

U.S. SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2001

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.

(Exact Name of Registrant as Specified in its Charter)

Florida

65-0701248

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

1055 Stewart Avenue, Bethpage, New York

11714

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including Area Code: (516) 470-1000

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

Yes No

Indicate the number of shares outstanding of each of the Issuer's classes of common equity, as of the latest practicable date: At May 2, 2001, Issuer had outstanding 18,806,612 shares of Common Stock, par value \$.0001 per share.

PART I . FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

<TABLE>
<CAPTION>

	March 31, 2001	September 30, 2000
	-----	-----
	(Unaudited))	
<S>	<C>	<C>
Assets		
Cash and cash equivalents	\$ 5,152,039	\$ 5,255,669
Receivable from brokers and dealers	7,353,170	21,507,788
Securities owned, at market value	1,899,238	3,513,865
Furniture, fixtures and leasehold improvements, at cost net of accumulated depreciation and amortization of \$3,336,956 and \$2,831,499 for March 31, 2001 and September 30, 2000 respectively.	3,954,417	4,166,744
Deferred tax asset	1,655,000	1,156,000
Investment in and receivable from affiliates	106,578	1,489,134
Other assets	5,062,279	2,330,803
	-----	-----

Total assets	\$ 25,182,721	\$ 39,420,003
	=====	=====
Liabilities and Stockholders' Equity		
Liabilities:		
Securities sold, not yet purchased, at market value	\$ 1,212,832	\$ 2,203,708
Income taxes payable	14,500	182,788
Accrued expenses and other liabilities	5,682,373	15,770,427
	-----	-----
Total liabilities	6,909,705	18,156,923
	-----	-----
Stockholders' equity:		
Common stock - \$.0001 par value;		
Authorized 100,000,000 shares, issued and outstanding		
18,806,612 shares.	1,881	1,881
Additional paid-in capital	7,531,763	7,531,763
Retained earnings	10,739,372	13,729,436
	-----	-----
Total stockholders' equity	18,273,016	21,263,080
	-----	-----
Total liabilities and stockholders' equity	\$ 25,182,721	\$ 39,420,003
	=====	=====

</TABLE>

See accompanying notes to financial statements.

2

GBI CAPITAL MANAGEMENT CORP. and SUBSIDIARIES
Consolidated Statements of Operations

<TABLE>
<CAPTION>

	For the Three Months Ended		For the Six Months Ended	
	March 31,	March 31,	March 31,	March 31,
	2001	2000	2001	2000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<S>	<C>	<C>	<C>	<C>
Revenues:				
Commissions and trading income	\$ 9,974,079	\$ 49,777,911	\$ 19,916,241	\$ 73,421,872
Interest and dividends, net	375,868	558,917	1,045,734	926,942
Underwriting fees	13,514	2,166,225	25,510	2,509,352
Other	7,146	30,982	118,305	74,074
	-----	-----	-----	-----
Total Revenues	10,370,607	52,534,035	21,105,790	76,932,240
	-----	-----	-----	-----
Expenses:				
Compensation and benefits	6,769,672	34,841,808	13,534,495	51,103,359
Brokerage, clearance and exchange fees	1,122,672	2,167,458	2,393,578	4,004,784
Communications	1,077,711	994,410	2,131,748	1,696,883
Occupancy and equipment	1,497,834	1,687,130	3,026,050	3,026,490
Professional fees	1,122,740	846,534	1,784,014	1,169,978
Business development	823,744	779,544	1,510,539	966,805
Other	765,121	3,435,371	2,150,683	4,686,250
	-----	-----	-----	-----
Total Expenses	13,179,494	44,752,255	26,531,107	66,654,549
	-----	-----	-----	-----
Income (loss) before (benefit)				
provision for income taxes	(2,808,887)	7,781,780	(5,425,317)	10,277,691
Income tax (benefit) provision	(1,326,368)	3,232,567	(2,435,253)	4,241,859
	-----	-----	-----	-----
Net (loss) income	\$ (1,482,519)	\$ 4,549,213	\$ (2,990,064)	\$ 6,035,832
	=====	=====	=====	=====
Basic earnings per common share	\$ (0.08)	\$ 0.24	\$ (0.16)	\$ 0.32
	=====	=====	=====	=====
Diluted earnings per common share	\$ (0.08)	\$ 0.24	\$ (0.16)	\$ 0.32

</TABLE>

See accompanying notes to financial statements.

3

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

<TABLE>
<CAPTION>

	For the Six months ended March 31, 2001		Additional Paid-in Capital	Retained Earnings	Total
	Common Stock Shares	Par Value			
<S> Balance at September 30, 2000	<C> 18,806,612	<C> \$ 1,881	<C> \$ 7,531,763	<C> \$ 13,729,436	<C> \$ 21,263,080
Net loss	-	-	-	(2,990,064)	(2,990,064)
Balance at March 31, 2001	18,806,612	\$ 1,881	\$ 7,531,763	\$ 10,739,372	\$ 18,273,016

</TABLE>

See accompanying notes to financial statements.

4

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

<TABLE>
<CAPTION>

	Six months ended March 31,	
	2001	2000
	(Unaudited) <C>	(Unaudited) <C>
<S> Operating activities:		
Net (loss) income	\$ (2,990,064)	\$ 6,035,832
Adjustments to reconcile net income (loss) to net Cash (used in) provided by operating activities:		
Depreciation and amortization	531,955	326,846
Deferred taxes	(499,000)	(462,000)
Decrease (increase) in operating assets:		
Receivable from brokers and dealers	14,154,618	(30,929,811)
Securities owned, at market value	1,614,627	(5,209,589)
Other assets	(2,731,477)	(292,474)
(Decrease) increase in operating liabilities:		
Securities sold, not yet purchased	(990,876)	15,205,509
Income taxes payable	(168,288)	3,990,165
Accrued expenses and other liabilities	(10,088,053)	17,566,389
Net cash (used in) provided by operating activities	(1,166,558)	6,230,867
Investing activities:		
Purchase of office furniture, equipment and leasehold improvements	(319,628)	(1,740,162)
Decrease in Investment in affiliate	1,382,556	-
Syndication costs	-	(5,038)
Net cash provided by (used in) investing activities	1,062,928	(1,745,200)
Net (decrease) increase in cash	(103,630)	4,485,667
Cash and cash equivalents at beginning of period	5,255,669	485,370
Cash and cash equivalents at end of period	\$ 5,152,039	\$ 4,971,037

Supplemental disclosure or cash flow information

Cash paid during the period for:

Interest	\$ 1,547,741	\$ 2,030,944
Income Taxes	\$ 578,031	\$ 712,334

See accompanying notes to financial statements.

5

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 30th. The Company's Statement of Operations, Statements of Changes in Stockholders Equity, and Statement of Cash Flows are for the period October 1, 2000 to March 31, 2001.

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 March 31, 2001, all of the securities owned and securities sold, not yet purchased, and the amount receivable from clearing broker reflected on the consolidated statement of financial condition are security positions with and amounts due from this clearing broker.

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

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

The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q. Accordingly they do not include all of the information and footnotes as required by generally accepted accounting principles for annual financial statements. These consolidated financial statements should be read in conjunction with the Company's consolidated financial statements and notes thereto for the year ended September 30, 2000, contained in its Annual Report on Form 10-K. In the opinion of management of the Company, all adjustments (consisting only of normal recurring adjustments)

considered necessary for a fair presentation have been included. The operations for the three months ended March 31, 2001 are not necessarily indicative of the results that may be expected for the full year ending September 30, 2001.

6

Furniture and fixtures are depreciated on a straight-line basis over the economic useful lives of the assets, not exceeding seven years. Leasehold improvements are amortized over the lesser of their economic useful lives or the expected term of the related lease. Management does not believe that any recently issued, but not yet effective, accounting standards, if currently adopted, would have a material effect on the accompanying consolidated financial statements.

2. INCOME TAXES:

The Company files consolidated federal income tax returns, but each constituent entity files separate state income tax returns. The provision (benefit) for income taxes differs from the amount of income taxes determined by applying the federal statutory rates principally because of the effect of state taxes and permanent differences.

3. NET CAPITAL REQUIREMENT

As a registered broker-dealer, 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 March 31, 2001, GBI Capital had net capital, as defined, of \$1,876,854, which exceeded minimum net capital requirements of \$1,000,000 by \$876,854.

4. COMMITMENTS AND CONTINGENCIES

GBI Capital has been named as defendant in certain legal actions in the ordinary course of business. At March 31, 2001 and September 30, 2000, GBI Capital had accrued \$1,942,651 and \$2,348,000, respectively, for settlement of all such legal proceedings.

5. EARNINGS PER SHARE

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

<TABLE>
<CAPTION>

	Three months ended March 31,			
	2001	2000	2001	2000
<S>	<C>	<C>	<C>	<C>
Numerator for basic and diluted EPS:				
Net income (loss)	\$ (1,482,509)	4,549,213	(2,990,064)	6,035,832
	=====	=====	=====	=====
Denominator for basic EPS	18,806,612	18,806,612	18,806,612	18,806,612
Denominator for diluted EPS	18,806,612	18,806,612	18,806,612	18,806,612
	=====	=====	=====	=====
Basic EPS	(0.08)	0.24	(0.16)	.32
	=====	=====	=====	=====
Diluted EPS	(0.08)	0.24	(0.16)	.32
	=====	=====	=====	=====

</TABLE>

7

6. ACCRUED EXPENSES

At March 31, 2001 GBI Capital had accrued expenses of \$5,616,065, of which \$1,471,264 was for commissions and salaries payable, \$1,942,651 was for settlements and \$1,011,664 was for deferred rent payable.

7. SUBSEQUENT EVENTS

On April 26, 2001, the Company amended the Stock Purchase Agreement with New Valley Corporation ("New Valley"), Ladenburg Thalmann Group Inc. ("LTGI"), a wholly-owned subsidiary of New Valley, Berliner Effektengesellschaft AG ("Berliner") and Ladenburg Thalmann & Co. Inc. ("Ladenburg"), a registered broker-dealer whose common stock is owned by New Valley and Berliner. Pursuant to the original Stock Purchase Agreement, the Company will purchase all of the outstanding stock of Ladenburg from New Valley and Berliner in exchange for (i) 18,181,819 shares of the Company's newly-issued Common Stock, (ii) \$10,000,000 principal amount of the Company's convertible promissory notes and (iii) \$10,000,000 in cash. Under the new provision, New Valley and Berliner will receive an additional number of shares of GBI common stock based on a change in the stockholder equities of GBI Capital and Ladenburg through the end of the month prior to closing. The conversion value of the notes will also be adjusted based on the same criteria. In connection with this transaction, certain of the Company's current principal stockholders also will sell a portion of the Company's common stock owned by them to LTGI for cash. As a result of these transactions, Ladenburg will become a wholly-owned subsidiary of the Company and New Valley will acquire an estimated beneficial ownership of approximately 56.3% of the Company's outstanding common stock. For accounting purposes this acquisition will be treated as a recapitalization of LTGI, with LTGI as the acquirer (reverse acquisition). The transactions are more fully described in a Current Report on Form 8-K as amended and Proxy Statement as supplemented. The convertible promissory notes to be issued by the Company to the sellers mature on December 31, 2005. The Company will finance the cash portion of the purchase price by issuing \$10,000,000 principal amount of similar, but not identical, convertible promissory notes to a third party.

8

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

Forward-Looking Statements

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

Results of Operations

Three Months Ended March 31, 2001 vs. Three Months Ended March 31, 2000

Revenues

Commissions and trading income for the three months ended March 31, 2001 decreased 80.0% to \$9,974,079 from the three months ended March 31, 2000. This decrease is primarily due to a decrease in volume of business, which reflected deteriorating market conditions.

Interest and dividend income, net for the three months ended March 31, 2001 decreased 32.8%, to \$375,868 from the comparable period in 2000. The decrease is primarily due to lower average cash balances with our clearing broker.

Underwriting fees for the three months ended March 31, 2001 decreased to \$13,514 from \$2,166,225 during the comparable period in 2000. The decrease is the result of our not participating in any public offerings during the 2001 period, as opposed to participating in two underwritten public offerings as a co-manager, during the 2001 period.

Expenses

Employee compensation and benefits for the three months ended March 31, 2001 decreased 80.6%, to \$6,769,672 from the comparable period in 2000. The

decrease is primarily attributable to the decrease in revenues since employee compensation to the Company's traders and registered representatives is directly related to certain components of revenue.

Brokerage, clearance and exchange fees for the three months ended March 31, 2001 decreased 48.2%, to \$1,122,672, from the comparable period in 2000 as a result of lower ticket volume and reduced ticket charges.

Communications expense for the three months ended March 31, 2001 increased 8.4%, to \$1,077,711, from the comparable period in 2000. This increase is a result of the increase in registered representatives.

Occupancy and equipment costs for the three months ended March 31, 2001 decreased 11.2%, to \$1,497,834, from the comparable period in 2000. This decrease is a result of a claim against the landlord for the Bethpage office. The landlord has agreed with our claim of overcharges for utilities and we are expected to be reimbursed an estimated \$151,000.

Professional fees for the three months ended March 31, 2001 increased 32.6%, to \$1,122,740, from the comparable period in 2000. This increase is primarily a result of activities pertaining to the Ladenburg Thalman acquisition.

9

Business development costs for the three months ended March 31, 2001 increased 5.7%, to \$823,744, from the comparable period in 2000. This increase is due to increased recruiting efforts.

Other expenses for the three months ended March 31, 2001 decreased 77.3% to \$765,121, from the corresponding period in 2000. This decrease is primarily a result of a decrease in underwriting activities and the expenses related to them and a decrease in arbitrations and customer claims.

Income tax benefit for the three months ended March 31, 2001 was \$1,326,368 as compared to the income tax provision of \$3,232,567 for the three months ended March 31, 2000, which was consistent with the decrease in income before this income tax benefit.

Net loss of \$1,482,519 for the three months ended March 31, 2000, compares to net income of \$4,549,213 for the three months ended March 31, 2000. This resulted primarily from the decrease in revenues offset by the decrease in expenses as discussed above.

Six Months Ended March 31, 2001 vs. Six Months Ended March 31, 2000

Revenues

Commissions and trading income for the six months ended March 31, 2001 decreased 72.9% to \$19,916,241 from the six months ended March 31, 2000. This decrease is primarily due to a decrease in volume of business, which reflected deteriorating market conditions.

Interest and dividend income, net for the six months ended March 31, 2001 increased 12.8%, to \$1,045,734 from the comparable period in 1999. The increase is primarily due to rising interest rates in the first quarter of 2001, an increase in the percentage of margin interest our clearing broker shares with us offset by lower average cash balances.

Underwriting fees for the six months ended March 31, 2001 decreased to \$25,510 from \$2,509,352 during the comparable period in 2000. The decrease is the result of our not participating in any public offerings during the 2001 period as a co-manager, as opposed to our participation in five underwritten public offerings for the comparable period in 2000.

Other revenues for the six months ended March 31, 2001 increased 59.7%, to \$118,305 from the six months ended March 31, 2000. This increase is primarily due to an insurance claim for business interruption and management fees from the 1500 Focus Fund.

Expenses

Employee compensation and benefits for the six months ended March 31, 2001 decreased 73.5%, to \$13,534,495 from the comparable period in 2000. The decrease is primarily attributable to the decrease in revenues since employee compensation to the Company's traders and registered representatives is directly related to certain components of revenue.

Brokerage, clearance and exchange fees for the six months ended March 31, 2001 decreased 40.2%, to \$2,393,578, from the comparable period in 2000 as a result of lower ticket volume.

Communications expense for the six months ended March 31, 2001 increased 25.6%, to \$2,131,748, from the comparable period in 2000. This increase is a result of the increase in the number of registered representatives and the rollout of computers and applicable news services to every registered representative.

Occupancy and equipment costs for the six months ended March 31, 2001 were comparable to the same period in 2000.

Professional fees for the six months ended March 31, 2001 increased 52.5%, to \$1,784,014, from the comparable period in 2000. This increase is primarily a result of merger activities.

10

Business development costs for the six months ended March 31, 2001 increased 56.2%, to \$1,510,539, from the comparable period in 2000. This increase is primarily the result of increased recruiting expense.

Other expenses for the six months ended March 31, 2001 decreased 54.1% to \$2,150,683, from the corresponding period in 2000. This decrease is primarily a result of a decrease in underwriting activities and the expenses related to them and a decrease in arbitrations and customer claims.

Income tax benefit for the six months ended March 31, 2001 was \$2,435,253 as compared to the income tax provision of \$4,241,859 the six months ended March 31, 2000, which was consistent with the decrease in income before this income tax benefit.

Net loss of \$2,990,064 for the six months ended March 31, 2001, compares to net income of \$6,035,832 for the six months ended March 31, 2000. This resulted primarily from the decrease in revenues offset by decreases in expenses as discussed above.

Liquidity and Capital Resources

Approximately 57.2% of the Company's assets at March 31, 2001 are highly liquid, consisting primarily of cash and cash equivalents, securities inventories, and receivables from other broker-dealers, all of which fluctuate, depending upon the levels of customer business and trading activity. Receivables from broker-dealers, which are primarily from the Company's clearing broker, turn over rapidly. As a securities dealer, we may carry significant levels of securities inventories to meet customer needs. Our inventory of market-making securities is readily marketable; however, holding large blocks of the same security may limit liquidity and prevent realization of full market value for the securities. A relatively small percentage of our total assets are fixed. The total assets or the individual components of total assets may vary significantly from period to period because of changes relating to customer demand, economic and market conditions, and proprietary trading strategies.

The Company's brokerage subsidiary, GBI Capital Partners Inc., is subject to net capital rules of the NASD and the SEC. Therefore, it is subject to certain restrictions on the use of capital and its related liquidity. GBI Capital's net capital position as of March 31, 2001, was \$1,876,854, which was \$876,854, in excess of its net capital requirement.

The Company's overall capital and funding needs are continually reviewed to ensure that its capital base can support the estimated needs of its business units. These reviews take into account business needs as well as regulatory capital requirements of the subsidiary. Based upon these reviews, management believes that the Company's capital structure is adequate for current operations and reasonably foreseeable future needs.

On April 26, 2001, the Company amended the Stock Purchase Agreement with New Valley Corporation ("New Valley"), Ladenburg Thalmann Group Inc. ("LTGI"), a wholly-owned subsidiary of New Valley, Berliner Effektengesellschaft AG ("Berliner") and Ladenburg Thalmann & Co. Inc. ("Ladenburg"), a registered broker-dealer whose common stock is owned by New Valley and Berliner. Pursuant to the original Stock Purchase Agreement, the Company will purchase all of the outstanding stock of Ladenburg from New Valley and Berliner in exchange for (i) 18,181,819 shares of the Company's newly-issued Common Stock, (ii) \$10,000,000 principal amount of the Company's convertible promissory notes and (iii) \$10,000,000 in cash. Under the new provision, New Valley and Berliner will receive an additional number of shares of GBI common stock based on a change in

11

the stockholder equities of GBI Capital and Ladenburg through the end of the month prior to closing. The conversion value of the notes will also be adjusted based on the same criteria. In connection with this transaction, certain of the Company's current principal stockholders also will sell a portion of the Company's common stock owned by them to LTGI for cash. As a result of these transactions, Ladenburg will become a wholly-owned subsidiary of the Company and New Valley will acquire an estimated beneficial ownership of approximately 56.3% of the Company's outstanding common stock. The transactions are more fully described in a Current Report on Form 8-K as amended and Proxy Statement as supplemented. The convertible promissory notes to be issued by the Company to the sellers mature on December 31, 2005. The Company will finance the cash portion of the purchase price by issuing \$10,000,000 principal amount of similar, but not identical, convertible promissory notes to a third party.

This transaction is expected to close on May 7, 2001.

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

12

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

GBI Capital has been, and continues to be the subject of numerous civil actions and arbitrations arising out of customer complaints relating to its activities as a broker-dealer in securities, as an employer and as a result of other business activities. In general, the cases involve various allegations that employees of GBI Capital had mishandled customer accounts. At March 31, 2001, we estimate that the total amount sought from GBI Capital in pending and threatened claims is approximately \$6,544,334. It is our opinion, based upon our historical experience and the reserves already established by us, that the resolution of all claims presently pending will not have a material adverse effect on the consolidated financial condition of our company.

ITEM 2. SALES OF UNREGISTERED SECURITIES

<TABLE>
<CAPTION>

Date of Sale	Title of Security	Number Sold	Consideration Received and Description of Underwriting or Other Discounts to Market Price Afforded to Purchasers	Exemption from Registration Claimed	If Option, Warrant or Convertible Security, Terms of Exercise or Conversions
-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
1/10/01	Options to purchase Common Stock	109,116	Options granted under 1999 Performance Equity Plan; no cash consideration received by Company until exercise	4(2)	1/3 exercisable 1/10/02, 1/10/03, 1/10/04 at an exercise price of \$2.125 per share and which all expire 1/9/11
2/7/01	Options to purchase Common Stock	110,000	Options granted under 1999 Performance Equity Plan; no cash consideration received by Company until exercise	4(2)	100% exercisable immediately at an exercise price of \$2.52 per share and which all expire 2/6/11

</TABLE>

13

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

None.

(b) Reports on Form 8-K

Current Report on Form 8-K, dated February 21, 2001, reporting under Items 1 and 2.

Amendment No. 1 to Current Report on Form 8-K, dated April 30, 2001, reporting under Items 1 and 2.

14

SIGNATURES

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

GBI Capital Management Corp.

(Registrant)

Dated: May 6, 2001

By: /s/ Joseph Berland

Joseph Berland
Chairman of the Board and
Chief Executive Officer

By: /s/ Diane Chillemi

Diane Chillemi
Chief Financial Officer