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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

SEC FILE NUMBER
8- 34631

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/2011 AND ENDING 12/31/2011
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:
GBS FINANCIAL CORP.
ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

OFFICIAL USE ONLY
FIRM I.D. NO.

558 "B" STREET
(No. and Street)

SANTA ROSA, CA 95401-5274
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT
DONALD G. GLOISTEN 805-653-5944
(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

HOVIK M. KHALOIAN
(Name - if individual, state last, first, middle name)

520 N. CENTRAL AVENUE, SUITE 650, GLENDALE, CA 91203
(Address) (City) (State) (Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

OATH OR AFFIRMATION

I, DONALD G. GLOISTEN, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GBS FINANCIAL CORP., as of DECEMBER 31, 2011, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Donald G. Gloisten
Signature

CEO

Title

Notary Public

This report ** contains (check all applicable boxes):

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss).
(d) Statement of Cash Flows.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

CALIFORNIA ALL-PURPOSE CERTIFICATE OF ACKNOWLEDGMENT

State of California

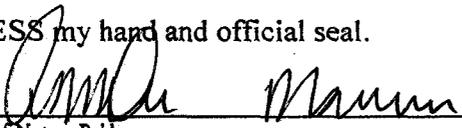
County of Ventura

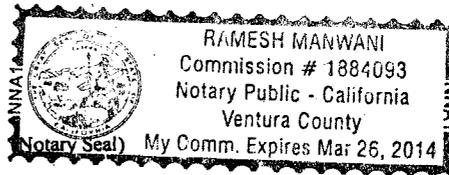
On 25 Feb 2012 before me, Ramesh Manwani Notary Public,
(Here insert name and title of the officer)

personally appeared Donald G. Erloston, SR

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

 Signature of Notary Public



ADDITIONAL OPTIONAL INFORMATION

DESCRIPTION OF THE ATTACHED DOCUMENT

(Title or description of attached document)

(Title or description of attached document continued)

Number of Pages _____ Document Date _____

(Additional information)

CAPACITY CLAIMED BY THE SIGNER

Individual (s)
 Corporate Officer

(Title)

Partner(s)
 Attorney-in-Fact
 Trustee(s)
 Other _____

INSTRUCTIONS FOR COMPLETING THIS FORM

Any acknowledgment completed in California must contain verbiage exactly as appears above in the notary section or a separate acknowledgment form must be properly completed and attached to that document. The only exception is if a document is to be recorded outside of California. In such instances, any alternative acknowledgment verbiage as may be printed on such a document so long as the verbiage does not require the notary to do something that is illegal for a notary in California (i.e. certifying the authorized capacity of the signer). Please check the document carefully for proper notarial wording and attach this form if required.

- State and County information must be the State and County where the document signer(s) personally appeared before the notary public for acknowledgment
- Date of notarization must be the date that the signer(s) personally appeared which must also be the same date the acknowledgment is completed
- The notary public must print his or her name as it appears within his or her commission followed by a comma and then your title (notary public)
- Print the name(s) of document signer(s) who personally appear at the time of notarization
- Indicate the correct singular or plural forms by crossing off incorrect forms (i.e. he/she/they, is/are) or circling the correct forms. Failure to correctly indicate this information may lead to rejection of document recording
- The notary seal impression must be clear and photographically reproducible. Impression must not cover text or lines. If seal impression smudges, re-seal if a sufficient area permits, otherwise complete a different acknowledgment form
- Signature of the notary public must match the signature on file with the office of the county clerk
 - ❖ Additional information is not required but could help to ensure this acknowledgment is not misused or attached to a different document
 - ❖ Indicate title or type of attached document, number of pages and date
 - ❖ Indicate the capacity claimed by the signer. If the claimed capacity is a corporate officer, indicate the title (i.e. CEO, CFO, Secretary)
- Securely attach this document to the signed document

GBS FINANCIAL CORP.
FINANCIAL REPORT
DECEMBER 31, 2011

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

**GBS FINANCIAL CORP.
FINANCIAL REPORT
DECEMBER 31, 2011**

**HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
GBS Financial Corp.
Santa Rosa, California

Members of the Board:

I have audited the accompanying statement of financial condition of GBS Financial Corp. as of December 31, 2011 and the related statements of income, changes in stockholders' equity, and cash flows for the year then ended that are filed pursuant to rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that I 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. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GBS Financial Corp. as of December 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

My audit was conducted for the purpose of forming an opinion on the basic financial statements, taken as a whole. The information contained in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Hovik M. Khaloian

February 24, 2012

GBS FINANCIAL CORP.
STATEMENT OF FINANCIAL CONDITION
As of December 31, 2011

ASSETS

Cash and cash equivalents	\$ 82,116
Receivables from brokers or dealers	650,725
Receivables from non-customers	424,720
Securities owned, at market	157,529
Other assets	89,154
Property and equipment at cost, less accumulated depreciation of \$47,875	31,725
TOTAL ASSETS	<u>\$ 1,435,969</u>

LIABILITIES AND STOCKHOLDERS' EQUITY

Accounts payable and accrued expenses	\$ 182,118
Commissions payable	635,147
Income taxes payable	658
Deferred income Taxes	5,100
	823,023

COMMITMENTS AND CONTINGENCIES

-

STOCKHOLDERS' EQUITY

Common stock, no par value; 1000 shares authorized, 30 shares issued and outstanding stated at	4,500
Additional paid-in capital	92,386
Retained earnings	516,060
TOTAL STOCKHOLDERS' EQUITY	<u>612,946</u>

TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	<u>\$ 1,435,969</u>
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The accompanying notes are an integral part
of these financial statements.

GBS FINANCIAL CORP.
STATEMENT OF INCOME
For the Year Ended December 31, 2011

REVENUES	
Commissions, concession and Trading revenues	\$ 5,514,493
Investment management and consulting fee revenues	1,830,254
Interest revenues	178,587
Expense reimbursement and other revenues	<u>142,049</u>
	<u>7,665,383</u>
EXPENSES	
Commissions and clearing expenses	5,922,590
Employee compensation and benefits	1,268,762
Occupancy expenses	120,283
Communications expenses	70,644
Promotional expenses	50,668
Regulatory expenses	38,694
Outside services and other expenses	<u>134,593</u>
	<u>7,606,234</u>
INCOME BEFORE INCOME TAXES	<u>59,149</u>
PROVISION FOR INCOME TAXES	
Current	11,000
Deferred	<u>3,400</u>
	<u>14,400</u>
NET INCOME	<u>\$ 44,749</u>

The accompanying notes are an integral part
of these financial statements.

GBS FINANCIAL CORP.
STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY,
For the Year Ended December 31, 2011

	<u>Common Stock</u>		Additional Paid-in Capital	Retained Earnings	<u>Total</u>
	<u>Number of Shares Outstanding</u>	<u>Amount</u>			
Balance at January 1, 2011	30	\$ 4,500	\$ 92,386	\$471,311	\$568,197
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,749</u>	<u>44,749</u>
Balance at December 31, 2011	<u>30</u>	<u>\$ 4,500</u>	<u>\$ 92,386</u>	<u>\$516,060</u>	<u>\$612,946</u>

The accompanying notes are an integral part
of these financial statements.

GBS FINANCIAL CORP
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 7,642,495
Cash paid to suppliers and employees	(7,653,236)
Interest received	178,587
Interest paid	(1,340)
Income taxes paid	<u>(14,642)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u>151,864</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
(Increase) in receivables from non-customers	(142,110)
Decrease in other assets	1,898
Purchase of property and equipment	<u>(18,461)</u>
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(158,673)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(6,809)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>88,925</u>
CASH AND CASH EQUIVALENTS - End of Year	<u><u>\$ 82,116</u></u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED FROM OPERATING ACTIVITIES	
Net income	\$ 44,749
Non-cash expenses included in net income:	
Depreciation and amortization	9,375
Deferred income Taxes	3,400
Changes in assets and liabilities:	
Decrease in receivables from brokers or dealers	155,699
(Increase) in securities owned	(66,498)
(Decrease) in accounts payable and accrued expense	(43,550)
Increase in commissions payable	52,331
(Decrease) in income taxes payable	<u>(3,642)</u>
NET CASH PROVIDED FROM OPERATING ACTIVITIES	<u><u>\$ 151,864</u></u>

The accompanying notes are an integral part
of these financial statements.

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

The Company is a securities broker/dealer engaged in the sale of securities to the general public and is registered with the Securities and Exchange Commission (SEC) and is a member of the Financial Industry Regulatory Authority (FINRA).

Securities

Securities owned are valued at market with unrealized gains and losses recognized currently in results of operations.

Income and Expense Recognition

Securities transactions and related revenue and expense are recorded on a settlement date basis, generally the third business day following the transaction date.

Concentration of Credit Risk For Cash Held at Banks

The Company maintains cash balances at a bank. Accounts at the Institution are insured by the Federal Deposit Insurance Corporation up to \$250,000.

Policy of Cash Equivalents

The Company considers money market funds as cash equivalents.

Property and Equipment

Property and equipment are stated at cost. Depreciation is provided on a straight-line basis using estimated useful lives of five to seven years.

Income taxes

The provision for income taxes was computed by applying the Federal and State statutory rates to income before income taxes and after recognizing the tax benefits of the operating loss carryforwards.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Advertising Costs

The Company expenses the cost of advertising in the year incurred. During the year ended December 31, 2011, such advertising expenses (included as part of other operating expenses) amounted to \$559.

Other Assets

Other assets consist of prepaid expenses of \$86,200 and deposits of \$2,954.

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

NOTE 2 - NET CAPITAL REQUIREMENTS

The Company is subject to the Securities and Exchange Commission's uniform net capital rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. Since the Company does not carry customer accounts, it is permitted under Rule 15c3-1(a)(2) to maintain minimum net capital, as defined, equal to the greater of \$100,000 or 6 2/3 percent of aggregate indebtedness. At December 31, 2011, the Company had net capital of \$412,668 which was \$312,668 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio was 2.0 to 1.

NOTE 3 - INCOME TAXES

Deferred income taxes arise from temporary differences resulting from income and expense items reported for financial accounting and tax purposes in different periods. Deferred taxes arising from temporary differences that are not related to an asset or liability are classified as current or noncurrent depending on the periods in which the temporary differences are expected to reverse.

The deferred tax assets and deferred tax liabilities are comprised of the following at December 31, 2011:

Deferred tax assets:	
State income taxes	\$ 400
Contribution carryforwards	<u>1,600</u>
	2,000
Valuation allowance	<u>-</u>
	<u>\$ 2,000</u>
Deferred tax liabilities:	
Depreciation	<u>\$ 7,100</u>
Net deferred tax liability	<u>\$ 5,100</u>

Although, currently the Company's Federal and California income tax returns are not under examination, they remain open and are subject to examination for the tax years 2008 through 2011.

GBS FINANCIAL CORP.
NOTES TO FINANCIAL STATEMENTS
For the Year Ended December 31, 2011

NOTE 4 - CHANGE IN DEPRECIATION METHOD

During the year ended December 31, 2011, the Company changed its method of depreciation from modified accelerated systems to straight line. The change in depreciation method did not have a material effect on the income.

NOTE 5 - COMMITMENTS AND CONTINGENCIES

Leases Commitment

The Company leases certain office facilities under month to month operating lease agreement from its stockholders. The lease requires monthly rentals of \$5,000.

The Company leases another facility under a month to month operating lease agreement. The lease requires monthly rentals of \$900.

Total rent expense for the year ended December 31, 2011 amounted to \$64,800, including amounts paid to stockholders of \$54,000.

Retirement Plans

The Company has a profit sharing plan that covers substantially all of its employees. The funding of the profit sharing plan is discretionary (maximum is 15% of total eligible compensation) and is determined annually by the Board of Directors. The contributions to the profit sharing plan for the year ended December 31, 2011 amounted to \$63,439.

The Company also sponsors a defined contribution plan covering substantially all employees who have satisfied a service requirement of one hour. Plan participants may contribute up to 15% of their annual eligible compensation, subject to limitations imposed by the Internal Revenue Service. The Company matches up to 100% of participant contributions to a maximum of 4% of their annual eligible compensation. The Company's total expense under this plan for the year ended December 31, 2011 amounted to \$25,916.

NOTE 6 - SUBSEQUENT EVENTS

Management has reviewed and evaluated subsequent events from the balance sheet date of December 31, 2011, through February 24, 2012, the date the financial statements were available to be issued.

**SUPPLEMENTARY INFORMATION
PURSUANT TO RULE 17a-5 OF
THE SECURITIES EXCHANGE ACT OF 1934**

**HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT**

SCHEDULE I
 GBS FINANCIAL CORP.
 COMPUTATION OF NET CAPITAL, AGGREGATE INDEBTEDNESS
 AND BASIC NET CAPITAL REQUIREMENT
 UNDER RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION
 As of December 31, 2011

NET CAPITAL		
Total stockholders' equity		\$ 612,946
Deductions and/or charges		
Non-allowable assets:		
Commissions receivable and non-allowable		
Receivables net of commissions payable	\$ 63,708	
Other assets	89,154	
Property and equipment	<u>31,725</u>	<u>184,587</u>
Net capital before haircuts on securities positions		428,359
Haircuts on securities (computed, where applicable, pursuant to Rule 15c3-1(c)(2):		
Trading and investment securities:		
Common stocks	1,530	
Debt securities	7,264	
Money market mutual funds	<u>6,897</u>	<u>15,691</u>
NET CAPITAL		<u>\$ 412,668</u>
AGGREGATE INDEBTEDNESS		
Items included in statement of financial condition:		
Accounts payable and accrued expenses		\$ 182,118
Commissions payable		635,147
Income taxes payable		658
Deferred income taxes		<u>5,100</u>
TOTAL AGGREGATE INDEBTEDNESS		<u>\$ 823,023</u>
COMPUTATION OF BASIC NET CAPITAL REQUIREMENT		
Minimum net capital required, 6 2/3% of aggregate indebtedness or \$100,000 if greater		<u>\$ 100,000</u>
Excess net capital		<u>\$ 312,668</u>
Ratio: Aggregate indebtedness to net capital		<u>0.2 to 1</u>

The accompanying notes are an integral part of these financial statements.

SCHEDULE II
 GBS FINANCIAL CORP.
 RECONCILIATION OF NET CAPITAL AND AGGREGATE INDEBTEDNESS
 TO AMOUNTS AS REPORTED BY THE COMPANY IN PART IIA OF FORM X-17A-5
 As of December 31, 2011

	<u>Aggregate Indebtedness</u>	<u>Net Capital</u>
As reported in company's Part IIA (unaudited) FOCUS report	\$ 849,834	\$ 415,857
Decrease in non-allowable assets	-	800
Decrease in accounts payable, accrued expenses and other liabilities	(26,811)	-
Adjustments to stockholders' equity-net income	<u>-</u>	<u>(3,989)</u>
Per Schedule I	<u>\$ 823,023</u>	<u>\$ 412,668</u>

The accompanying notes are an integral part
of these financial statements.

SCHEDULE III
GBS FINANCIAL CORP.
INFORMATION RELATING TO POSSESSION OR CONTROL REQUIREMENTS
UNDER RULE 15c3-3 OF THE SECURITIES AND EXCHANGE COMMISSION
As of December 31, 2011

GBS Financial Corp. is exempt from the possession or control requirements, as it operates pursuant to SEC Rule 15c3-3(k)(2)(ii) (the Customer Protection Rule), clearing all transactions on a fully disclosed basis through its clearing firm. GBS Financial Corp. does not hold customer funds or safekeep customer securities.

The accompanying notes are an integral part
of these financial statements.

**INDEPENDENT AUDITOR'S REPORT ON
INTERNAL ACCOUNTING CONTROL REQUIRED BY
SECURITIES AND EXCHANGE COMMISSION RULE 17a-5
FOR A BROKER-DEALER CLAIMING AN
EXEMPTION FROM SEC RULE 15c3-3**

Board of Directors
GBS Financial Corp.
Santa Rosa, California

Members of the Board:

In planning and performing my audit of the Financial statements and supplemental schedules of GBS Financial Corp. (The Company) as of and for the year ended December 31, 2011, in accordance with the standards of the Public Company Accounting Oversight Board (United States), I considered the Company's internal control over financial reporting (internal control) as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, I do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), I have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of compliance with such practices and procedures that I considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregated indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and the reserve required by rule 15c3-3(e). Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, I did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by rule 15c3-3

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's previously mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with

management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the company's financial statements will not be prevented, or detected and corrected, on a timely basis. My consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. I did not identify any deficiencies in internal control and control activities for safeguarding securities that I consider to be material weaknesses, as defined previously.

I understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on my study, I believe that the Company's practices and procedures, as described in the second paragraph of this report were adequate at December 31, 2011, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority, Inc. (FINRA), and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Hovik M. Khaloian

February 24, 2012

GBS FINANCIAL CORP.
SIPC SUPPLEMENTAL REPORT
DECEMBER 31, 2011

HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT

**GBS FINANCIAL CORP.
SIPC SUPPLEMENTAL REPORT
DECEMBER 31, 2011**

**HOVIK M. KHALOIAN
CERTIFIED PUBLIC ACCOUNTANT**

Independent Accountants' Report on Applying Agreed-Upon Procedures Related to an Entity's SIPC Assessment
Reconciliation

To the Board of Directors
GBS Financial Corp.
Santa Rosa, California

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934, I have performed the procedures enumerated below with respect to the accompanying schedule of Assessment and Payments [General Assessment Reconciliation (Form SIPC-7)] to the Securities Investor Protection Corporation (SIPC) for the Year Ended December 31, 2011, which were agreed to by GBS Financial Corp. and the Securities and Exchange Commission, Financial Industry Regulatory Authority, Inc., and SIPC, solely to assist you and the other specified parties in evaluating GBS Financial Corp.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). GBS Financial Corp.'s management is responsible for GBS Financial Corp.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, I make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures I performed and my findings are as follows:

1. Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries noting no differences;
2. Compared the amounts reported on the audited Form X-17A-5 for the year ended December 31, 2011, as applicable, with the amounts reported in Form SIPC-7 for the year ended December 31, 2011, noting no differences;
3. Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers noting no differences;
4. Proved the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments noting no differences;
5. Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed noting no differences.

I was not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, I do not express such an opinion. Had I performed additional procedures, other matters might have come to my attention that would have been reported to you.

This report is intended solely for the information and use of the specified parties listed above and is not intended to be and should not be used by anyone other than these specified parties.

Hovik M. Khaloian

Glendale, California
February 24, 2012

SIPC-7

(33-REV 7/10)

SECURITIES INVESTOR PROTECTION CORPORATION
P.O. Box 92185 Washington, D.C. 20090-2185
202-371-8300

General Assessment Reconciliation

For the fiscal year ended December 31, 2011
(Read carefully the instructions in your Working Copy before completing this Form)

Washington, DC
123
FEB 29 2012
SEC
Mail Processing
Section

SIPC-7

(33-REV 7/10)

TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS

1. Name of Member, address, Designated Examining Authority, 1934 Act registration no. and month in which fiscal year ends for purposes of the audit requirement of SEC Rule 17a-5:

034631 FINRA DEC
GBS FINANCIAL CORP 2324
558 B ST
SANTA ROSA CA 95401-5240

Note: If any of the information shown on the mailing label requires correction, please e-mail any corrections to form@sipc.org and so indicate on the form filed.

Name and telephone number of person to contact respecting this form.

Stephen Kinkade (415) 225-0488

- 2. A. General Assessment (item 2e from page 2) \$ 12,871
- B. Less payment made with SIPC-6 filed (exclude interest) (7,100)
8/3/11
Date Paid
- C. Less prior overpayment applied ()
- D. Assessment balance due or (overpayment) 5,771
- E. Interest computed on late payment (see instruction E) for days at 20% per annum
- F. Total assessment balance and interest due (or overpayment carried forward) \$ 5,771
- G. PAID WITH THIS FORM:
Check enclosed, payable to SIPC
Total (must be same as F above) \$ 5,771
- H. Overpayment carried forward \$()

3. Subsidiaries (S) and predecessors (P) included in this form (give name and 1934 Act registration number):

The SIPC member submitting this form and the person by whom it is executed represent thereby that all information contained herein is true, correct and complete.

GBS Financial Corp
(Name of Corporation, Partnership or other organization)
Stephen R Kinkade
(Authorized Signature)

Dated the 23rd day of February, 2012.

Financial + Operations Principal
(Title)

This form and the assessment payment is due 60 days after the end of the fiscal year. Retain the Working Copy of this form for a period of not less than 6 years, the latest 2 years in an easily accessible place.

SIPC REVIEWER

Dates: Postmarked Received Reviewed
Calculations Documentation
Exceptions:
Disposition of exceptions:

RECEIVED
IAN 03 2012
BY:

Forward Copy

**DETERMINATION OF "SIPC NET OPERATING REVENUES"
AND GENERAL ASSESSMENT**

Amounts for the fiscal period
beginning Jan 1, 20 11
and ending Dec 31, 20 11

Eliminate cents

Item No.

2a. Total revenue (FOCUS Line 12/Part IIA Line 9, Code 4030)

\$ 7,665,383

2b. Additions:

(1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.

(2) Net loss from principal transactions in securities in trading accounts.

(3) Net loss from principal transactions in commodities in trading accounts.

(4) Interest and dividend expense deducted in determining item 2a.

(5) Net loss from management of or participation in the underwriting or distribution of securities.

(6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.

(7) Net loss from securities in investment accounts.

Total additions

2c. Deductions:

(1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.

1,800,052

(2) Revenues from commodity transactions.

(3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.

374,573

(4) Reimbursements for postage in connection with proxy solicitation.

(5) Net gain from securities in investment accounts.

(6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.

28,982

(7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).

22,626

(8) Other revenue not related either directly or indirectly to the securities business.

(See Instruction C): Representative Reimbursements 142,047
Private Placements 81,558

223,605

(Deductions in excess of \$100,000 require documentation)

(9) (i) Total interest and dividend expense (FOCUS Line 22/PART IIA Line 13, Code 4075 plus line 2b(4) above) but not in excess of total interest and dividend income.

\$ 1340

(ii) 40% of margin interest earned on customers securities accounts (40% of FOCUS line 5, Code 3960).

\$ 66,962

Enter the greater of line (i) or (ii)

66,962

Total deductions

2,516,800

2d. SIPC Net Operating Revenues

\$ 5,148,583

2e. General Assessment @ .0025

\$ 12,871

(to page 1, line 2.A.)