtedness to net capital would exceed 10 to 1. Further, any funds invested in the form of subordinated debt generally must be invested for a minimum term of one year and repayment of such debt may be suspended if the broker-dealer fails to maintain certain minimum net capital levels. For example, scheduled payments of subordinated debt are suspended in the event that the ratio of aggregate indebtedness to net capital of the broker-dealer would exceed 12 to 1 or its net capital would be less than 120% of the minimum dollar amount of net capital required.

At September 30, 2000, GBI Capital Partners had net capital of \$11,033,845 which exceeded its minimum net capital requirements of \$1,063,548 by \$9,970,297, and its ratio of aggregate indebtedness to net capital was 1.45 to 1. Failure to maintain the required net capital may subject a firm to suspension or expulsion by the NASD, the SEC and other regulatory bodies and ultimately may require its liquidation. The net capital rule also prohibits payments of dividends, redemption of stock and the prepayment, or payment in respect of principal or subordinated indebtedness if net capital, after giving effect to the payment, redemption or repayment, would be less than the specified percent (120%) of the minimum net capital requirement. Compliance with the net capital rule could limit those operations of GBI Capital Partners that require the intensive use of capital, such as underwriting and trading activities, and also could restrict our ability to withdraw capital from our operating subsidiaries, which in turn could limit our ability to pay dividends, repay debt and redeem or purchase shares of its outstanding capital stock.

Personnel

As of September 30, 2000, we employed approximately 700 full-time employees, including 407 registered representatives. None of our personnel is covered by a collective bargaining agreement. We consider our relationship with our employees to be good.

ITEM 2. PROPERTIES.

The principal executive offices of the Company and GBI Capital Partners are located at 1055 Stewart Avenue, Bethpage, New York, 11714, where the Company leases approximately 92,400 square feet of office space at a base rent of \$1,706,232 per year with annual escalation clauses. The initial term of the lease expires in May 2007. The Company also operates the following branch offices:

Office Location	Approximate Square Footage	Approximate Annual Lease Rental	Expiration
22 Cortlandt Street New York, New York	27,000	\$627,000	March 31, 2010
2149 East Commercial Blvd. Ft. Lauderdale, Florida	3,750	\$78,000	May 31, 2001
2449 Chestnut Street San Francisco, California	250	\$12,000	month-to-month

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ITEM 3. LEGAL PROCEEDINGS.

In January 1999, GBI Capital Partners 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 was undeterminable at the time. GBI Capital Partners, along with the other underwriters, is entitled to be indemnified by Mitcham Industries, Inc. 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 GBI Capital Partners) 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. On October 2, 2000, the underwriter defendants' motion to dismiss the amended complaint was granted by the Court.

GBI Capital Partners has been, and continues to be the subject of numerous civil actions and arbitrations arising out of customers 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 GBI Capital Partners had mishandled customer accounts. At September 30, 2000, we estimate that the total amount sought from GBI Capital Partners in pending and threatened claims is approximately \$11,600,000.

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

None.

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PART II

ITEM 5. MARKET FOR COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.

The Company's common stock became eligible for quotation on the NASD OTC Bulletin Board in October 1997 under the symbol PHAN. On August 24, 1999, we changed our name to GBI Capital Management Corp. and on August 25, 1999, the common stock began quotation on the NASD OTC Bulletin Board under the symbol GBIC. On April 14, 2000, our common stock began trading on the American Stock Exchange under the symbol GBC. The following table sets forth the high and low closing prices (for the Amex) and last sale prices (for the OTC Bulletin Board) for the common stock as reported by Bloomberg for the periods specified.

Period	High(\$)	Low(\$)
--------	----------	---------

Fiscal 2000

Fourth Quarter (7/00-9/00)	3.00	2.5625
Third Quarter (4/00-6/00)	3.50	2.50
Second Quarter (1/00-3/00)	3.375	2.625
First Quarter (10/99-12/99)	3.75	2.50

Fiscal 1999

Fourth Quarter (7/99-9/99)	4.875	2.875
Third Quarter (4/99-6/99)	5.125	2.75
Second Quarter (1/98-3/99)	3.00	2.375
First Quarter (10/98-12/98)	4.25	2.00

Holdings

On December 15, 2000, there were 69 holders of record of our common stock. Based upon our last mailing to stockholders we believe there are over 500 beneficial owners of our common stock.

Dividends

To date, we have not paid or declared any dividends on our common stock. The payment of future dividends, if any, will be at the discretion of the Board of Directors after taking into account various factors, including the Company's financial condition, operating results, current anticipated cash needs as well as any other factors that the Board of Directors may deem relevant. Our ability to pay dividends in the future also may be restricted by GBI Capital Partner's obligations to comply with the net capital requirements imposed on broker-dealers by the SEC and the NASD. We do not intend to declare any dividends in the foreseeable future, but instead intend on retaining all earnings for use in our business.

Recent Sales of Unregistered Securities

None.

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ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below is derived from the Company's audited financial statements. This selected financial data should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements included elsewhere in this Annual Report on Form 10-K:

<TABLE>
<CAPTION>

<S>	<C>		<C>		
	Fiscal Period Ended September 30, 2000 (*)	Fiscal Period Ended August 24, 1999 (**)	Fiscal Year Ended 1998	Fiscal Year Ended 1997	Fiscal Year Ended August 31, 1996
(in thousands except share, per share and Other Data)					
Income Statement Data:					
Total revenues	\$125,702	\$56,983	\$57,895	\$62,355	\$39,944
Total expenses	110,459	57,420	57,108	54,879	38,896
Pre-tax (loss) income	15,242	(437)	787	7,476	1,048
Net (loss) income	8,777	(324)	352	4,178	448
Basic and diluted earnings per common share	0.47	(.02)	.03	.38	.05
Weighted average shares outstanding - Basic and Diluted	18,806,612	16,473,748	11,421,819	10,870,832	9,950,308
Balance Sheet Data:					
Total assets	39,420	\$ 17,133	\$16,645	\$20,700	\$ 6,276

Total liabilities (excluding subordinated debt)	18,157	9,067	10,266	13,986	4,051
Subordinated debt	--	--	1,000	1,000	1,000
Stockholders' equity	21,263	8,066	5,379	5,714	1,225
Other Data:					

Ratio of assets to stockholders equity	1.85	2.12	3.09	3.62	5.12
Return on average equity	59.8%	(4.8%)	6.4%	120.4%	45.1%
Pre-tax return on average equity	104%	(6.5%)	14.2%	215.5%	105.5%
Book value per share	1.13	.50	.31	.49	12
Registered representatives	407	296	233	270	114

* Period from August 25, 1999 to September 30, 2000.

** Period from September 1, 1998 to August 24, 1999.

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

Foreword-Looking Statements

When used in this Form 10-K and in future filings by the Company with the SEC, 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 Private Securities Litigation Reform Act of 1995. Readers are cautioned not to place undue reliance on any 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 Item 1 of Part I hereof (entitled "Business"), in Item 7 of Part II hereof (entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations"), in Exhibit 99 hereof and elsewhere in this Report. 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 statement.

Overview

The following discussion and analysis should be read in conjunction with our consolidated financial statements. The discussion of results, causes and trends should not be construed to imply any conclusion that such results or trends will necessarily continue in the future.

We are engaged in the securities brokerage and trading business and provide investment banking and research services. Primarily revenues are generated by retail sales and trading of listed and OTC equity securities, options and mutual funds, investment banking and research services. We earn commissions from the buying and selling of equity securities on an agency basis. As a principal, we buy and sell securities, both for proprietary trading and to facilitate sales to our retail customers and other dealers. These securities are purchased in secondary markets or from the underwriters of new issues. Principal transactions with customers are effected at a net price equal to the current inter-dealer price plus or minus a mark-up or mark-down within the guidelines of applicable securities regulations. The revenues derived from our transactions as principal reflect realized and unrealized gains and losses on such transactions.

Results of Operations

For the Period From August 25, 1999 to September 30, 2000 ("fiscal 2000") vs. the Period From September 1, 1998 to August 24, 1999 ("fiscal 1999")

Revenue

Commissions and trading income for fiscal 2000 increased 116.3%, to \$118,160,646 from fiscal 1999. The increase is a result of the addition of registered representatives and an active market in equity securities.

Interest and dividend income, net for fiscal 2000 increased 193.6%, to \$2,707,738 from fiscal 1999. The increase is primarily due to higher average cash balances with the Company's clearing broker.

Underwriting fees and investment banking for fiscal 2000 increased 343.5%, to \$4,762,978 from fiscal 1999. The increase is primarily a result of our participation in one underwritten public offering where we acted as a co-manager during fiscal 2000 as opposed to not participating as a co-manager in any public offerings for the comparable period in fiscal 1999.

Other revenues for fiscal 2000 increased by 43.2%, to \$70,159 from fiscal 1999. The increase is the result of the settlement of an insurance claim for a faulty telephone switch.

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Expenses

Employee compensation and benefits for fiscal 2000 increased 105.9%, to \$80,334,416 from fiscal 1999. The increase is primarily attributable to the increase in revenue (and is roughly comparable) since employee compensation to the Company's registered representatives and traders is directly related to certain components of revenue.

Brokerage, clearance and exchange fees for fiscal 2000 increased 170.7%, to \$7,249,951 from fiscal 1999 as a result of higher ticket volume.

Communications expense for fiscal 2000 increased 51.3%, to \$3,833,744 from fiscal 1999. The increase is a result of the increase in registered representatives in Bethpage, 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 fiscal 2000 increased 33.9%, to \$6,849,701 from fiscal 1999. The 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 period from fiscal 2000 increased 19.1%, to \$2,524,596 from fiscal 1999. The increase is primarily a result of costs associated with expanding our business, complying with regulatory requirements and litigation expenses.

Business development costs for fiscal 2000 increased 58.3%, to \$2,429,977 from fiscal 1999. The increase is the result of increased promotional and recruiting expenses, and an increase in registered representatives and broker trainees, and the purchase of additional prospective customer lists used to generate new business.

Other expenses for fiscal 2000 increased 63.7%, to \$7,236,972 from fiscal 1999. The increase is the result of an increase in reserves for potential litigation and an increase in underwriting activities and the expenses related to them.

Income tax provision for fiscal 2000 was \$6,464,884 as compared to the income tax benefit of \$112,470 for fiscal 1999, which is consistent with the increase in income before this income tax provision.

Net income of \$8,777,659 for fiscal 2000 compares to net loss of \$324,576 for fiscal 1999. This resulted primarily from the increase in revenues offset by increases in expenses as discussed above.

For the Period From September 1, 1998 to August 24, 1999 ("fiscal 1999") vs. Year Ended August 31, 1998 ("fiscal 1998")

Revenue

Commissions and trading income for fiscal 1999 increased 5.0%, to \$54,625,262 from fiscal 1998. The increase is a result of the addition of registered representatives and an active market in equity securities.

Interest and dividend income, net for fiscal 1999 was comparable to fiscal 1998.

Underwriting fees and investment banking for fiscal 1999 decreased by 71%, to \$1,386,588 from fiscal 1998. The decrease is the result of our not participating in any underwritten public offerings where we acted as a manager or co-manager during fiscal 1999, while we participated in four public offerings for our investment banking clients, raising approximately \$141 million, in fiscal 1998.

Other revenues for fiscal 1999 decreased by 66.7%, to \$49,007 from fiscal 1998. The decrease is the result of the decrease in consulting activities from which we derive fees.

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Expenses

Employee compensation and benefits for fiscal 1999 decreased 3.8%, to \$39,018,835 from fiscal 1998. The decrease is due primarily to the elimination of investment banking personnel and the reduction in bonuses due to our decreased profitability.

Brokerage, clearance and exchange fees for fiscal 1999 increased 13.8%, to \$2,678,741 from fiscal 1998 as a result of higher ticket volume.

Communications expense for fiscal 1999 increased 1.1%, to \$2,534,013 from fiscal 1998. The increase is a result of the establishment and operations of an additional branch office.

Occupancy and equipment costs for fiscal 1999 increased 6.2%, to \$5,113,830 from fiscal 1998. The 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 fiscal 1999 increased 157.2%, to \$2,119,803 from fiscal 1998. The increase is primarily a result of costs associated with expanding our business, complying with regulatory requirements and litigation expenses.

Business development costs for fiscal 1999 decreased 17.7%, to \$1,534,638 from fiscal 1998. The decrease is primarily the result of decreased promotional expenses.

Other expenses for fiscal 1999 increased 5.7%, to \$4,420,419 from fiscal 1998. The increase is the result of an increase in reserve for potential litigation.

Income tax benefit for fiscal 1999 was \$112,470 as compared to the income tax provision of \$435,177 for fiscal 1998, which was consistent with the decrease in income before this income tax benefit.

Net loss of \$324,576 for fiscal 1999 compares to net income of \$352,270 for fiscal 1998. This resulted primarily from the decrease in revenues and increases in expenses as discussed above.

Liquidity and Capital Resources

Approximately 77% of our assets at September 30, 2000, were 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 our 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, GBI Capital Partners, 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. GBI Capital Partners' net capital position as of September 30, 2000, and August 24, 1999, was \$ 11,033,845, and \$2,773,730, respectively, which was \$9,970,297 and \$2,211,230, respectively, in excess of its net capital requirements.

Our overall capital and funding needs are continually reviewed to ensure that our capital base can support the estimated needs of our 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 our capital structure is adequate for current operations. From time to time we consider certain expansion opportunities, including possible acquisitions of other companies. In connection with pursuing such opportunities we may need to seek external financing.

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As guarantor of our customer accounts to our clearing broker, we are exposed to off-balance-sheet risks in the event that our customers do not fulfill their obligations with the clearing broker. In addition, to the extent we maintain a short position in certain securities, we are exposed to a further off-balance-sheet market risk, since our ultimate obligation may exceed the amount recognized in the financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our market making, investing and underwriting activities often involve the purchase, sale or short sale of securities as principal. Such activities subject our capital to significant risks from markets that may be characterized by relative illiquidity or may be particularly susceptible to rapid fluctuation in liquidity. Such market conditions could limit our ability to resell securities purchased or to purchase securities sold short. These activities subject our capital to significant risks, including market, credit counterparty and liquidity risks. Market risk relates to the risk of fluctuating values based on market prices without action on our part. Our primary credit risk is settlement or counterparty risk, which relates to whether a counterparty will fulfill its contractual obligations, such as delivery of securities or payment of funds. Liquidity risk relates to our inability to liquidate assets or redirect the deployment of assets contained in illiquid investments. In addition, our market and liquidity risks and risks associated with asset revaluation are increased because these risks for us are concentrated.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Consolidated Statements of Operations for the periods from August 25, 1999 to September 30, 2000, and September 1, 1998 to August 24, 1999, and for the year ended August 31, 1998	F - 3

Consolidated Statements of Changes in Stockholders' Equity
for the periods from August 25, 1999 to September 30,
2000, and September 1, 1998 to August 24, 1999, and
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Consolidated Statements of Cash Flows for the periods from
August 25, 1999 to September 30, 2000, and September 1,
1998 to August 24, 1999, and for the year ended
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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of
GBI Capital Management Corp.

We have audited the accompanying consolidated statements of financial condition of GBI Capital Management Corp. and Subsidiaries as of September 30, 2000 and August 24, 1999, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the periods from August 25, 1999 to September 30, 2000 and September 1, 1998 to August 24, 1999 and for the year ended August 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 GBI Capital Management Corp. and Subsidiaries as of September 30, 2000 and August 24, 1999, and the results of their operations and their cash flows for the periods from August 25, 1999 to September 30, 2000 and September 1, 1998 to August 24, 1999 and for the year ended August 31, 1998, in conformity with generally accepted accounting principles.

/S/ GOLDSTEIN GOLUB KESSLER LLP

GOLDSTEIN GOLUB KESSLER LLP

November 11, 2000

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<TABLE>
<CAPTION>

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

<S>	<C>	<C>
	September 30, 2000	August 24, 1999
	-----	-----
ASSETS:		
Cash and cash equivalents	\$ 5,255,669	\$ 502,437
Receivable from broker	21,507,788	8,576,148
Securities owned, at market value	3,513,865	3,390,606
Furniture, fixtures and Leasehold Improvements, at cost, net of accumulated depreciation and amortization of \$2,831,499 and \$2,051,418 at September 30, 2000 and August 24, 1999, respectively.	4,166,744	2,468,361
Deferred tax asset	1,156,000	834,000
Investment in and receivable from affiliates	1,489,134	-
Other Assets	2,330,803	1,361,393
	-----	-----
Total assets	\$39,420,003	\$17,132,945
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY:		
Liabilities:		
Securities sold, not yet purchased, at market value	\$ 2,203,708	\$ 3,918,091
Note payable	-	243,667
Income taxes payable	182,788	84,600
Accrued expenses and other liabilities	15,770,427	4,820,811
	-----	-----
Total liabilities	18,156,923	9,067,169
	-----	-----
Commitments and Contingencies	-	-

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	3,112,020
Retained earnings	13,729,436	4,952,156
Total stockholders' equity	21,263,080	8,065,776
Total liabilities and stockholders' equity	\$39,420,003	\$17,132,945

</TABLE>

See Notes to Consolidated Financial Statements

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GBI CAPITAL MANAGEMENT CORP. and SUBSIDIARIES
Consolidated Statements of Operations
<TABLE>
<CAPTION>

	For the period August 25, 1999 to September 30, 2000	For the period September 1, 1998 to August 24, 1999	For the Year Ended August 31, 1998
<S>	<C>	<C>	<C>
Revenues:			
Commissions and trading income	\$ 118,160,646	\$ 54,625,262	\$ 52,025,409
Interest and dividends, net	2,707,738	922,376	927,356
Underwriting fees	4,762,978	1,386,588	4,795,185
Other	70,159	49,007	147,010
	125,701,521	56,983,233	57,894,960
Expenses:			
Compensation and benefits	80,334,416	39,018,835	40,561,426
Brokerage, clearance and exchange fees	7,249,951	2,678,741	2,354,440
Communications	3,833,744	2,534,013	2,505,735
Occupancy and equipment	6,849,701	5,113,830	4,814,782
Professional fees	2,524,596	2,119,803	824,101
Business development	2,429,977	1,534,638	1,864,315
Other	7,236,972	4,420,419	4,182,714
	110,459,357	57,420,279	57,107,513
Income (loss) before provision for income taxes	15,242,164	(437,046)	787,447
Income tax (provision) benefit	(6,464,884)	112,470	(435,177)
Net income (loss)	\$ 8,777,280	\$ (324,576)	\$ 352,270
Basic (loss) earnings per common share	\$ 0.47	\$ (.02)	\$ 0.03
Diluted (loss) earnings per common share	\$ 0.47	\$ (.02)	\$ 0.03

</TABLE>

See Notes to Consolidated Financial Statements

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

For the period from September 1, 1997 to September 30, 2000

<TABLE>
<CAPTION>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock	Stock Subscription Receivable	Total
<S>	Shares	Par Value					
<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Stockholders' equity, August 31, 1997	14,552,888	\$ 1,455	\$ 1,000,434	\$ 4,924,462	\$ (212,500)	\$ --	\$ 5,713,851
Purchase of treasury stock	--	--	--	--	(1,234,270)	--	(1,234,270)
Sale of stock	2,586,206	259	2,507,971	--	1,446,770	(3,407,667)	547,333
Net income	--	--	--	352,270	--	--	352,270
Stockholders' equity, August 31, 1998	17,139,094	1,714	3,508,405	5,276,732	--	(3,407,667)	5,379,184
Cancellation of stock subscription	(416,423)	(42)	(214,658)	--	--	214,700	--

Cash receipt for stock subscription	--	--	--	--	--	3,192,967	3,192,967
Purchase and retirement of stock	(832,846)	(83)	(238,216)	--	--	--	(238,299)
Issuance of stock	109,585	11	56,489	--	--	--	56,500
Net loss	--	--	--	(324,576)	--	--	(324,576)
Stockholders' equity, August 24, 1999	15,999,410	1,600	3,112,020	4,952,156	--	--	8,065,776
Net Income	--	--	--	684,711	--	--	684,711
Stock Issued in connection with reverse merger	2,807,202	281	4,424,781	--	--	--	4,425,062
Stockholders' equity, September 30, 1999	18,806,612	1,881	7,536,801	5,636,867	--	--	13,175,549
Net Income	--	--	--	8,092,569	--	--	8,092,569
Syndication Costs	--	--	(5,038)	--	--	--	(5,038)
Stockholders' equity, September 30, 2000	18,806,612	\$ 1,881	\$ 7,531,763	\$ 13,729,436	\$ --	\$ --	\$21,263,080

</TABLE>

See Notes to Consolidated Financial Statements

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GBI CAPITAL MANAGEMENT CORP. and SUBSIDIARIES
Consolidated Statements of Cash Flows

<TABLE>

<CAPTION>

	For the period August 25, 1999 to September 30, 2000	For the period September 1, 1998 to August 24, 1999	For the Year Ended August 31, 1998
<S>	<C>	<C>	<C>
Cash flows from operating activities:			
Net income (loss)	\$ 8,777,280	\$ (324,576)	\$ 352,270
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	780,080	710,076	553,094
Deferred income taxes	(322,000)	(284,100)	(2,511,900)
Unrealized loss on investment in affiliate	90,027	--	--
Decrease (increase) in operating assets:			
Receivable from clearing broker dealer	(12,931,640)	857,340	146,809
Securities owned, at market value	(123,259)	(854,018)	4,768,726
Other assets	(969,410)	(787,673)	23,908
(Decrease) increase in operating liabilities:			
Securities sold, not yet purchased, at market value	(1,714,383)	1,031,596	(3,311,056)
Income taxes payable	98,188	(2,249,122)	1,571,141
Accrued expenses and other liabilities	10,949,616	608,182	(850,988)
Net cash (used in) provided by operating activities	4,634,499	(1,292,295)	742,004
Cash flows from investing activities:			
Purchase of fixed assets	(2,478,463)	(139,901)	(602,089)
Investment in affiliate	(1,579,161)	--	--
Net cash (used in) investing activities	(4,057,624)	(139,901)	(602,089)
Cash flows from financing activities:			
Collection of stock subscriptions receivable	--	3,192,967	--
Sale of common stock	4,425,062	56,500	547,333
Syndication costs	(5,038)	--	--
Purchase and retirement of common stock	--	(238,299)	--
Purchase of common stock into treasury	--	--	(400,937)
Repayment of subordinated borrowing	--	(1,000,000)	--
Payment of note payable	(243,667)	(666,667)	--
Proceeds from note payable	--	77,001	--
Net cash provided by financing activities	4,176,357	1,421,502	146,396
Net (decrease) increase in cash and cash equivalents	4,753,232	(10,694)	286,311
Cash and cash equivalents at beginning of period	502,437	513,131	226,820
Cash and cash equivalents at end of period	\$ 5,255,669	\$ 502,437	\$ 513,131
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	\$ 5,033,646	\$ 2,744,398	\$ 1,706,236
Income taxes	\$ 6,551,654	\$ 2,606,431	\$ 1,366,448

</TABLE>

See Notes to Consolidated 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, GBI Capital Partners Inc., formerly Gaines, Berland Inc. ("GBI Capital") and GBI Fund Management Corp. (the general partner of the GBI 1500 Focus Fund L.P., a private investment partnership formed in August 1999), and GBI Capital's wholly owned subsidiary, GBI Trading Corp. ("GBI Trading") (a development stage company), (collectively the "Company"). GBI Trading 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 GBI Capital. For accounting purposes, the acquisition has been treated as a recapitalization of GBI Capital with GBI Capital as the acquirer (reverse acquisition). The historical financial statements prior to August 24, 1999, are those of GBI Capital. The Company has changed its fiscal year end to September 30. The Company's Statement of Operations, Statements of Changes in Stockholders Equity, and Statement of Cash Flows for 1999 and 2000 are for the period September 1, 1998 to August 24, 1999 and August 25, 1999 to September 30, 2000, respectively.

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

GBI Capital does not carry accounts for customers or perform custodial functions related to customers' securities. GBI Capital 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 GBI Capital'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 GBI Capital has agreed to indemnify the clearing broker for any resulting losses.

At September 30, 2000, 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 principal transactions in the consolidated statement of operations.

The financial statements have been prepared in conformity with generally accepted accounting principles which require the use of estimates by management.

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.

The investment in affiliates consists of a limited partnership investment in the GBI 1500 Focus Fund L.P. accounted for by the equity method.

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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.

2. SECURITIES OWNED AND SECURITIES SOLD, NOT YET PURCHASED:

<TABLE>
<CAPTION>

Securities owned and securities sold, not yet purchased consists of:						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
	2000		2000	1999		1999
	Securities		Securities Sold	Securities		Securities Sold

	Owned	Not Yet Purchased	Owned	Not Yet Purchased
Equities	\$ 1,423,861	\$ 2,131,341	\$ 710,253	\$ 3,886,145
Warrants	2,090,004	72,367	2,679,103	31,946
Options			1,250	
	\$ 3,513,865	\$ 2,203,708	\$ 3,390,606	\$ 3,918,091

</TABLE>

Securities owned, traded on a national exchange are valued at the bid price. Securities sold, not yet purchased, traded on a national exchange are valued at the ask price. The resulting unrealized gains and losses are reflected in revenue.

Securities sold, not yet purchased, represent obligations of GBI Capital to deliver specified securities by purchasing the securities in the market at prevailing market prices. Accordingly, these transactions result in off-balance-sheet market risk as GBI Capital's ultimate obligation may exceed the amount recognized in the financial statements.

Stock warrants may not be readily marketable and have been valued at fair value as determined by management. The warrants are valued based on a percentage of the market value of the underlying securities. The resulting unrealized gains and losses are reflected in trading income.

3. INCOME TAXES:

The provision (benefit) for income taxes consists of:

<TABLE>

<CAPTION>

<S>	<C>	Period from	Period from	<C>	<C>	
		August 25, 1999 to September 30, 2000	September 1, 1998 to August 24, 1999	Year Ended August 31, 1998		
Current:						
Federal	\$	4,935,111	\$	79,678	\$	2,194,596
State and local		1,851,773		91,952		752,481
Total Current		6,786,884		171,630		2,947,077
Deferred:						
Federal		(242,000)		(209,000)		(1,804,000)
State and Local		(80,000)		(75,100)		(707,900)
Total deferred		(322,000)		(284,100)		(2,511,900)
Provision (benefit)	\$	6,464,884	\$	(112,470)	\$	435,177

</TABLE>

The provision (benefit) for income taxes for the periods ended September 30, 2000, August 24, 1999 and August 31, 1998, differs from the amount computed using the federal statutory rate of 34% as a result of the following:

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<TABLE>

<CAPTION>

<S>	<C>	<C>	<C>
	2000	1999	1998
Tax (benefit) at federal statutory rate	34%	(34%)	34%
State income taxes	9%	8%	9%
Other	-	-	12%
	43%	(26%)	55%

</TABLE>

The deferred tax asset results from the following:

	2000	1999
Deferred rent	\$ 179,000	\$ 0
Accrued settlements	977,000	834,000
Total deferred tax asset	\$ 1,156,000	\$ 834,000

The Company files consolidated federal income tax returns, but each constituent entity files separate state income tax returns.

4. NET CAPITAL REQUIREMENT

As a registered broker-dealer, GBI Capital is subject to the SEC's Uniform Net Capital Rule 15c3-1 ("Net Capital Rule"), which requires the maintenance of minimum net capital. GBI Capital computes its net capital under the aggregate indebtedness method permitted by rule 15c3-1, which requires that GBI Capital 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 GBI Capital is a market-maker, not to exceed \$1,000,000.

At September 30, 2000, August 24, 1999, and August 31, 1998, GBI Capital had net capital, as defined, of \$11,033,845, \$2,773,730, and \$1,807,781, respectively, which exceeded minimum net capital requirements of \$1,063,548, \$562,500 and \$492,003 by \$9,970,297, \$2,211,230 and \$1,315,778, respectively.

5. PROFIT-SHARING PLAN

GBI Capital is a sponsor of a defined contribution profit-sharing plan for its eligible employees. Contributions to the plan, if any, are determined by the employer and come out of its current accumulated profits not to exceed the amount permitted under the Internal Revenue Code as a deductible expense. GBI Capital made no contribution to the plan for the period from August 25, 1999 to September 30, 2000, the period from September 1, 1998 to August 24, 1999 and the year ended August 31, 1998.

6. SUBORDINATED BORROWING

GBI Capital repaid a subordinated loan on July 22, 1999. The subordinated borrowing had been approved by the NASD for inclusion in computing GBI Capital's net capital pursuant to the Net Capital Rule. The loan had been established with a stockholder of GBI Capital and was interest bearing at a rate of 7-7/8% per annum, resulting in interest expense of approximately \$71,000 for the period from September 1, 1998 to August 24, 1999, and approximately \$80,000 for the year ended August 31, 1998.

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7. COMMITMENTS AND CONTINGENCIES

GBI Capital leases office space at several locations including Bethpage, NY, New York City, NY and Fort Lauderdale, FL. These leases expire May 30, 2007, March 31, 2010 and May 31, 2001, respectively. GBI Capital also occupies additional space for its branch in California under month-to-month leases. The minimum annual rental payments for these leases are as follows:

Year ending September 30,	
2000	\$ 1,920,032
2001	1,952,652
2002	1,986,088
2003	2,027,688
2004	2,143,380
Thereafter	5,339,622

	\$15,369,462
	=====

The leases contain provisions for escalations based on increases in certain costs incurred by the lessor. GBI Capital has the option to renew one of these leases for an additional three-year period. Rent expense was \$2,758,075 for the period ended September 30, 2000, \$1,618,970 for the period ended August 24, 1999, and \$1,997,871 for the year ended August 31, 1998.

The leases provide for rent abatements and scheduled increases in base rent. Rent expense is charged to operations ratably over the term of the leases which results in deferred rent payable which represents cumulative rent expense charged to operations from inception of these leases in excess of required lease payments.

As of September 30, 2000, the Company has employment agreements with five key executives through August 2004. The agreements provide for annual base salaries of \$600,000 for the next five years. In addition, the agreement provides for additional compensation based upon a percentage of income as defined in the agreements.

GBI Capital has been named as defendant in certain legal actions in the ordinary course of business. At September 30, 2000, August 24, 1999, and August 31, 1998, GBI Capital had accrued \$ 2,348,000, \$2,004,000 and \$1,400,000, respectively, for settlement of all such legal proceedings.

8. FINANCIAL INSTRUMENTS

GBI Capital's activities include the purchase and sale of warrants.

Warrants give the buyer the right to purchase securities at a specific price until a specified expiration date. These financial instruments are used to conduct trading activities and manage market risk.

GBI Capital may receive warrants as a part of its underwriting activities for initial public offerings.

Such transactions may result in credit exposure in the event the counter party to the transaction is unable to fulfill its contractual obligations. Substantially all of the warrants are traded on national exchanges, which can be subject to market risk in the form of price fluctuations.

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9. EARNINGS PER SHARE

Net income (loss) per common share is calculated by dividing net income by weighted average number of common shares outstanding. Stock options outstanding have not been included in the computation of diluted EPS, as the effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted earnings per share ("EPS"):

<TABLE>
<CAPTION>

	August 25, 1999 to September 30, 2000 ----	September 1, 1998 to August 24, 1999 ----	Year Ended August 31, 1998 ----
<S>	<C>	<C>	<C>
Numerator for basic and diluted EPS: Net income (loss)	\$ 8,777,280	\$ (324,576)	\$ 352,270
Denominator for basic and dilutive EPS	18,806,612	16,473,748	11,421,819

</TABLE>

10. ACCRUED EXPENSES

At September 30, 2000, GBI Capital had accrued expenses of \$15,770,427, of which \$4,500,178 was for commissions and salaries payable, \$5,750,375 was for bonus accrual, \$2,348,000 was for settlements, \$998,198 was for deferred rent payable, and \$2,173,376 was for other accruals (none more than 5% of accrued expenses). At August 24, 1999, GBI Capital had accrued expenses of \$4,820,811, of which \$1,400,000 was for commissions and salaries payable, \$200,000 was for bonuses, \$2,022,561 was for settlements, \$533,656 was for deferred rent, and \$664,594 was for other accruals (none more than 5% of accrued expenses).

11. INTEREST EXPENSE

During the periods August 25, 1999 to September 30, 2000, and September 1, 1998 to August 24, 1999, and for the year ended August 31, 1998, the Company incurred interest expense of \$5,039,359, \$2,815,422 and \$1,706,236, respectively.

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12. STOCK OPTION PLAN

In 1999, the Company adopted the 1999 Performance Equity Plan (the "Plan") which provides for the grant of stock options and stock purchase rights to certain designated employees, officers and directors and certain other persons performing services for the Company, as designated by the board of directors. Pursuant to the Plan, an aggregate of 3,000,000 shares of common stock have been reserved for issuance.

A summary of the status of the Plan at September 30, 2000, and changes during the period ended September 30, 2000, is presented below:

	Shares	Weighted Avg. Exercise Price
Granted	1,691,988	\$ 3.36
Forfeited	27,875	3.00
Outstanding at end of period	1,664,113	3.36
Options exercisable at year-end	277,198	4.03

The following table summarizes information about stock options outstanding

at September 30, 2000:

<TABLE>
<CAPTION>

Range of Exercise Prices	Number Outstanding at September 30, 2000	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Number Exercisable at September 30, 2000	Weighted-Average Exercise Price
<S>	<C>	<C>	<C>	<C>	<C>
4.47	200,000	3.92	4.47	89,508	4.47
4.06	300,000	8.92	4.06	147,690	4.06
3.00	1,127,749	9.21	3.00	40,000	3.00
2.75	36,364	9.25	2.75	-	2.75
	1,664,113	8.52	3.36	277,198	4.03

</TABLE>

The Company applies APB Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost been determined based on the fair value at the grant dates for those awards consistent with the method of FASB Statement No. 123, the Company's net income and net income per share for the year ended September 30, 2000, would have been increased to the pro forma amounts indicated below:

Net income:	
As reported	\$8,777,280
Pro forma	7,270,529
Earnings per share:	
As reported - Basic and diluted	\$.47
Pro forma - Basic and diluted	\$.39

The estimated grant date present value reflected in the above table is determined using the Black-Scholes model. The material factors incorporated in the Black-Scholes model in estimating the value of the options reflected in the above table include the following: (i) the fair market value of the underlying stock on the dates of grant, (ii) an option term ranging from 5 to 10 years, (iii) a risk-free rate range of 5.81% to 6.41% that represents the interest rate on a U.S. Treasury security with a maturity date corresponding to that of the option term, (iv) volatility of 97.73% and (v) no annualized dividends paid with respect to a share of common stock at the date of grant. The ultimate values of the options will depend on the future price of the Company's common stock, which cannot be forecast with reasonable accuracy.

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

As reported in our Current Report on Form 8-K, dated August 24, 1999, we dismissed Arthur Andersen LLP and subsequently engaged Goldstein Golub Kessler LLP as our new independent accountants for the fiscal year ending August 24, 1999. The report of Arthur Andersen LLP on our financial statements for the year ended August 31, 1998 did not contain an adverse opinion or a disclaimer of opinion, and was not qualified or modified as to uncertainty, audit scope, or accounting principles. (See second paragraph of Note 1 of Notes to Consolidated Financial Statements.) The decision to dismiss Arthur Andersen LLP and engage Goldstein Golub Kessler LLP was made by our board of directors. During the fiscal year ended August 31, 1998, and through the date of termination (September 3, 1999), there were no disagreements with the former accountant on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.

See Item 13.

ITEM 11. EXECUTIVE COMPENSATION.

See Item 13.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT.

See Item 13.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.

The information required by Items 10, 11, 12 and 13 is incorporated by reference to the information to be included in our definitive proxy statement in connection with the next Annual Meeting of Stockholders, which we intend to file within 120 days after the close of our fiscal year. If our definitive proxy is not filed by that time, we will file an amendment to this Form 10-K which discloses the information required by Items 10, 11, 12 and 13.

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SIGNATURES

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

GBI CAPITAL MANAGEMENT CORP.
(Registrant)

Dated: December 27, 2000

By: /s/ Joseph Berland

Name: Joseph Berland
Title: Chairman of the
Board and Chief
Executive Officer

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

Signatures	Title	Date
/s/ Joseph Berland ----- Joseph Berland	Chairman of the Board and Chief Executive Officer	December 27, 2000
/s/ Diane Chillemi ----- Diane Chillemi	Chief Financial Officer (and Principal Accounting Officer)	December 27, 2000
/s/ Vincent Mangone ----- Vincent Mangone	Director	December 27, 2000
/s/ Benjamin Pelton ----- Benjamin Pelton	Director	December 27, 2000
/s/ Steven A. Rosen ----- Steven A. Rosen	Director	December 27, 2000
/s/ Richard J. Rosenstock ----- Richard J. Rosenstock	Director	December 27, 2000
/s/ Mark Zeitchick ----- Mark Zeitchick	Director	December 27, 2000
/s/ Kenneth Sperber ----- Kenneth Sperber	Director	December 27, 2000

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<TABLE>
<CAPTION>

EXHIBIT INDEX

<S>	<C>	<C>	<C>	<C>
Exhibit Number	Description	Incorporated By Reference from Document	No. in Document	Page
-----	-----	-----	-----	-----
2.1	Agreement and Plan of Merger, dated May 27, 1999	A	2.1	
3.1	Articles of Incorporation	B	3.1	
3.2	Articles of Amendment to the Articles of Incorporation, dated August 24, 1999	D	3.2	
3.3	By-Laws	B	3.2	
4.1	Form of Common Stock Certificate	B	4.1	
4.2	Form of Warrant Agreement between the Registrant	B	4.2	

and Cardinal Capital Management, Inc. (including the form of Warrant Certificate).

10.1	Agreement of Lease, dated December 20, 1996, between the Registrant and Briarcliffe College, Inc.	D	10.1	
10.2	Standard Form of Office Lease, dated August 3, 1999, between the Registrant and Mayore Estates LLC and 80 Lafayette LLC, together with Amendment, dated August 19, 1999.	D	10.2	
10.3	Agreement for Securities Clearance Services, dated April 30, 1985, between Gaines Berland and Bear Stearns.	D	10.3	
10.4	1999 Performance Equity Plan	C	Exhibit "C"	
10.5	Annual Incentive Bonus Plan*	C	Exhibit "D"	
10.6	Special Performance Incentive Plan*	C	Exhibit "E"	
10.7	Form of Employment Agreement, dated August 24, 1999, between the Registrant and certain employees*	C	Exhibit "F"	
10.7.1	Schedule of Employment Agreements in the form of Exhibit 10.7, including material detail in which such documents differ from Exhibit 10.7*	D	10.7.1	
10.8	Form of Stock Option Agreement, dated August 24, 1999, between the Registrant and certain employees*	--	--	Filed Herewith
10.8.1	Schedule of Stock Option Agreements in the form of Exhibit 10.8, including material detail in which such documents differ from Exhibit 10.8*	--	--	Filed Herewith
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10.9	Form of Stock Option Agreement, dated December 13, 1999, between the Registrant and certain directors*	--	--	Filed Herewith
10.9.1	Schedule of Stock Option Agreements in the form of Exhibit 10.9, including material detail in which such documents differ from Exhibit 10.9*	--	--	Filed Herewith
10.10	Form of Stock Option Agreement, dated December 13, 1999, between the Registrant and Diane Chillemi*	--	--	Filed Herewith
21	List of Subsidiaries	--	--	Filed Herewith
23.1	Accountant's Consent	--	--	Filed Herewith
27	Financial Data Schedule	--	--	Filed Herewith
99	Risk Factors	--	--	Filed Herewith

A. Registrant's Form 10-QSB filed on August 16, 1999.

B. Registrant's Registration Statement on Form SB-2 (File No. 333-31001).

C. Registrant's Definitive Proxy Statement relating to a Special Meeting of Stockholders held on August 23, 1999.

D. Registrant's Annual Report on Form 10-K for the year ended August 24, 1999.

* Management Compensation Contract
</TABLE>

STOCK OPTION AGREEMENT

AGREEMENT made as of the 24th day of August, 1999, by and between GBI CAPITAL MANAGEMENT CORP., a Florida corporation (the "Company"), and _____ (the "Executive").

WHEREAS, on August 24, 1999 (the "Grant Date"), pursuant to the terms and conditions of the GBI Capital Management Corp. 1999 Performance Equity Plan (the "Plan"), the Board of Directors of the Company or the Committee (as such term is defined in the Plan) granted to the Executive of an option (the "Option") to purchase an aggregate of 100,000 shares of the authorized but unissued Common Stock of the Company (the "Common Stock"), conditioned upon the Executive's acceptance thereof upon the terms and conditions set forth in this Agreement and subject to the terms of the Plan; and

WHEREAS, the Executive desires to acquire the Option on the terms and conditions set forth in this Agreement and subject to the terms of the Plan;

IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants the Executive the Option to purchase all or any part of an aggregate of 100,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Plan.

2. Incentive Stock Option. The Option represented hereby is intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option shall be \$_____ per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option is exercisable, subject to the terms and conditions of the Plan, as follows: (i) the right to purchase _____ of the Option Shares shall be exercisable on and after August 24, 1999, (ii) the right to purchase an additional _____ of the Option Shares shall be exercisable on and after August 24, 2000, (iii) the right to purchase an additional _____ of the Option Shares shall be exercisable on and after August 24, 2001, (iv) the right to purchase an additional _____ of the Option Shares shall be exercisable on and after August 24, 2002, and (v) the right to purchase an additional _____ shares shall be exercisable on and after August 24, 2003. After a portion of the Option becomes exercisable, it shall remain exercisable except as otherwise provided herein, until the close of business on _____ (the "Exercise Price").

5. Effect of Termination of Employment.

5.1 Certain Termination.

5.1.1 If Executive's employment is terminated by the Company "for cause," pursuant to paragraph 7(iii) of the Employment Agreement between Gaines, Berland Inc. and Executive dated as of August 24, 1999 ("Employment Agreement"), the Option, whether or not then exercisable, shall immediately expire upon such termination.

5.1.2 The Company may, in the event the Executive's employment is terminated by the Company "for cause" pursuant to Section 7(iii), require the Executive to return to the Company the economic value of any Option Shares purchased hereunder by the Executive within the six month period prior to the date of termination. In such event, the Executive hereby agrees to remit to the Company, in cash, an amount equal to the difference between the Fair Market Value of the Option Shares on the date of termination (or the sales price of such Shares if the Option Shares were sold during such six month period) and the Exercise Price of such Shares.

5.2 Other Termination. If Executive's employment is terminated for any reason other than as specified in Section 5.1 hereof, then the Option shall not terminate, whether or not then exercisable, and it shall continue to become exercisable pursuant to the schedule provided in Section 4 hereof and, once exercisable, shall continue in full force and effect during the Exercise Period.

5.3 No Effect on Incentive Nature. The provisions of Sections 5.1, 5.2 and 5.3, above, shall not affect the "incentive" nature of the Option under Section 422 of the Code until such time as the Executive takes advantage of any provision of Sections 5.1, 5.2 and 5.3 which would violate Section 422, in which event, the affected portion of the Option shall become "nonincentive" in nature.

5.4 Violation of Paragraph 6 of the Employment Agreement. In the event that, Executive breaches the provisions of paragraph 6 of the Employment Agreement, the Board, in its sole discretion, may require such Executive to return to the Company the economic value of any Option Shares purchased hereunder by the Executive within the six month period prior to the date of termination of employment and may cancel any unexercised options. In such event, Executive agrees to remit the economic value to the Company in accordance with Section 5.1.2.

6. Withholding Tax. Not later than the date as of which an amount first becomes includible in the gross income of the Executive for Federal income tax purposes with respect to the Option, the Executive shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. The obligations of the Company under the Plan and pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Executive from the Company.

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7. Adjustments. In the event of any reorganization, consolidation, dividend (other than cash dividend), stock split, reverse stock split, or other similar change in corporate structure affecting the number of issued shares of Common Stock as a whole, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Executive's proportionate interest in the Company and his rights hereunder, provided that the number of Option Shares shall always be a whole number.

8. Method of Exercise.

8.1 Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied

by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2 Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Executive as soon as practicable after payment therefor.

8.3 Payment of Purchase Price.

8.3.1 Cash Payment. The Executive shall make cash payments by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2 Cashless Payment. At the election of the Executive, the purchase price for any or all of the Option Shares to be acquired may be paid by: (i) the surrender of shares of Common Stock of the Company held by or for the account of the Executive with a "fair market value" equal to the purchase price multiplied by the number of Option Shares to be purchased, or (ii) the surrender of any exercisable but unexercised portion of the Option having a "value" equal to the purchase price multiplied by the number of Option Shares to be purchased. In either case, the fair market value of the surrendered shares or the value of the options shall be determined as of the date of exercise as follows: "Fair market value" of the Common Stock means, as of the exercise date: (i) if the Common Stock is listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, the last sale price of the Common Stock in the principal trading market for the Common Stock on the last day trading day preceding such date, as reported by the exchange or Nasdaq, as the case may be; (ii) if the Common Stock is not listed on a national securities exchange or quoted on the Nasdaq National Market or Nasdaq SmallCap Market, but is traded in the over-the-counter market, the closing bid price of the Common Stock on the last trading day preceding such date for which such quotations are reported by the National Quotation Bureau, Incorporated or similar publisher of such quotations; and (iii) if the fair market value of the Common Stock cannot be determined pursuant to clause (i) or (ii) above, such price as the Company shall determine, in good faith. The "value" of a surrendered portion of the Option means, as of the exercise date,

an amount equal to the excess of the total fair market value of the shares of Common Stock underlying the surrendered portion of the Option (as determined in accordance with the immediately preceding sentence) over the total purchase price of such shares of Common Stock underlying the surrendered portion of the Option. The Company shall issue a certificate or certificates evidencing the Option Shares as soon as practicable after the notice and payment is received. The certificate or certificates evidencing the Option Shares shall be registered in the name of the person or persons so exercising the Option.

8.3.3 Payment Through Bank or Broker. At the election of the Executive, the Executive may make arrangements satisfactory to the Company with a Bank or broker who is a member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any

applicable withholding taxes to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or (b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of any applicable withholding taxes to the Company, immediately upon receipt of the Option Shares.

8.3.4 Payment Price of Withholding Tax. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1., 8.3.2. or 8.3.3

8.3.5 Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Nonassignability. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Executive. No transfer of the Option by the Executive by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

10. Company Representations. The Company hereby represents and warrants to the Executive that:

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(1) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(2) the Option Shares, when issued and delivered by the Company to the Executive in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

11. Executive Representations. The Executive hereby represents and warrants to the Company that

(1) he is acquiring the Option and shall acquire the Option Shares for his own account and not with a view towards the distribution thereof;

(2) he has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(3) he understands that he must bear the economic risk of the investment in the Option Shares, which cannot be sold by his unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(4) in his position with the Company, he has had both the opportunity to ask questions and receive answers from the officers and directors

of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(5) he is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(6) The certificates evidencing the Option Shares shall bear the following legend:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

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12. Restriction on Transfer of Option Shares. Anything in this Agreement to the contrary notwithstanding, the Executive hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Executive has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

13. Miscellaneous.

13.1 Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier, return receipt requested, postage prepaid to the Company at its principal executive office and to the Executive at his address set forth below, or to such other address as either party shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

13.2 Conflicts with Plan. This Agreement and the Option shall, in all respects, be subject to the terms and conditions of the Plan, whether or not stated herein. In the event of a conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall in all respects be controlling.

13.3 Stockholder Rights. The Executive shall not have any of the rights of a stockholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option.

13.4 Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

13.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended except by writing executed by the Executive and the Company.

13.6 Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

13.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to choice of law provisions).

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13.8 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

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

Executive:

GBI CAPITAL MANAGEMENT CORP.

By: _____
Richard Rosenstock, President

Address of Executive:

Address of Company

1055 Stewart Avenue
Bethpage, New York 11714

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FORM OF NOTICE OF EXERCISE OF OPTION

DATE

GBI Capital Management Corp.
1055 Stewart Avenue
Bethpage, NY 11714
Attention: Stock Option Committee of Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of August 24, 1999 ("Agreement") with GBI Capital Management Corp. (the "Company"), I hereby irrevocably elect to exercise the right to purchase _____ shares of the

Company's common stock ("Common Stock"), which are being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box(es)):

- a [personal check] [certified check] [bank check] payable to the order of "GBI Capital Management Corp." in the sum of \$_____;
- confirmation of wire transfer in the amount of \$_____; and/or
- certificate for ____ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement) of \$-----.
- I hereby surrender that portion of the unexercised, but exercisable, portion of the Option having a value equal to the purchase price multiplied by the number of shares of Common Stock being purchased hereunder, to wit: the Option to purchase ____ Option Shares.
- through broker payment as provided in Section 8.3.3 (see broker letter attached)

I hereby represent, warrant to, and agree with, the Company that

(i) I am acquiring the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of the Plan and all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) I understand I am subject to the Company's Insider Trading Policy and have received a copy of such policy as of the date of this Agreement;

(v) I agree that I will not sell, transfer by any means or otherwise dispose of the Option Shares acquired by me hereby except in accordance with Company's policy, if any, regarding the sale and disposition of securities owned by employees and/or directors of the Company;

(vi) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(vii) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence

of registration under the 1933 Act or an exemption therefrom as provided herein;

(viii) in my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of this Company's 1999 Performance Equity Plan and this Agreement; and

(ix) the certificates evidencing the Option Shares shall bear the following legend:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

(Signature)

(Address)

(Print Name)

(Address)

(Social Security Number)

Schedule of Omitted Documents in the Form of Exhibit 10.8, Including Material Detail in Which Such Documents Differ From Exhibit 10.8

1. Stock Option Agreement, dated as of August 24, 1999, between the Registrant and Joseph Berland.
2. Stock Option Agreement, dated as of August 24, 1999, between the Registrant and Richard J. Rosenstock.
3. Stock Option Agreement, dated as of August 24, 1999, between the Registrant and Mark Zeitchick.
4. Stock Option Agreement, dated as of August 24, 1999, between the Registrant and Vincent Mangone.
5. Stock Option Agreement, dated as of August 24, 1999, between the Registrant and David Thalheim.

The form of the documents listed above does not differ in material detail from the form of Exhibit 10.8 except with respect to the vesting schedule of the options, the expiration date and exercise price. Options for Messrs. Berland and Rosenstock vest as follows: 22,377 vest on each of August 24, 1999, 2000, 2001, and 2002 and 10,492 vest on August 24, 2003. The options expire on August 23, 2004 and have an exercise price of \$4.46875 per share. Options for Messrs. Zeitchick, Mangone and Thalheim vest as follows: 24,615 vest on each of August 24, 1999, 2000, 2001 and 2002 and 1,540 vest on August 24, 2003. The options expire on August 23, 2009 and have an exercise price \$4.0625 per share.

STOCK OPTION AGREEMENT
[Director and Consultant Non-Qualified]

AGREEMENT made as of the 13th day of December 1999, by and between GBI CAPITAL MANAGEMENT CORP., a Florida corporation (the "Company"), and _____ (the "Director").

WHEREAS, on December 13th, 1999 (the "Grant Date"), pursuant to the terms and conditions of the Company's 1999 Performance Equity Plan (the "Plan"), the Board of Directors of the Company authorized the grant to the Director of an option (the "Option") to purchase an aggregate of 20,000 shares of the authorized but unissued Common Stock of the Company, \$.0001 par value (the "Common Stock"), conditioned upon the Director's acceptance thereof upon the terms and conditions set forth in this Agreement and subject to the terms of the Plan; and

WHEREAS, the Director desires to acquire the Option on the terms and conditions set forth in this Agreement and subject to the terms of the Plan;

IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants the Director the Option to purchase all or any part of an aggregate of 20,000 shares of Common Stock (the "Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Plan.

2. Non-Incentive Stock Option. The Option represented hereby is not intended to be an option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended.

3. Exercise Price. The exercise price of the Option shall be \$3.00 per share, subject to adjustment as hereinafter provided.

4. Exercisability. This Option is exercisable, subject to the terms and conditions of the Plan, on and after December 13, 1999. After the Option becomes exercisable, it shall remain exercisable except as otherwise provided herein, until the close of business on December 12, 2009 (the "Exercise Period").

5. Termination Due to Death. Upon the death of the Director, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Director under the will of the Director, for a period of one year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately terminate upon death.

6. Withholding Tax. Not later than the date as of which an amount first becomes includable in the gross income of the Director for Federal income tax purposes with respect to the Option, the Director shall pay to the Company, or make arrangements satisfactory to the Committee regarding the payment of, any Federal, state and local taxes of any kind required by law to be withheld or paid with respect to such amount. The obligations of the Company under the Plan

and pursuant to this Agreement shall be conditional upon such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Director from the Company.

7. Adjustments. In the event of any merger, reorganization, consolidation, recapitalization, dividend (other than cash dividend), stock split, reverse stock split, or other change in corporate structure affecting the number of issued shares of Common Stock, the Company shall proportionally adjust the number and kind of Option Shares and the exercise price of the Option in order to prevent the dilution or enlargement of the Director's proportionate interest in the Company and her rights hereunder, provided that the number of Option Shares shall always be a whole number.

8. Method of Exercise.

8.1. Notice to the Company. The Option shall be exercised in whole or in part by written notice in substantially the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice.

8.2. Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Director as soon as practicable after payment therefor.

8.3. Payment of Purchase Price.

8.3.1. Cash Payment. The Director shall make cash payments by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company; the Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

8.3.2. Cashless Payment. Provided that prior approval of the Company has been obtained, the Director may use Common Stock of the Company owned by him or her to pay the purchase price for the Option Shares by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

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8.3.3. Payment Price of Withholding Tax. Any required withholding tax may be paid in cash or with Common Stock in accordance with Sections 8.3.1. and 8.3.2.

8.3.4. Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii) such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

9. Nonassignability. The Option shall not be assignable or transferable except by will or by the laws of descent and distribution in the event of the death of the Director. No transfer of the Option by the Director by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof

and a copy of the will and such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

10. Company Representations. The Company hereby represents and warrants to the Director that:

(i) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

(ii) the Option Shares, when issued and delivered by the Company to the Director in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

11. Director Representations. The Director hereby represents and warrants to the Company that

(i) he or she is acquiring the Option and shall acquire the Option Shares for his or her own account and not with a view towards the distribution thereof;

(ii) he or she has received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 12 months and all reports issued by the Company to its stockholders;

(iii) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be

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sold by him or her unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) he or she is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(vi) The certificates evidencing the Option Shares shall bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such

registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of December 13, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

12. Restriction on Transfer of Option Shares. Anything in this Agreement to the contrary notwithstanding, the Director hereby agrees that he or she shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him or her without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Director has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

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13. Miscellaneous.

13.1. Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier, return receipt requested, postage prepaid to the Company at its principal executive office and to the Director at his address set forth below, or to such other address as either party shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

13.2. Plan Paramount; Conflicts with Plan. This Agreement and the Option shall, in all respects, be subject to the terms and conditions of the Plan, whether or not stated herein. In the event of a conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall in all respects be controlling.

13.3. Stockholder Rights. The Director shall not have any of the rights of a stockholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option.

13.4. Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

13.5. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. This Agreement may not be amended except by writing executed by the Director and the Company.

13.6. Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

13.7. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to choice of law provisions).

13.8. Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

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

DIRECTOR:

GBI Capital Management Corp.

By: _____

Joseph Berland
Chairman of the Board and
Chief Executive Officer

Address of Director:

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EXHIBIT A

FORM OF NOTICE OF EXERCISE OF OPTION

DATE

GBI Capital Management Corp.

Attention: Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of December 13, 2000 ("Agreement") with GBI Capital Management Corp. (the "Company"), I hereby irrevocably elect to exercise the right to purchase _____ shares of the Company's common stock, par value \$.0001 per share ("Common Stock"), which are

being purchased for investment and not for resale.

As payment for my shares, enclosed is (check and complete applicable box(es)):

- a [personal check] [certified check] [bank check] payable to the order of "GBI Capital Management Corp." in the sum of \$_____;
- confirmation of wire transfer in the amount of \$_____; and/or
- [If prior approval of the Company has been obtained,] certificate for ____ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Company's 1999 Performance Equity Plan) of \$_____.

I hereby represent, warrant to, and agree with, the Company that

(i) I am acquiring the Option Shares for my own account and not with a view towards the distribution thereof;

(ii) I have received a copy of all reports and documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 12 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are

registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(v) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein;

(vi) my rights with respect to the Option Shares shall, in all respects, be subject to the terms and conditions of this Company's 1999 Performance Equity Plan and this Agreement; and

(vii) the certificates evidencing the Option Shares shall bear the following legends:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

"The shares represented by this certificate have been acquired pursuant to a Stock Option Agreement, dated as of December 13, 1999, a copy of which is on file with the Company, and may not be transferred, pledged or disposed of except in accordance with the terms and conditions thereof."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

(Signature)

(Address)

(Print Name)

(Address)

(Social Security Number)

Exhibit 10.9

Schedule of Omitted Documents in the Form of Exhibit 10.9, Including Material Detail in Which Such Documents Differ From Exhibit 10.9

1. Stock Option Agreement, dated as of December 13, 1999, between the Registrant and Benjamin Pelton.
2. Stock Option Agreement, dated as of December 13, 1999, between the Registrant and Steven Rosen.

The Form of the documents listed above does not differ in material detail from the form of exhibit 10.9 except with respect to the identity of the director.

STOCK OPTION AGREEMENT
[Employee Incentive Under Plan]

AGREEMENT, made as of December 13, 1999 by and between GBI Capital Management Corp., a Florida corporation (the "Company"), and Diane Chillemi (the "Employee").

WHEREAS, on December 13, 1999 ("Grant Date"), pursuant to the terms and conditions of the Company's 1999 Performance Equity Plan (the "Plan"), the Board of Directors of the Company or the Committee (as such term is defined in the Plan) authorized the grant to the Employee of an option to purchase an aggregate of 15,000 shares of the authorized but unissued common stock of the Company, \$.001 par value ("Common Stock"), conditioned upon the Employee's acceptance thereof upon the terms and conditions set forth in this Agreement and subject to the terms of the Plan (capitalized terms used herein and not otherwise defined shall have the meanings set forth in the Plan); and

WHEREAS, the Employee desires to acquire the option on the terms and conditions set forth in this Agreement.

IT IS AGREED:

1. Grant of Stock Option. The Company hereby grants to the Employee the right and option ("Option") to purchase all or any part of an aggregate of 15,000 shares of Common Stock ("Option Shares") on the terms and conditions set forth herein and subject to the provisions of the Plan.

2. Incentive Stock Option. The Option represented hereby is intended to be an Option which qualifies as an "Incentive Stock Option" under Section 422 of the Internal Revenue Code of 1986, as amended ("Code").

3. Exercise Price. The exercise price ("Exercise Price") of the Option shall be \$3.00 per share, subject to adjustment as provided in the Plan.

4. Exercisability. This Option shall become exercisable, subject to the terms and conditions of the Plan and this Agreement, as follows: (i) the right to purchase 5,000 of the Option Shares shall be exercisable on and after December 13, 2000, (ii) the right to purchase an additional 5,000 of the Option Shares shall be exercisable on and after December 13, 2001, and (iii) the right to purchase the remaining 5,000 of the Option Shares shall be exercisable on and

after December 13, 2002. After a portion of the Option becomes exercisable, it shall remain exercisable except as otherwise provided herein, until the close of business on December 12, 2009 (the "Exercise Period").

5. Effect of Termination of Employment.

5.1 Termination Due to Death. If Employee's employment by the Company terminates by reason of death, the portion of the Option, if any, that was exercisable as of the date of death may thereafter be exercised by the legal representative of the estate or by the legatee of the Employee under the will of the Employee, for a period of one year from the date of such death or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of death shall immediately expire.

5.2 Termination Due to Disability. If Employee's employment by the Company terminates by reason of disability (as such term is defined in the Plan), the portion of the Option, if any, that was exercisable as of the date of disability may thereafter be exercised by the Employee or legal representative for a period of one year from the date of such termination or until the expiration of the Exercise Period, whichever period is shorter. The portion of the Option, if any, that was not exercisable as of the date of termination shall immediately expire.

5.3 Termination by the Company Without Cause and/or Due to Retirement. If Employee's employment is terminated by the Company without cause or due to the normal retirement of Employee after his 65th birthday, then the portion of the Option which has vested by the date of termination of employment may be exercised for a period of 30 days from termination of employment or until the expiration of the Exercise Period, whichever is shorter. The portion of the Option, if any, not yet exercisable on the date of termination of employment shall immediately expire.

5.4 Other Termination.

5.4.1 If Employee's employment is terminated for any reason other than (i) death, (ii) disability, (iii) normal retirement, or (iv) without cause by the Company, the Option, whether or not then exercisable, shall expire on the date of termination of employment.

5.4.2 In the event the Employee's employment is terminated for cause, the Company may require the Employee to return to the Company the economic benefit of any Option Shares purchased hereunder by the Employee within

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the six month period prior to the date of termination. In such event, the Employee hereby agrees to remit to the Company, in cash, an amount equal to the difference between the Fair Market Value (on the date of termination) of the Option Shares so purchased by Employee (or the sales price of such Option Shares if the Option Shares were sold during such six month period) and the Exercise Price.

5.5 Competing With the Company. In the event that, within one year after the date of termination of Employee's employment with the Company, Employee accepts employment with, or becomes engaged as a consultant by, any competitor of, or otherwise competes with, the Company, the Company, in its sole discretion, may require such Employee to return to the Company the economic value of any Option Shares purchased hereunder by the Employee within the six-month period prior to the date of termination. In such event, Employee agrees to remit the economic value to the Company in accordance with Section 5.4.2.

6. Withholding Tax. Not later than the date as of which an amount first must be included in the gross income of the Employee for Federal income tax purposes with respect to the Option, the Employee shall pay to the Company (or other entity identified by the Company), or make arrangements satisfactory to the Company (or other entity identified by the Company) regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law to be withheld with respect to such amount ("Withholding Tax"). With the prior approval of the Company, in its sole discretion, withholding obligations may be settled with Common Stock, including Common Stock underlying the subject option, provided that any applicable requirements under Section 16 of the Exchange Act are satisfied so as to avoid liability thereunder. The obligations of the Company under the Plan and pursuant to this Agreement shall be conditioned upon

such payment or arrangements with the Company and the Company shall, to the extent permitted by law, have the right to deduct any Withholding Taxes from any payment of any kind otherwise due to the Employee from the Company.

7. Method of Exercise.

7.1 Notice to the Company. The Option may be exercised in whole or in part by written notice in the form attached hereto as Exhibit A directed to the Company at its principal place of business accompanied by full payment as hereinafter provided of the exercise price for the number of Option Shares specified in the notice and of the Withholding Taxes, if any.

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7.2 Delivery of Option Shares. The Company shall deliver a certificate for the Option Shares to the Employee as soon as practicable after payment therefor.

7.3 Payment of Purchase Price.

7.3.1 Cash Payment. The Employee shall make cash payments by wire transfer, certified or bank check or personal check, in each case payable to the order of the Company. The Company shall not be required to deliver certificates for Option Shares until the Company has confirmed the receipt of good and available funds in payment of the purchase price thereof.

7.3.2 Payment through Bank or Broker. The Company, in its sole discretion, may permit the Employee to make arrangements satisfactory to the Company with a bank or a broker who is member of the National Association of Securities Dealers, Inc. to either (a) sell on the exercise date a sufficient number of the Option Shares being purchased so that the net proceeds of the sale transaction will at least equal the Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of the Withholding Tax and pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of the Withholding Tax to the Company on a date satisfactory to the Company, but no later than the date on which the sale transaction would settle in the ordinary course of business or (b) obtain a "margin commitment" from the bank or broker pursuant to which the bank or broker undertakes irrevocably to deliver the full Exercise Price multiplied by the number of Option Shares being purchased pursuant to such exercise, plus the amount of the Withholding Tax to the Company, immediately upon receipt of the Option Shares.

7.3.3 Stock Payment. The Company, in its sole discretion, may allow Employee to use Common Stock of the Company owned by him to make any required payments by delivery of stock certificates in negotiable form which are effective to transfer good and valid title thereto to the Company, free of any liens or encumbrances. Shares of Common Stock used for this purpose shall be valued at the Fair Market Value.

7.3.4 Payment of Withholding Tax. Any required Withholding Tax may be paid in cash or with Common Stock in accordance with Sections 7.3.1 and 7.3.2, respectively, and Section 6.

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7.3.5 Exchange Act Compliance. Notwithstanding the foregoing, the Company shall have the right to reject payment in the form of Common Stock if in the opinion of counsel for the Company, (i) it could result in an event of "recapture" under Section 16(b) of the Securities Exchange Act of 1934; (ii)

such shares of Common Stock may not be sold or transferred to the Company; or (iii) such transfer could create legal difficulties for the Company.

8. Security Interest in Option Shares Collateralizing Obligations Owed to the Company. Notwithstanding anything in this Agreement to the contrary, the Employee hereby grants the Company a security interest in the Option Shares as follows: in the event that the Employee owes the Company any sum including without limitation amounts owed pursuant to a loan made by the Company to the Employee ("Amount Due"), the Company shall have a security interest in the Option Shares. The Employee hereby agrees to execute, promptly upon request by the Company, such instruments and to take such action as may be useful for the Company to perfect and/or exercise such security interest, and hereby irrevocably grants the Company the right to retain, in full or partial payment of the Amount Due, up to the following number of Option Shares upon any whole or partial exercise of the Option: a fraction, the numerator of which is the Amount Due, and the denominator of which is the Fair Market Value of the Company's common stock (as defined in the Plan) as of the date of such exercise; provided that the fraction set forth in the preceding clause shall be rounded up to the nearest whole number. The security interest set forth herein shall be cumulative to all, and not in lieu of any, other remedies to available to the Company with respect to any Amount Due.

9. Nonassignability. The Option shall not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner, except by will or by the laws of descent and distribution in the event of the death of the Employee. No transfer of the Option by the Employee by will or by the laws of descent and distribution shall be effective to bind the Company unless the Company shall have been furnished with written notice thereof and a copy of the will and/or such other evidence as the Company may deem necessary to establish the validity of the transfer and the acceptance by the transferee or transferees of the terms and conditions of the Option.

10. Company Representations. The Company hereby represents and warrants to the Employee that:

(1) the Company, by appropriate and all required action, is duly authorized to enter into this Agreement and consummate all of the transactions contemplated hereunder; and

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(2) the Option Shares, when issued and delivered by the Company to the Employee in accordance with the terms and conditions hereof, will be duly and validly issued and fully paid and non-assessable.

11. Employee Representations. The Employee hereby represents and warrants to the Company that:

(1) he or she is acquiring the Option and shall acquire the Option Shares for his own account and not with a view towards the distribution thereof;

(2) he or she has received a copy of the Plan as in effect as of the date of this Agreement;

(3) he or she has received a copy of all reports and documents required to be filed by the Company with the Securities and Exchange Commission pursuant to the Securities Exchange Act of 1934, as amended, within the last 24 months and all reports issued by the Company to its stockholders;

(4) he or she understands that he or she is subject to the

Company's Insider Trading Policy and has received a copy of such policy as of the date of this Agreement;

(5) he or she understands that he or she must bear the economic risk of the investment in the Option Shares, which cannot be sold by him unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(6) in his or her position with the Company, he or she has had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (iii) above;

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(7) he or she is aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(8) if, at the time of issuance of the Option Shares, the issuance of such shares have not been registered under the 1933 Act, the certificates evidencing the Option Shares shall bear the following legend:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

12. Restriction on Transfer of Option Shares.

12.1 Anything in this Agreement to the contrary notwithstanding, Employee hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him without registration under the 1933 Act, or in the event that they are not so registered, unless (i) an exemption from the 1933 Act registration requirements is available thereunder, and (ii) the Employee has furnished the Company with notice of such proposed transfer and the Company's legal counsel, in its reasonable opinion, shall deem such proposed transfer to be so exempt.

12.2 Anything in this Agreement to the contrary notwithstanding, Employee hereby agrees that he shall not sell, transfer by any means or otherwise dispose of the Option Shares acquired by him except in accordance with Company's Insider Trading Policy regarding the sale and disposition of securities owned by employees and/or directors of the Company.

13. Adjustments. The number of shares subject to the Option, the Exercise Price, the Exercise Period and the vesting of the Option shall all be subject to adjustment under Section 3.2 of the Plan.

14. Miscellaneous.

14.1 Notices. All notices, requests, deliveries, payments, demands and other communications which are required or permitted to be given under this Agreement shall be in writing and shall be either delivered personally or sent by registered or certified mail, or by private courier to the

parties at their respective addresses set forth herein, or to such other address as either shall have specified by notice in writing to the other. Notice shall be deemed duly given hereunder when delivered or mailed as provided herein.

14.2 Plan Paramount; Conflicts with Plan. This Agreement and the Option shall in all respects, be subject to the terms and conditions of the Plan, whether or not stated herein. In the event of a conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall in all respects be controlling.

14.3 Employee and Stockholder Rights. The Employee shall not have any of the rights of a stockholder with respect to the Option Shares until such shares have been issued after the due exercise of the Option. Nothing contained in this Agreement shall be deemed to confer upon Employee any right to continued employment with the Company or any subsidiary thereof, nor shall it interfere in any way with the right of the Company to terminate Employee in accordance with the provisions regarding such termination set forth in Employee's written employment agreement with the Company, or if there exists no such agreement, to terminate Employee at will.

14.4 Waiver. The waiver by any party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other or subsequent breach.

14.5 Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and supercedes any and all prior agreements with respect to the Option. This Agreement may not be amended except by writing executed by the Employee and the Company.

14.6 Binding Effect; Successors. This Agreement shall inure to the benefit of and be binding upon the parties hereto and, to the extent not prohibited herein, their respective heirs, successors, assigns and representatives. Nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto and as provided above, their respective heirs, successors, assigns and representatives any rights, remedies, obligations or liabilities.

14.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York (without regard to choice of law provisions).

14.8 Headings. The headings contained herein are for the sole purpose of convenience of reference, and shall not in any way limit or affect the meaning or interpretation of any of the terms or provisions of this Agreement.

IN WITNESS WHEREOF, the parties hereto have signed this Agreement as of the day and year first above written:

GBI Capital Management Corp.

Address: 1055 Stewart Avenue
Bethpage, NY 11714

By:

Richard J. Rosenstock, President

EMPLOYEE:

Address: _____

EXHIBIT A

FORM OF NOTICE OF EXERCISE OF OPTION

DATE

GBI Capital Management Corp.
1055 Stewart Avenue
Bethpage, NY 11714
Attention: Stock Option Committee of
the Board of Directors

Re: Purchase of Option Shares

Gentlemen:

In accordance with my Stock Option Agreement dated as of December 13, 1999 with GBI Capital Management Corp. (the "Company"), I hereby irrevocably elect to exercise the right to purchase _____ shares of the Company's common stock, par value \$.0001 per share ("Common Stock"), which are being purchased for investment and not resale.

As payment for my shares, enclosed is (check and complete applicable box(es)):

- a [personal check] [certified check] [bank check] payable to the order of the Company in the sum of \$_____;
- confirmation of wire transfer in the amount of \$_____;
- with the consent of the Company, a certificate for _____ shares of the Company's Common Stock, free and clear of any encumbrances, duly endorsed, having a Fair Market Value (as such term is defined in the Agreement of \$_____); and/or
- with the consent of the Company, through broker payment as provided in Section 7.3.2 (see broker letter attached).

I hereby represent and warrant to, and agree with, the Company that:

(i) I am acquiring the Option and shall acquire the Option Shares for my own account, for investment, and not with a view towards the distribution thereof;

(ii) I have received a copy of the Plan and all reports and

documents required to be filed by the Company with the Commission pursuant to the Exchange Act within the last 24 months and all reports issued by the Company to its stockholders;

(iii) I understand that I must bear the economic risk of the investment in the Option Shares, which cannot be sold by me unless they are registered under the Securities Act of 1933 (the "1933 Act") or an exemption therefrom is available thereunder and that the Company is under no obligation to register the Option Shares for sale under the 1933 Act;

(iv) I understand I am subject to the Company's Insider Trading Policy and have received a copy of such policy as of the date of this Agreement;

(v) I agree that I will not sell, transfer by any means or otherwise dispose of the Option Shares acquired by me hereby except in accordance with Company's policy, if any, regarding the sale and disposition of securities owned by employees and/or directors of the Company;

(vi) in my position with the Company, I have had both the opportunity to ask questions and receive answers from the officers and directors of the Company and all persons acting on its behalf concerning the terms and conditions of the offer made hereunder and to obtain any additional information to the extent the Company possesses or may possess such information or can acquire it without unreasonable effort or expense necessary to verify the accuracy of the information obtained pursuant to clause (ii) above;

(vii) I am aware that the Company shall place stop transfer orders with its transfer agent against the transfer of the Option Shares in the absence of registration under the 1933 Act or an exemption therefrom as provided herein; and

(viii) My rights with respect to the Option Shares, in all respects, be subject to the terms and conditions of this Company's 1999 Performance Equity Plan and this Agreement; and

(ix) if, at the time of issuance of the Option Shares, the issuance of such shares have not been registered under the 1933 Act, the certificates evidencing the Option Shares shall bear the following legend:

"The shares represented by this certificate have been acquired for investment and have not been registered under the Securities Act of 1933. The shares may not be sold or transferred in the absence of such registration or an exemption therefrom under said Act."

Kindly forward to me my certificate at your earliest convenience.

Very truly yours,

(Signature)

(Address)

(Print Name)

(Social Security Number)

Subsidiaries of Registrant

Name	Percentage Ownership (%)	State of Organization
GBI Capital Partners, Inc. (Formerly Gaines, Berland Inc.)	100	New York
GBI Trading Corp.	100	New York
GBI Fund Management Corp.	100	New York

INDEPENDENT AUDITOR'S CONSENT

To the Board of Directors and Stockholders of
GBI Capital Management Corp.

We consent to the incorporation by reference in Registration Statement No. 333-37934 on Form S-3 of GBI Capital Management Corp. of our report dated November 11, 2000, appearing in this Annual Report on Form 10-K of GBI Capital Management Corp. for the year ended September 30, 2000.

/s/ GOLDSTEIN GOLUB KESSLER LLP
GOLDSTEIN GOLUB KESSLER LLP
New York, New York

December 27, 2000

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RISK FACTORS

The risks described below are not the only ones facing us. Additional risks not presently known to us or that we currently believe are immaterial may also impair our business operations. Our business, financial condition or results of operation could be materially adversely affected by any of these risks. The trading price of our common stock could decline because of any one of these risks.

Market fluctuations could adversely affect our business.

As a securities broker-dealer, our business is materially affected by conditions in the financial markets and economic conditions generally, both in the United States and elsewhere around the world. In the event of a market downturn, our business could be adversely affected in many ways, including those described below. Our revenues are likely to decline in such circumstances and, if we are unable to reduce expenses at the same pace, our profit margins would erode.

Possible decline in revenues from commissions in a market downturn.

A market downturn could lead to a decline in the volume of transactions that we execute for our customers and, therefore, to a decline in the revenues we receive from commissions and spreads.

We may incur significant losses from trading and investment activities due to market fluctuations and volatility.

We generally maintain trading and investment positions in the equity markets. To the extent that we own assets, i.e. have long positions, in those markets, a downturn in those markets could result in losses from a decline in the value of those long positions. Conversely, to the extent that we have sold assets that we do not own, i.e., have short positions, in any of those markets, an upturn in those markets could expose us to potentially unlimited losses as we attempt to cover our short positions by acquiring assets in a rising market. We may from time to time have a trading strategy consisting of holding a long position in one asset and a short position in another, from which we expect to earn revenues based on changes in the relative value of the two assets. If, however, the relative value of the two assets changes in a direction or manner that we did not anticipate or against which we are not hedged, we might realize a loss in those paired positions. In addition, we maintain trading positions that can be adversely affected by the level of volatility in the financial markets, i.e., the degree to which trading prices fluctuate over a particular period, in a particular market, regardless of market levels.

Investment banking revenues may decline in adverse market or economic conditions.

Unfavorable financial or economic conditions would likely reduce the number and size of transactions in which we provide underwriting, mergers and acquisitions advisory and other services. Our investment banking revenues, in the form of financial advisory and underwriting fees, are directly related to the number and size of the transactions in which we participate and would therefore be adversely affected by a sustained market downturn.

Our risk management policies and procedures may leave us exposed to unidentified or unanticipated risk.

Our policies and procedures to identify, monitor and manage risks may not be fully effective. Some methods of managing risk are based upon the use of observed historical market behavior. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicate. Other risk management methods depend upon evaluation of information regarding markets, clients or other matters that is publicly available or otherwise accessible by us. This information may not in all cases be accurate, complete, up-to-date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective.

We seek to monitor and control our risk exposure through a variety of separate but complementary financial, credit, operational and legal reporting systems. We believe that we effectively evaluate and manage the market, credit and other risks to which we are exposed. Nonetheless, the effectiveness of our ability to manage risk exposure can never be completely or accurately predicted or fully assured. For example, unexpectedly large or rapid movements or disruptions in one or more markets or other unforeseen developments can have a material adverse effect on our results of operations and financial condition. The consequences of these developments can include losses due to adverse changes in inventory values, decreases in the liquidity of trading positions, higher volatility in earnings, increases in our credit risk to customers and counterparties and increases in general systemic risk.

Credit risk exposes us to losses caused by financial or other problems experienced by third parties.

We are exposed to the risk that third parties that owe us money, securities or other assets will not perform their obligations. These parties include trading counterparties, customers, clearing agents, exchanges, clearing houses and other financial intermediaries as well as issuers whose securities we hold. These parties may default on their obligations to us due to bankruptcy, lack of liquidity, operational failure or other reasons. This risk may arise, for example, from holding securities of third parties, executing securities trades that fail to settle at the required time due to non-delivery by the counterparty or systems failure by clearing agents, exchanges, clearing houses or other financial intermediaries; and extending credit to clients through bridge or margin loans or other arrangements. Significant failures by third parties to perform their obligations to us could adversely affect our revenue and perhaps our ability to borrow in the credit markets.

We may have difficulty effectively managing our growth.

Over the past several years, we have experienced significant growth in our business activities and the number of our employees. We expect our business to continue to grow. Such growth will require increased investments in management personnel, financial and management systems and controls, and facilities, which, in the absence of parallel revenue growth, of which there can be no assurance, would cause our operating margins to decline from current levels. In addition, as is common in the securities industry, we will continue to be highly dependent on the effective and reliable operation of our communications and information systems. We believe that our current and anticipated future growth will require implementation of new and enhanced communications and information systems and training of our personnel to operate such systems. Any difficulty or significant delay in the implementation or operation of existing or new systems or the training of personnel could adversely affect our ability to manage growth.

We depend on five key employees and the loss of any of their services could harm our business.

Our success depends on several key employees. The loss of any key

employee could materially and adversely affect us. Although we entered into five-year employment agreements in August 1999 with Joseph Berland, Richard Rosenstock, Mark Zeitchick, Vincent Mangone and David Thalheim, these agreements may be terminated by these employees upon 30 days' notice. Each of those employees is entitled to participate in our Bonus Plan, is entitled to receive additional compensation through our Special Performance Plan and has been granted options to purchase 100,000 shares of our Common Stock through the 1999 Performance Equity Plan. In addition, while these employment agreements contain various incentives, as well as nonsolicitation provisions in our favor, these provisions may be insufficient to retain any or all of these persons in our employ in light of the increasing competition for experienced professionals in the securities industry, particularly if our stock price were to decline or fail to appreciate sufficiently to be a competitive source of a portion of professional compensation. We do not maintain and we do not intend to obtain key man insurance on the lives of any of these employees.

We face significant competition for professional employees.

From time to time, individuals we employ may choose to leave us to pursue other opportunities and we have experienced losses of research, investment banking and sales and trading professionals. The level of competition for key personnel remains intense. There can be no assurance that losses of key personnel due to such competition or otherwise will not occur in the future. The loss of an investment banking, research, or sales and trading professional, particularly a senior professional with a broad range of contacts in an industry, could materially and adversely affect our operating results.

Intense competition from existing and new entities may adversely affect our revenues and profitability.

The securities industry is rapidly evolving, intensely competitive and has few barriers to entry. We expect competition to continue and intensify in the future. Many of our competitors have significantly greater financial, technical, marketing and other resources than us. Some of our competitors also offer a wider range of services and financial products than us and have greater name recognition and a larger client base. These competitors may be able to respond more quickly to new or changing opportunities, technologies and client requirements and may be able to undertake more extensive promotional activities, offer more attractive terms to clients, and adopt more aggressive pricing policies. We cannot assure you that we will be able to compete effectively with current or future competitors or that the competitive pressures faced by us will not harm our business.

We currently do not have internet brokerage service capability.

Recently, a growing number of brokerage firms, including firms with substantially more name recognition and financial and other resources than us, have offered internet brokerage services to their customers in response to increased customer demand for such services. While we may seek to offer internet brokerage services in the future, there can be no assurance that we will be able to offer internet brokerage services that will appeal to its current or prospective customers or that any internet brokerage services conducted in the future by us will be profitable. Our failure to commence internet brokerage services in the near future or to attract customers to any internet brokerage services that we commence could have a material adverse effect on our business.

We rely very heavily on our clearing broker, Bear Stearns Securities Corp. and termination of our agreement with it could disrupt our business.

Bear Stearns Securities Corp. acts as our clearing broker. It processes all securities transactions and maintains customer accounts on a fee basis for our account and for the accounts of our clients. It also provides billing services, extends credit and provides for control and receipt, custody and

delivery of securities. We depend upon the operational capacity and ability of Bear Stearns Securities Corp. for the orderly processing of transactions. In addition, by engaging the processing services of a clearing firm, we are exempt from some capital reserve requirements and other regulatory requirements imposed by federal and state securities laws. If our clearing agreement was terminated for any reason, it could disrupt our business since we would find it necessary to engage another clearing firm.

Our clearing broker extends credit to our clients and we are liable if our clients do not pay.

We permit our clients to purchase securities on a margin basis or sell securities short, which means that our clearing firm extends credit to the client secured by cash and securities in the clients' account. During periods of volatile markets the value of the collateral held by our clearing broker could fall below the amount borrowed by the client. If margin requirements are not sufficient to cover losses, our clearing broker sells or buys securities at prevailing market prices, and may incur losses to satisfy client obligations. We have agreed to indemnify our clearing broker for losses it incurs while extending credit to our clients.

Employee misconduct could harm us and is difficult to detect and deter.

We run the risk that employee misconduct could occur. Misconduct by employees could include binding us to transactions that exceed authorized limits or present unacceptable risks, or hiding from us unauthorized or unsuccessful activities. This type of misconduct could result in unknown and unmanaged risks or losses. Employee misconduct could also involve the improper use of confidential information, which could result in regulatory sanctions and serious reputational harm. The precautions we take to prevent and detect this activity may not be effective to deter or prevent misconduct.

We are currently subject to extensive securities regulation, and the failure to comply could subject us to penalties or sanctions.

The securities industry and our business is subject to extensive regulation by the SEC, state securities regulators and other governmental regulatory authorities. We are also regulated by industry self-regulatory organizations ("SROs"), including the NASD and the MSRB.

We are registered as a broker-dealer with the SEC, are a member firm of the NASD and are a broker-dealer in every state in the United States, the District of Columbia and Puerto Rico. Broker-dealers are subject to regulations which cover all aspects of the securities business, including sales methods and supervision, trading practices among broker-dealers, use and safekeeping of customers' funds and securities, capital structure of securities firms, record keeping and the conduct of directors, officers and employees. Much of the regulation of broker-dealers has been delegated to SROs, principally the NASD Regulation, Inc., the regulatory arm of the NASD, which has been designated by the SEC as our primary regulatory agency. NASD Regulation adopts rules, which are subject to approval by the SEC, that govern its members and conducts periodic examinations of member firms' operations.

Compliance with many of the regulations applicable to us involves a number of risks, particularly in areas where applicable regulations may be subject to varying interpretation. The requirements imposed by these regulators are designed to ensure the integrity of the financial markets and to protect customers and other third parties who deal with us. Consequently, these regulations often serve to limit our activities, including through net capital, customer protection and market conduct requirements. In the event of noncompliance by us with an applicable regulation, governmental regulators and self-regulatory organizations may institute administrative or judicial proceedings that may result in censure, fine, civil penalties (including treble damages in the case of insider trading violations), the issuance of

cease-and-desist orders, the deregistration or suspension of our broker-dealer activities, the suspension or disqualification of our officers or employees, or other adverse consequences. The imposition of any such penalties or other sanctions on us could have a material adverse effect on our operating results and financial condition.

The regulatory environment is also subject to change. We may be adversely affected as a result of new or revised legislation or regulations imposed by the SEC, other federal or state governmental regulatory authorities, or self-regulatory organizations. We also may be adversely affected by changes in the interpretation or enforcement of existing laws and rules by these governmental authorities and self-regulatory organizations.

Failure to comply with net capital requirements could subject us to suspension or revocation by the SEC or suspension or expulsion by the NASD.

We are subject to the SEC's net capital rule, which requires the maintenance of minimum net capital. We compute our net capital under the aggregate indebtedness method permitted by the net capital rule, which requires that we maintain minimum net capital which is the greater of 6-2/3% of aggregate indebtedness (as defined in the net capital rule) or \$100,000, or an amount determinable based on the market price and number of securities in which we are a market-maker, not to exceed \$1,000,000. The net capital rule is designed to measure the general financial integrity and liquidity of a broker-dealer. In computing net capital, various adjustments are made to net worth which exclude assets not readily convertible into cash, and the regulations require a conservative perspective of other assets such as a broker-dealer's position in securities. The requirements of the net capital rule provide that a broker-dealer shall maintain a certain minimum level of net capital and a certain ratio of net capital to aggregate indebtedness. The particular levels vary in application depending upon the nature of the activity undertaken by a firm. Compliance with the net capital rule limits those operations of broker-dealers which require the intensive use of their capital, such as underwriting commitments and principal trading activities, and limits the ability of securities firms to pay dividends or make payments on certain indebtedness, e.g., subordinated debt as it matures. A significant operating loss or any charge against net capital could adversely affect the ability of a broker-dealer to expand or, depending on the magnitude of the loss or charge, maintain its then present level of business. The NASD may enter the offices of a broker-dealer at any time, without notice, and calculate such firm's net capital. In the event such calculation reveals a deficiency in net capital, the NASD may immediately restrict or suspend certain or all of the activities of a broker-dealer, including its ability to make markets. There can be no assurance that we will be able to maintain adequate net capital, or that our net capital will not fall below requirements established by the SEC, and subject us to disciplinary action in the form of fines, censure, suspension, expulsion or the termination of business altogether.

Risk of losses associated with securities laws violations and litigation.

Many aspects of our business will involve substantial risks of liability. An underwriter is exposed to substantial liability under federal and state securities laws, other federal and state laws, and court decisions, including decisions with respect to underwriters' liability and limitations on indemnification of underwriters by issuers. For example, a firm that acts as an underwriter may be held liable for material misstatements or omissions of fact in a prospectus used in connection with the securities being offered or for statements made by its securities analysts or other personnel. In recent years, there has been an increasing incidence of litigation involving the securities industry, including class actions that seek substantial damages. Our underwriting activities will usually involve offerings of the securities of

smaller companies, which often involve a higher degree of risk and are more volatile than the securities of more established companies. In comparison with more established companies, such smaller companies are also more likely to be the subject of securities class actions, to carry directors and officers liability insurance policies with lower limits, or no such insurance, and to become insolvent. Each of these factors increases the likelihood that an underwriter of a smaller companies' securities will be required to contribute to an adverse judgment or settlement of a securities lawsuit.

In the normal course of business, we have been, and continue to be the subject of numerous civil actions and arbitrations arising out of customers complaints relating to our 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 our employees had mishandled customer accounts. At September 30, 2000, the total amount sought from us in pending and threatened claims is approximately \$11,600,000. It is our opinion, based upon historical experience and the reserves established by us, that the resolution of the claims presently pending will not have a material adverse effect on our financial condition.

On or about June 30, 1999, we entered into a consent order with the State of Connecticut, Department of Banking, without admitting or denying any substantive acts or violations, in which we agreed, among other things, that we would hire a consultant to review our supervisory and employee procedures and make written recommendations for implementation of additional procedures to insure compliance with securities laws. For two years we must submit periodic reports to the relevant government agency describing any securities-related complaints involving Connecticut residents and initiated against us or against any of our officers, directors or employees. Also, for two years we are required to limit our brokerage activities in the State of Connecticut to securities listed on the New York Stock Exchange, the American Stock Exchange, and/or the Nasdaq National Market, corporate debt securities, municipal securities, securities issued by investment companies subject to regulation under the Investment Company Act of 1940, United States securities and insurance products subject to regulation by the Connecticut Insurance Commissioner. Such limitations do not apply to accounts established prior to April 15, 1999 or to accounts of "accredited investors," as defined under the Securities Act. We paid a \$20,000 administrative penalty, \$5,000 to reimburse state costs and \$5,000 to that state's Investor Education Fund. Lastly, we must also pay the costs of one or more examinations to be conducted by the relevant government agency within twenty-four months following entry of the consent order, which cost will not exceed \$2,500. If we fail to comply with the consent order, we will be subject to a fine of \$15,000 and to the revocation of our broker-dealer registration in Connecticut.

A significant percentage of our common stock is held by our directors and executive officers, who can significantly influence all actions by our company requiring a vote of our stockholders.

Our directors and executive officers own approximately 58.4% of our outstanding common stock. Accordingly, management is in a position to significantly influence the election of the directors of our company and all other matters that are put to a vote of our stockholders and otherwise generally control our company's affairs and operations.

We may issue preferred stock with preferential rights which may adversely affect your rights.

The rights of the holders of our common stock will be subject to and may be adversely affected by the rights of holders of any preferred stock that we may issue in the future. Our articles of incorporation authorize our board of directors to issue up to 2,000,000 shares of "blank check" preferred stock, and to fix the rights, preferences, privilege and restrictions, including voting

rights, of these shares without further stockholder approval. To date, we have not issued any shares of preferred stock.