

GBS Financial Corporation

Business Continuity Plan (BCP)

I. Emergency Contact Persons

Our firm's two emergency contact persons are Gerard P. Gloisten (707) 322-6002 cell phone and e-mail: gpgloisten@gbsfinancial.com and Donald Gloisten (805) 276-0054 cell phone and e-mail: donglo@gbsfinancial.com . These names will be updated in the event of a material change, and our Executive Representative will review them within 17 business days of the end of each quarter.

Rule: NASD Rule 3520.

II. Firm Policy

Our firm's policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees' lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm's books and records, and allowing our customers to transact business. In the event that we determine we are unable to continue our business, we will assure customers prompt access to their funds and securities.

A. Significant Business Disruptions (SBDs)

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale, regional disruption. Our response to an external SBD relies more heavily on other organizations and systems, especially on the capabilities of our clearing firm.

B. Approval and Execution Authority

Gerard P. Gloisten a registered principal is responsible for approving the plan and for conducting the required annual review. Gerard P. Gloisten, President has the authority to execute this BCP.

C. Plan Location and Access

Our firm will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. We have given the San Francisco FINRA office

a copy of our plan. An electronic copy of our plan is located on a separate CDROM disks located at the residences of both Gerard Gloisten and Donald Gloisten

III. Business Description

Our firm conducts business in equity, fixed income, and derivative securities. Our firm is an introducing firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. We accept and enter orders. All transactions are sent to our clearing firm, which executes our orders, compares them, allocates them, clears and settles them. Our clearing firm also maintains our customers' accounts, can grant customers access to them, and delivers funds and securities. Our firm services only retail customers and institutional customers. We do not engage in any private placements.

Our clearing firms are: JP Morgan Clearing Corp. and Wedbush Morgan Securities Inc. The clearing firms should only be contacted should GBS experience a significant business disruption. Instructions for contacting the clearing firms can be found in section VI of this Business Continuity Plan.

IV. Office Locations

Our Firm has offices located in Location #1 and Location #2.

A. Office Location #1

Our Location #1 Office is located at 558 B Street Santa Rosa, CA 95401. Its main telephone number is (707) 568-2400. Our employees may travel to that office by means of foot, car, subway, train, bus, boat, and plane. We engage in order taking and entry at this location.

B. Office Location #2

Our Location #2 Office is located at 21 S CALIFORNIA ST STE 208 VENTURA CA 93001-2890. Its main telephone number is (805) 653-5944. Our employees may travel to that office by means of foot, car, subway, train, bus, boat, and plane. We engage in order taking and entry at this location.

V. Alternative Physical Location(s) of Employees

In the event of an SBD, we will move our staff from affected offices to the closest of our unaffected office locations. If none of our other office locations is available to receive those staff, we will move them to Gerard Gloisten's personal residence located in Santa Rosa, CA.

Rule: NASD Rule 3510(c)(6).

VI. Customers' Access to Funds and Securities

Our firm does not maintain custody of customers' funds or securities, which are maintained at our clearing firm, JP Morgan Clearing Corp. and Wedbush Morgan Securities Inc. In the event of an internal or external SBD, if telephone service is available, our registered persons will take customer orders or instructions and contact our clearing firm on their behalf, and if our Web access is available, our firm will post on our Web site that customers may access their funds and securities by contacting by contacting a JP Morgan Clearing Corp representative at (347)-643-4927. Or Wedbush Morgan Securities Corp representative Chris Carnaghi at (213) 688-4592 or via his email at chriscarnaghi@wedbush.com. These contacts may be used for liquidating orders, checks and wire requests, and ACAT transfers. The firm will make this information available to customers through its disclosure policy.

If SIPC determines that we are unable to meet our obligations to our customers or if our liabilities exceed our assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse our assets to customers. We will assist SIPC and the trustee by providing our books and records identifying customer accounts subject to SIPC regulation.

Rules: NASD Rule 3510(a); Securities Exchange Act Rule 15c3-1; 15 U.S.C. 78eee (2003).

VII. Data Back-Up and Recovery (Hard Copy and Electronic)

Our firm maintains its primary hard copy books and records and its electronic records at 558 B Street – Suite 200 – Santa Rosa, CA 95401. Lynn Morrill (707) 568-2400 is responsible for the maintenance of these books and records. Our firm maintains the following document types and forms that are not transmitted to our clearing firm: Customer Agreements, margin agreements, new account forms, letter A's, certificate of trustees, IRA adoption agreements, other assorted client signature forms

Our firm maintains its back-up hard copy books and records in contract with Alternative Data Imaging, as part of our internal company move to electronic filing we scan most all new documents and archived documents. These documents are stored both in our own server, and backed up by Alternative Data Imaging through use of the Laserfiche Software. ADI is under contract to back-up our scanned docs via a remote back-up arrangement. These records are Electronic files of scanned images. ADI and John Caso, 172 W. Springbrook Dr. Johnson City, TN 37604 866-406-9796 are responsible for the maintenance of these back-up books and records. We back up our records approximately every 2 weeks.

GBS backs up its electronic records daily by **Symantec Backup** Exec 10d for Windows Servers and keeps a copy at the residence of Gerard P. Gloisten as stated above.

In the event of an internal or external SBD that causes the loss of our paper records, we will physically recover them from our back-up sites. If our primary site is inoperable, we will continue operations from our back-up site or an alternate location. For the loss of electronic records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

Rule: NASD Rule 3510(c)(1).

VIII. Financial and Operational Assessments

A. Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our customers, employees, critical business constituents, critical banks, critical counter-parties, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communications options we will employ will include *Web-site- www.gbsfinancial.com, telephone voice mail (707) 568-2400, secure e-mail, cell phone to principle 707-322-6002*. In addition, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery (Hard Copy and Electronic).

Rules: NASD Rules 3510(c)(3) & (f)(2).

B. Financial and Credit Risk

In the event of an SBD, we will determine the value and liquidity of our investments and other assets to evaluate our ability to continue to fund our operations and remain in capital compliance. We will contact our clearing firm, critical banks, and investors to apprise them of our financial status. If we determine that we may be unable to meet our obligations to those counter-parties or otherwise continue to fund our operations, we will request additional financing from our bank or other credit sources to fulfill our obligations to our customers and clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately take appropriate steps.

Rules: NASD Rules 3510(c)(3), (c)(8) & (f)(2).

IX. Mission Critical Systems

Our firm’s “mission critical systems” are those that ensure prompt and accurate processing of securities transactions, including order taking, entry, execution, comparison, allocation, clearance and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities. More specifically, these systems include: JP Morgan Clearing Corp Webshell Applications and Wedbush Morgan Broker Insight and Beta functions.

We have primary responsibility for establishing and maintaining our business relationships with our customers and have sole responsibility for our mission critical functions of order taking and execution. Our clearing firms provide, through contract, the execution, comparison, allocation, clearance, and settlement of securities transactions, the maintenance of customer accounts, access to customer accounts, and the delivery of funds and securities.

Our clearing firm contracts provide that our clearing firms will maintain a business continuity plan and the capacity to execute that plan. Our clearing firms represent that they will advise us of any material changes to their plans that might affect our ability to maintain our business [and presented us with an executive summary of their plans, which are attached]. In the event our clearing firms execute their plans, they represent that they will notify us of such execution and provides us equal access to services, as it’s other customers. If we reasonably determine that our clearing firms have not or cannot put their plans in place quickly enough to meet our needs, or are otherwise unable to provide access to such services, our clearing firms represent that they will assist us in seeking services from an alternative source.

JP Morgan Clearing Corp backs up their own records at a remote site. Wedbush Morgan Clearing Inc backs up their own records at a remote site also. Individually, each firm represents that they operate a back-up operating facility in a geographically separate area with the capability to conduct the same volume of business as its primary site. Individually, each firm has also confirmed the effectiveness of their back-up arrangements to recover from a wide scale disruption by testing.

Recovery-time objectives provide concrete goals to plan for and test against. They are not, however, hard and fast deadlines that must be met in every emergency situation, and various external factors surrounding a disruption, such as time of day, scope of disruption, and status of critical infrastructure—particularly telecommunications—can affect actual recovery times. Recovery refers to the restoration of clearing and settlement activities after a wide-scale disruption; resumption refers to the capacity to accept and process new transactions and payments after a wide-scale disruption. Please see enclosed JP Morgan Clearing Corp and Wedbush Disaster Recovery Capabilities for recovery time information.

A. Our Firm’s Mission Critical Systems

1. Order Taking

Currently, our firm receives orders from customers via telephone or in person visits by the customer. During an SBD, either internal or external, we will continue to take orders through any of these methods that are available and reliable, and in addition, as communications permit, we will inform our customers when communications become available to tell them what alternatives they have to send their orders to us. Customers will be informed of alternatives by our Web site, voice mail and e-mail. If necessary, we will advise our customers to contact a JP Morgan Clearing Corp representative at (347)-643-4927 for liquidating orders, check and wire request and ACAT transfers.. Wedbush Morgan Securities Inc representative, Chris Carnaghi, may be contacted at (213) 688-4592 chriscarnaghi@wedbush.com for taking orders, checks and wire requests and ACAT transfers.

2. Order Entry

Currently, our firm enters orders by recording them on paper and electronically and sending them to our clearing firm electronically or telephonically. *In addition*, GBS places customer orders through *Empire and Knight*, which are executing brokers. By spreading orders over a number of venues in different states through different mediums we intentionally have attempted to have a number of alternatives in place for any SBD event. Please see enclosed JP Morgan Clearing Corp and Wedbush Disaster Recovery Capabilities for recovery time information. In addition Empire and Knight have assured us to our satisfaction that they have continuity plans in place. Please note that we have clearing firms on both side of the country and executing brokers located in the southeast.

In the event of an internal SBD, we will enter and send records to our clearing firm by the fastest alternative means available. In the event of an external SBD, we will maintain the order in electronic or paper format, and deliver the order to the clearing firm by the fastest means available when it resumes operations. In addition, during an internal SBD, we may need to refer our customers to deal directly with our clearing firm for order entry.

3. Order Execution

We currently execute orders through our clearing firms and or the different market centers ECN's that they have arrangements with. In the event of an internal SBD, we would use whatever means available to contact our clearing firms for execution. In the event of an external SBD, we would attempt to contact our primary execution source, JP Morgan Clearing Corp. and Wedbush, and if attempts failed we would contact our alternative execution sources Empire and Park Financial.

4. Other Services Currently Provided to Customers

GBS provides no other services for clients other than those normally associated with a Broker/Dealers providing services to Independent Contractor Registered Representatives.

B. Mission Critical Systems Provided by Our Clearing Firm

GBS Financial relies, by contract, on our clearing firm(s) to provide order execution, order comparison, order allocation, and the maintenance of customer accounts, delivery of funds and securities, and access to customer accounts.

Rules: *NASD Rules 3510(c) & (f)(1).*

X. Alternate Communications Between the Firm and Customers, Employees, and Regulators

A. Customers

We now communicate with our customers using the telephone, cell phone, e-mail, our Web site, fax, U.S. mail, and in person visits at our firm or at the other's location. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

Rule: *NASD Rule 3510(c)(4).*

B. Employees

We now communicate with our employees using the telephone, e-mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. We will also employ a call tree so that senior management can reach all employees quickly during an SBD. The call tree includes all staff home and office phone numbers. We have identified persons, noted below, who live near each other and may reach each other in person:

The person to invoke use of the call tree is: Gerard P. Gloisten

Caller	Call Recipients
Gerard P. Gloisten	Don Gloisten, Robert Walls, Angela Jamar
Robert Walls	Lynn Morrill, Steve Martin
Angela Jamar	Arlene Withrow, Donna Doyel, Michele Paul, Suzanne Brown

Arlene Withrow	Don Gloisten, Mary Gloisten
Lynn Morrill	Pat Bonett, Greg Wallace

Rule: NASD Rule 3510(c)(5).

C. Regulators

We are currently members of the following SROs: FINRA, MSRB. We communicate with our regulators using the telephone, e-mail, fax, U.S. mail, and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

Rule: NASD Rule 3510(c)(9).

XI. Critical Business Constituents, Banks, and Counter-Parties

A. Business constituents

We have contacted our critical business constituents (businesses with which we have an ongoing commercial relationship in support of our operating activities, such as vendors providing us critical services), and determined the extent to which we can continue our business relationship with them in light of the internal or external SBD. We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services when we need them because of a SBD to them or our firm.

Rules: NASD Rule 3510(c)(7).

B. Banks

We have contacted our banks and lenders to determine if they can continue to provide the financing that we will need in light of the internal or external SBD. The bank maintaining our operating account is: Sonoma National Bank, 4th Street, Santa Rosa, CA 95405. The clearing firms that we are under contract with (JP Morgan Clearing Corp/Wedbush Morgan) maintain our Proprietary Account of Introducing Brokers/Dealers (PAIB account) If our banks and other lenders are unable to provide the financing, we will seek alternative financing immediately from Lines of Credit established by Principals.

Rules: NASD Rule 3510(c)(7).

C. Counter-Parties

We have contacted our critical counter-parties, such as other broker-dealers or institutional customers, to determine if we will be able to carry out our transactions with them in light of the internal or external SBD. Where the transactions cannot be completed, we will work with our clearing firm or contact those counter-parties directly to make alternative arrangements to complete those transactions as soon as possible.

Rules: NASD Rules 3510(a) &(c)(7).

XII. Regulatory Reporting

Our firm is subject to regulation by: FINRA, CA Dept. of Corporations, MSRB and the SEC. We now file reports with our regulators using paper copies in the U.S. mail, and electronically using fax, e-mail, and the Internet. In the event of an SBD, we will check with the SEC, FINRA, and other regulators to determine which means of filing are still available to us, and use the means closest in speed and form (written or oral) to our previous filing method. In the event that we cannot contact our regulators, we will continue to file required reports using the communication means available to us.

FINRA and NASD contact info (Debra J. Pohlson-FINRA, Adrianna Yassin-SEC).

Rule: NASD Rule 3510(c)(8).

XIII. Disclosure of Business Continuity Plan

GBS Financial Corp has posted our Statement of Business Continuity on our website (www.gbsfinancial.com). The statement will also be made available to any client upon written request. Attached are the GBS Financial Corp Statement and Summary of Business Continuity.

GBS Financial Corp Statement of Business Continuity

GBS Financial Corp recognizes that there are significant risks to its essential business processes through potential and unexpected disruptive events. The increasing development in technologically based processes and the related high level of dependence upon these technological processes in order to conduct our business has made it necessary to initiate a Business Continuity Plan with immediate effect.

This statement serves to demonstrate our commitment to assuring our clients that we understand the need for a high standard of continuity to be implemented and proactively reviewed and maintained.

At GBS Financial Corp, we incorporate best practice principles of Business Continuity Management into our approach ensuring the highest levels of continuity. In order to ensure this, our approach is:

- Identify all risks to the continuity of GBS Financial Corp, both internal and external.
- Continue to monitor and review the possible impact of events on the successful continuity of GBS Financial Corp's daily operation.
- Identify and plan appropriate levels of procedures to be implemented in order to address any event preventing the normal day-to-day activities from being carried out.

For further information, please contact your GBS Financial Corp Registered Representative.

GBS Financial Corp Business Continuity Plan Summary

In addressing the events of an SBD in varying scope and severity, our summary provides the following:

In the event of an SBD at the headquarters of GBS Financial Corp, business will be conducted from the home of the President, with one of the Officers occupying sufficient space in the local office of one of our Clearing Agents. Business will continue at this location until such time of re-entry to the headquarters is permitted.

Arrangements have been made with our clearing firms, financial institutions, and utility companies for a smooth transition. Clients will notice no significant disruption. The designated Emergency Contact Person will notify all support personnel and registered representatives.

The GBS BCP is subject to modification on an annual basis and an updated summary will be posted on the website promptly.

A copy of the GBS Financial Corp Statement of Business Continuity is provided to any client upon written request. The GBS Financial Corp BCP is also posted on our website.

Rule: NASD Rule 3510(e).

XIV. Updates and Annual Review

Our firm will update this plan whenever we have a material change to our operations, structure, business or location or to those of our clearing firm. In addition, our firm will review this BCP annually to modify it for any changes in our operations, structure, business, or location or those of our clearing firm.

Rule: NASD Rule 3510(b).

XV. Senior Manager Approval

I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

Rule: NASD Rule 3510(d).

Gerard P. Gloisten

Signed: _____

Title: President

Date: _____