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Firm Brochure

Form ADV Part 2A

This Brochure provides information about the qualifications and business practices of Goodman Financial Corporation. If you have any questions about the contents of this Brochure, please contact us at 713-599-1777. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Goodman Financial Corporation is a Registered Investment Adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an adviser provide you with information about which you can determine to hire or retain an adviser.

Additional information about Goodman Financial Corporation also is available on the SEC's website at www.adviserinfo.sec.gov. The searchable IARD/CRD number for Goodman Financial Corporation is 114637.

Brochure prepared on March 25, 2015

Item 2 – Material Changes

Since the last annual update of our Firm Brochure dated March 19, 2014 we have made two material changes:

1. We amended Item 5 – Fees and Compensation and Item 7 – Types of Clients to reflect a minimum account size of \$1,000,000 instead of \$500,000.
2. Charlotte M. Jungen replaced Steven R. Goodman as Chief Compliance Officer effective March 24, 2015.

Currently, our Brochure may be requested by our office at 713-599-1777 or info@goodmanfinancial.com. Our Brochure is also available on our website www.goodmanfinancial.com free of charge.

Additional information about Goodman Financial Corporation is also available via the SEC's website www.adviserinfo.sec.gov. The SEC's website also provides information about any persons affiliated with Goodman Financial Corporation who are registered, or are required to be registered, as investment adviser representatives of Goodman Financial Corporation.

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Item 4 - Advisory Business

Goodman Financial Corporation (“Goodman Financial,” “the Firm,” “our,” or “we”) is an independent investment management firm that provides investment advice and portfolio management services on a continuing basis, including the appropriate allocation of managed assets among cash, bonds, stocks, exchange-traded funds, and mutual funds with the selection of specific securities which will provide proper diversification and help meet the client's stated investment objectives.

Goodman Financial Corporation is a corporation controlled by Steve Goodman and has provided investment advice and portfolio management services since 1988. The primary shareholder of the Firm is Steve Goodman.

Though Goodman Financial provides investment advice regarding all types of securities, our focus is on building client investment portfolios through the purchase of individual bonds and equities in order to provide maximum tax efficiency and avoid the layering of fees. Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the client. Investment guidelines and restrictions must be provided to us in writing.

In addition to investment advisory services, we also provide targeted financial advisory services on an as-needed basis. The financial advisory services include, but are not limited to, cash flow planning, retirement needs analysis, tax-efficient distribution strategies, gift and estate planning, employee benefits planning, insurance (life, disability, health, long term care) and annuity reviews, and education planning.

As of February 28, 2015, we have \$305,835,331 in assets under management. All of these assets are managed on a discretionary basis.

Item 5 - Fees and Compensation

The specific manner in which fees are charged by Goodman Financial is established in a client's written agreement. The annual fee for investment advisory services will be charged as a percentage of assets under management according to the schedule below.

Assets Under Management	Annual Fee
\$1,000,000 – \$2,999,999	1.00%
\$3,000,000 – \$4,999,999	0.85%
\$5,000,000 – \$9,999,999	0.75%
\$10,000,000 – \$19,999,999	0.70%
Over \$20 million	0.65%

Our fees are payable quarterly, in advance, within thirty (30) days following the beginning of the quarter for which said fees will be incurred. Our clients authorize the account custodian to debit their client account for the amount of our investment advisory fee. At the inception of the relationship and each quarter thereafter, we will notify your custodian of the amount of the fee due and payable to us through our fee schedule and contract. The custodian does not validate or check our fee, its calculation or the assets on which the fee is based. They will “deduct” the fee from your account(s) or, if you have more than one account, from the account you have designated to pay our advisory fees. In limited situations we may provide an alternate payment method.

Each month you will receive a statement directly from your custodian showing all transactions, positions and credits/debits into or from your account; the statements after the quarter-end will reflect these transactions, including the advisory fee paid by you to us.

Management fees shall be prorated for capital contributions made during the applicable calendar quarter (with the exception of de minimis contributions). Accounts opened in mid-quarter will be assessed at a pro-rated management fee.

Certain clients of Goodman Financial with pre-existing relationships may initially be charged fees which are more or less than those set out above. With regards to employee-related accounts and certain other accounts, the quarterly fees may be less, depending upon a number of factors, including portfolio size, length of employment and relationship to the employee.

Additional Fees and Expenses

Advisory fees payable to us do not include all the fees you will pay when we purchase or sell securities for your account(s). The following list of fees or expenses are what you pay directly to third parties, whether a security is being purchased, sold or held in your account(s) under our management. We do not receive, directly or indirectly, any of these fees charged to you. They are paid to your broker, custodian or the mutual fund or other investment you hold. These fees may include brokerage commissions, transaction fees, exchange fees, SEC fees, advisory fees and administrative fees charged by Mutual Funds (“MF”), Exchange Traded Funds (“ETFs”), Money Markets, or Money Market Mutual Funds, advisory fees charged by sub-advisers (if any are used for your account), custodial fees, deferred sales charges (on MF or annuities), early redemption fees (charged by MFs), transfer taxes, wire transfer and electronic fund processing fees, and commissions or mark-ups/mark-downs on security transactions.

In addition, we do not have or employ any employee that receives (directly or indirectly) any compensation from the sale of securities or investments that are purchased or sold for your account or to which we provide consulting expertise/services. As a result, we are a fee-only investment adviser. We do not have any potential conflicts of interest present that relate to any additional (and undisclosed) compensation from you or your assets that we manage. All fees are subject to negotiation. We will not change our fees without thirty (30) days advance written notice.

Consulting Services. In rare instances, the Firm may be asked to provide services that are above and beyond the usual financial advisory services. Consulting services and fees will be mutually agreed to in advance. Fees for these consulting services will be billed on an hourly basis at rates ranging from \$100/hour to \$400/hour.

Termination of Investment Management Services. A client may terminate an agreement with us at any time upon 30 days written notice. The Firm is not under any obligation to repay any portion of the fees paid by the Client prior to the termination of this agreement.

Termination of Consulting Services. Consulting services may be immediately terminated upon written notice by either party.

Item 6 - Performance-Based Fees and Side-By-Side Management

We do not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or side-by-side management fees.

Item 7 - Types of Clients

We provide our services to a number of Clients.

- Individuals, including high net worth individuals
- Trusts and estates
- Endowments, foundations, and other charitable organizations
- Corporations and other business entities
- Pension and profit sharing plans

The minimum initial investment is \$1,000,000 for management of accounts. Fees and account sizes are subject to negotiation and may differ based on a number of factors including the amount of assets and the number and range of supplemental advisory and client-related services.

Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss

Methods of Analysis

Goodman Financial understands that investing in securities involves risk of loss that clients should be prepared to bear. At the same time, we utilize methods of security analysis which are attentive to risk factors that may impact the value of a security.

Research information is generated both internally and obtained from external sources. We carefully study this information and evaluate it based on numerous quantitative and qualitative considerations. Our Chief Investment Officer manages the research and analysis function.

Below is a partial listing of external research sources we may utilize:

- Prospectuses and filings with the Securities and Exchange Commission including annual reports, 10Ks and 10Qs
- Corporate rating services
- Research materials prepared by others
- Company earnings announcements, news releases and websites
- Financial newspapers, magazines and industry publications
- Analyst conference calls
- Government and economic reports

Our primary method of analysis is fundamental analysis which is supplemented on a limited basis with technical analysis techniques. Subsequent to a comprehensive research and analysis process, securities are presented to our Investment Committee (“IC”), which meets as often as necessary. During these meetings, securities are subjected to further examination. The IC meetings include detailed discussions and presentations related to current economic, political, sector, industry, and company-specific issues. The IC determines the securities considered appropriate for inclusion in a client’s portfolio.

Following is a description of fundamental and technical security analysis methods.

Fundamental Analysis

Goodman Financial employs a comprehensive, fundamental approach to security analysis. Fundamental analysis involves a bottom-up assessment of a company's potential for success in light of many factors including its financial condition, earnings outlook, strategy, management, industry position, and economic and market conditions. A primary objective of fundamental analysis is to determine a reasoned value for a security that can be compared with its current market price. A decision to buy, sell or hold a particular security in a client’s portfolio is directly influenced by our expectations of how fundamental factors are anticipated to impact its long-term valuation. Under this approach we routinely examine a company’s financial statements and concurrently consider the impact that prevailing economic, political, and industry circumstances may have on its future value. After researching and analyzing relevant fundamental information, we develop an initial judgment of a security’s investment potential.

Technical Analysis

Technical security analysis concentrates on historical trends and their relationships among and between various quantitative measures. These variables are typically displayed in charts and graphs and studied to determine if a particular pattern is repeating, ongoing or non-existent. Minimal attention is given to a company’s present earnings, strategy, products, services or other pertinent qualitative issues. In sum, this is a data, statistical, or quantitative-only approach to security analysis. Examples of technical analysis factors include, but are not limited to, market trading volume, price levels, and price movements. Goodman

Financial employs technical security analysis on a limited basis and as a supplement to fundamental security analysis discussed above.

Investment Strategies

Goodman Financial employs an investment philosophy emphasizing portfolio management that is custom tailored to the needs of each client. We begin the investment process by carefully listening to the client and gaining a thorough understanding of the client's unique goals, risk tolerance, time horizon, and other circumstances. We then determine an appropriate investment strategy for the client based on that understanding. For institutional clients, this would be memorialized in their investment policy statement. Furthermore, customizing the portfolio takes into consideration individual client preferences such as social investing, concentrated positions, existing holdings, taxes, and other considerations.

The investment strategy provides a framework for determining the asset allocation that properly balances risk and reward over a long-term time horizon. Asset allocation is the relative mix of cash, fixed income and equity securities suitable for a client's investment portfolio. Goodman Financial believes investment risk is lessened when a portfolio is diversified. Diversification is a disciplined long-term investment strategy that helps prevent overexposure to asset classes or specific securities and identifies a fitting time when exposure to an undervalued asset class or security may be present. We combine asset allocation with diversification to ensure a client's portfolio will be managed in a prudent manner. We then implement the strategy to achieve the client's investment objectives. Although strategies can be changed if necessary, adhering to the asset allocation over the determined time horizon seeks to provide enhanced portfolio returns with reduced volatility.

We use a dynamic and disciplined investment approach in selecting individual equity and fixed income securities. This approach allows for greater flexibility, greater tax efficiencies, and lower expenses. With limited exceptions, Goodman Financial does not utilize mutual funds thereby avoiding inefficiencies and additional layers of fees.

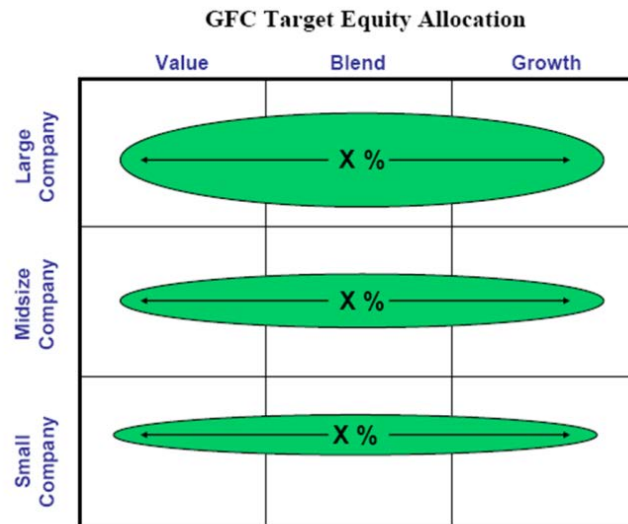
Our security selection process seeks to maximize growth while remaining within the risk tolerance level of each client. Capital preservation, however, is also an important consideration of our investment philosophy. We believe it is inappropriate to take unwarranted risk in both portfolio structure and individual securities. Portfolio turnover is minimal; however, we continuously review investment alternatives and implement changes when more appealing and suitable opportunities become available to maximize total return.

As appropriate, we will invest in public companies that are expected to benefit from movements in commodity prices without exposing a portfolio to the volatility of derivatives that is inherent with futures and options contracts. We will also invest in real estate via publicly traded real estate investment trusts ("REITs") if appropriate. We believe these non-traditional asset classes further diversify the portfolio and reduce risk. In both cases, we select highly liquid investments.

Equity - Principal Investment Strategy

Client assets allocated to equities are primarily invested in a diversified portfolio of publicly-traded common stocks. We invest in U.S. domestic companies and achieve international and global diversification through either direct investment in foreign-based companies or by investing in U.S. corporations with an international scope. We will also invest in publicly-traded REITs and exchange-traded funds (ETFs) if we feel those types of investments are appropriate for the client.

Investments in equity portfolios are intended to be long-term with an emphasis on capital appreciation and dividend income as a secondary decision. We are not constrained by any particular investment style. This means we can invest in large, mid or small cap stocks having value, blend or growth qualities. However, we generally invest a majority of funds in large cap stocks. The chart below depicts how an equity portfolio normally is distributed.



Fixed Income – Principal Investment Strategy

Client assets allocated to fixed income securities are primarily invested in a diversified portfolio of publicly-traded corporate bonds, government securities, agency securities and municipal bonds. Fixed income investments are managed to generate income as well as add stability to our clients' portfolios with the key focus being safety. A substantial majority of fixed income investments are in domestic corporate securities rated investment-grade or better at the time of purchase by Standard and Poor's or Moody's. Investment-grade securities include all types of fixed income debt instruments that are considered to be of medium or higher quality. Diversification is enhanced by investing in a variety of issuers, in different sectors and in different industries. To lessen the impact of changing interest rates and inflation, portfolios are comprised of holdings having assorted maturity dates usually ranging from 1 to 10 years. We plan to hold bonds until maturity, which results in lower turnover and costs to our clients and a more predictable income stream. We continually monitor our fixed income holdings, interest rates and market conditions for circumstances which may require an action prior to a bond's maturity.

Description of Principal Security Types

Equity securities represent an ownership interest, or the right to acquire an ownership interest, in an issuer. Different types of equity securities provide different voting and dividend rights and priority in the event of the bankruptcy of the issuer. Equity securities include common stocks, preferred stocks, convertible securities, and warrants. Equity investments in client portfolios are substantially in common stocks.

Fixed income (debt) securities are used by issuers to borrow money. The issuer usually pays a fixed, variable, or floating rate of interest, and must repay the amount borrowed, usually at the maturity of the security. Some debt securities, such as zero coupon bonds, do not pay current interest but are sold at a discount from their face values. Fixed income securities include corporate bonds, government securities, mortgage and other asset-backed securities.

Risk of Loss

Investing in securities involves risk of loss that clients should be prepared to bear. Security markets, especially foreign markets, are volatile and can decline significantly in response to adverse issuer, political, regulatory, market, or economic developments. When securities are sold they may be worth more or less than what they were purchased for, which means that you could lose money.

In the normal course of managing client equity and fixed income portfolios, Goodman Financial does not:

1. buy or sell futures or options contracts,
2. conduct short-selling trading activities,
3. utilize market timing strategies,
4. directly own commodities, precious metals or natural resources, or
5. use any leveraging methods.

Principal Investment Risks

Many factors affect portfolio performance. Portfolio values change daily based on changes in market conditions and interest rates and in response to other economic, political, or financial developments. A portfolio's reaction to these events will be influenced by the types of securities it holds, the issuer's underlying financial condition, industry and economic sector matters along with the geographic location of an issuer, and the relative level of an investment in the securities. The following factors can significantly affect a portfolio's performance.

Market Volatility: The value of equity and fixed income securities fluctuate in response to issuer, political, market, and economic developments. Fluctuations can be acute over the short as well as long term. Several parts of the market and different types of securities can react differently to these developments. For example, large cap stocks can react differently from small cap stocks, and "growth" stocks can react differently from "value" stocks. Events can affect a single issuer, issuers within an industry or economic sector or geographic region, or the market as a whole. The financial condition of a single issuer can impact the market as a whole. Terrorism and related geo-political risks have led, and may in the future lead, to

increased short-term market volatility and may have adverse long-term effects on world economies and markets generally.

Interest Rate Changes: Fixed income (debt) securities have varying levels of sensitivity to changes in interest rates. In general, the price of a debt security can fall when interest rates rise and can rise when interest rates fall. Securities with longer maturities and mortgage securities can be more sensitive to interest rate changes.

Foreign Exposure: Foreign securities, foreign currencies, and securities issued by U.S. entities with substantial foreign operations can involve additional risks relating to political, economic, or regulatory conditions in foreign countries. These risks include fluctuations in foreign currencies; withholding or other taxes; trading, settlement, custodial, and other operational risks; and less stringent investor protection and disclosure standards of some foreign markets. All of these factors can make foreign investments, especially those in emerging markets, more volatile and potentially less liquid than U.S. investments. In addition, foreign markets can perform differently from the U.S. market.

Issuer-Specific Change: Changes in the financial condition of an issuer, changes in specific economic or political conditions that affect a particular type of security or issuer, and changes in general economic or political conditions can increase the risk of default by an issuer, which can affect a security's or instrument's credit quality or value. The value of securities of smaller, less well-known issuers can be more volatile than that of larger issuers. Lower-quality debt securities (those of less than investment-grade quality) and certain types of other securities tend to be particularly sensitive to these changes.

Item 9 - Disciplinary Information

Goodman Financial has never been the subject of an investment-related regulatory or legal complaint. To the best of our knowledge, no employee has ever been the subject of an investment-related regulatory complaint or litigation.

Item 10 - Other Financial Industry Activities and Affiliations

Goodman Financial is not engaged in any other financial industry activities other than giving investment and financial advisory advice. Goodman Financial does not sell products or services other than investment advice to its clients. Goodman Financial does not have any arrangements that are material to its advisory business or its clients with a related person who is a broker-dealer, investment company, other investment adviser, financial planning firm, futures commission merchant, commodity pool operator, commodity trading adviser, bank or thrift institution, accounting firm, law firm, insurance company or agency, pension consultant, real estate broker or dealer or an entity that creates or packages limited partnerships.

Ed Roth holds a Group 1 Life, Accident, Health and HMO insurance license in the state of Texas. He is not an active agent; therefore, there is no conflict of interest.

Item 11 - Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

Goodman Financial has adopted a Code of Ethics for all supervised persons of the Firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at Goodman Financial must acknowledge the terms of the Code of Ethics annually, or as amended.

Goodman Financial anticipates that, in appropriate circumstances, consistent with clients' investment objectives, it will cause accounts over which Goodman Financial has management authority to effect, and may recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Goodman Financial, its affiliates and/or clients, directly or indirectly, may have a position of interest. Goodman Financial's employees and persons associated with Goodman Financial are required to follow the Firm's Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Goodman Financial and its affiliates are allowed to trade for their own accounts in securities which are recommended to and/or purchased for the Firm's clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Goodman Financial will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Under the Code certain classes of securities have been designated as exempt transactions, based upon a determination that these would not materially interfere with the best interest of Goodman Financial's clients. In addition, the Code requires pre-clearance of many transactions and restricts trading in close proximity to client trading activity. Nonetheless, because the Code of Ethics in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from market activity by a client in a security held by an employee. Employee trading is continually monitored under the Code of Ethics to reasonably prevent conflicts of interest between Goodman Financial and its clients.

Certain affiliated accounts may trade in the same securities with client accounts on an aggregated basis when consistent with Goodman Financial's obligation of best execution. Goodman Financial will retain records of the trade order (specifying each participating account) and its allocation, which will be completed prior to the entry of the aggregated order. Completed orders will be allocated as specified in the initial trade order. Partially-filled orders will be allocated on a pro-rata basis. Any exceptions will be documented.

It is Goodman Financial's policy that the Firm will not affect any principal transactions for client accounts. Goodman Financial will also not cross trades between client accounts. Principal transactions are generally defined as transactions where an adviser, acting as principal for its own account or the account of an affiliated broker-dealer, buys from or sells any security to any advisory client.

Goodman Financial's clients or prospective clients may request a copy of the Firm's Code of Ethics by contacting the Firm.

Item 12 - Brokerage Practices

We will supervise and direct the investments of the client accounts subject to such limitations as the client imposes in writing, if any. Goodman Financial Corporation, with respect to the client's account and without prior consultation with the client, will (a) direct the purchase, sale, exchange, conversion, and otherwise trade in stocks, bonds and other securities including money market instruments, (b) direct the amount of securities purchased, sold, exchanged, and otherwise traded; and (c) place orders for the execution of such securities transactions.

All client assets are held by third-party custodians. Goodman Financial typically recommends that clients use TD Ameritrade Institutional as the custodian. TD Ameritrade Institutional provides us with access to its institutional trading and custody services, which are typically not available to retail investors. These services generally are available to independent investment advisors. Prospective clients are hereby advised that lower brokerage fees for comparable services may be available from other sources. We have a duty to get best execution for our clients. Best execution is not only brokerage fees, but also involves price improvement and speed of execution. We periodically review our transaction costs in light of current market circumstances, available published statistical analysis as well as other relevant information. The duty of best execution is not eliminated by our prior participation in TD Ameritrade AdvisorDirect.

Allocation of Investment Opportunities and Orders

We have adopted the following policies and procedures related to the fair allocation of investment opportunities. These policies are designed to help ensure that each client receives fair and equitable treatment in the investment process.

- Investment ideas are equally disseminated among all appropriate investment professionals responsible for selecting investments.
- Transactions in the same security on behalf of more than one client are aggregated, when possible, to facilitate best execution. This results in all clients within the aggregate receiving the same average share price on the transaction.
- When orders cannot be aggregated, we employ a trading process that is fair among all clients, regardless of size.
- IPOs are only allocated to accounts when the issuer meets the investment objectives of participating accounts as well as a review process for allocations.
- We do not short sell securities.

- Accounts in which our employees or affiliates have a beneficial interest, or in which Goodman Financial Corporation has a conflict of interest, do not receive preferential treatment.
- All clients receive fair and equitable treatment for investment opportunities that are too limited to be effectively allocated among all accounts.

When orders are generated, the decision on which accounts should participate, and in what amount, is based on the type of security or other asset, the present or desired structure of the various portfolios and the nature of the account's goals. Other factors include risk tolerance, tax status, permitted investment techniques and, for fixed-income accounts, the size of the account and other practical considerations. As a result, we may have different price limits for buying or selling a security in different accounts. Portfolio information systems, portfolio reports and quality control reports permit us to consider these factors as appropriate.

When our investment professionals decide to sell a security regardless of tax considerations, both taxable and tax-deferred accounts are eligible for sale simultaneously. In situations where tax gains influence the sale, securities in the tax-deferred accounts may be placed for sale first, as additional time is needed to consider the tax implications for each taxable account. Conversely, when tax losses influence the sale, Goodman Financial Corporation may prioritize taxable clients first, as the loss has a specific impact in a given year. In any event, the prioritization process is applied consistently over time.

Research Services

Additionally, TD Ameritrade Institutional also offers other services intended to help advisors manage and further develop its business enterprise. These services may include: (i) compliance, legal and business consulting; (ii) publications and conferences on practice management and business succession, and (iii) third-party investment research on their website. We do not select client custodians based on these features.

Soft Dollars

We do not participate in soft dollar arrangements.

Directed Brokerage

With regard to client-directed brokerage, we are required to disclose that we may be unable to negotiate commissions, block or batch client orders or otherwise achieve the benefits described above, including best execution, if you limit our brokerage discretion. Directed brokerage commission rates may be higher than the rates we might pay for transactions in non-directed accounts. Also, clients that restrict our brokerage discretion may be disadvantaged in obtaining allocations of new issues of securities that we purchase or recommend for purchase in other clients' accounts. It is our policy that such accounts not participate in allocations of new issues of securities obtained through brokers and dealers other than those designated by the client. As a general rule, we encourage each client to compare the possible costs or disadvantages of directed brokerage against the value of the custodial or other services provided by the broker to the client in exchange for the directed broker designation.

Item 13 - Review of Accounts

We regularly review client accounts on a daily, monthly, quarterly, semi-annual, and annual basis. While the nature of each review is somewhat different, they are purposefully designed to ensure each account is maintained in accordance with a client's goals and objectives or investment policy. These reviews effectively identify any issues that may require immediate attention. Appropriate actions are taken when necessary. Accounts are reviewed by staff under the direction and oversight of Steve Goodman, President and Chief Investment Officer; Paul Brill, Executive Vice President and Director of Operations; Ed Roth, Vice President; Wade Egmon, Client Service Manager, and Charlotte Jungen, Chief Compliance Officer and Client Service Manager.

Daily:

Confirm and reconcile all account activity between internal reporting system and custodian-reported transactions.

Monthly:

- Compare asset allocation vs. target; reallocate as necessary
- Identify over/under-concentrated positions; adjust as necessary
- Evaluate cash balances in light of known future cash needs and deposits; invest excess cash accordingly
- Identify large fluctuations in bond prices; take action as necessary
- Reconcile any ending monthly balance differences between internal reporting system and custodian-reported amounts
- Assess that an account's appreciation/depreciation is reasonable and in situations where it is not, identify reasons for deviation and take action as necessary
- Verify all withdrawals are supported by client requests

Quarterly:

Evaluate client performance in aggregate and versus other similarly allocated client accounts and against relevant benchmarks, determine cause for deviations (positive or negative), and, as appropriate, develop recommendations for potential portfolio changes.

Semi-Annual (applicable for our institutional clients who have an Investment Policy Statement (IPS)):

Perform an in-depth review of the account to ensure compliance with all the parameters laid out in the IPS. Notify client of any non-compliant items, if appropriate.

As Needed:

In addition to the reviews listed above, portfolio evaluations may also arise in response to changing client circumstances, goals and objectives or current market conditions.

Reports:

Reports are furnished to our clients on a quarterly basis by Goodman Financial. These reports include performance for the most recent quarter, YTD, trailing 12 months, 3 year, 5 year and since inception periods (as applicable). For comparison purposes, performance is reported along with relevant and appropriate benchmarks. Additionally, the reports include current data regarding client accounts as of the report date – asset allocation, diversification metrics, fixed income ratings, asset balances per account and in the aggregate, and aggregate quarterly account activity. In addition to the quarterly report received from Goodman Financial, all clients receive separate monthly and/or quarterly statements from their portfolio custodian detailing all cash and asset transactions and activity as well as the asset balances for each security as of the report date.

Item 14 - Client Referrals and Other Compensation

We are not presently participating in any referral programs; however, from 2003 through 2006 we participated in a fee sharing arrangement where our Firm compensated TD Ameritrade AdvisorDirect for clients that were referred to us. This was for a small number of our clients. Regarding the existing relationship, TD Ameritrade still receives a trailing referral fee as long as the clients referred by that program remain with Goodman Financial.

Item 15 - Custody

We do not have custody of client assets. Therefore, each client must select a custodian and will be required to pay any related custodian fees. Also, clients will incur brokerage and other transaction costs in the course of our management of their accounts. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. We urge you to carefully review such statements and compare such official custodial records to the account statements that we provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 - Investment Discretion

Discretionary Management

We receive discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. Such authority is provided in our contract with each client. In all cases, however, such discretion is to be exercised in a manner consistent with the stated

investment objectives for the particular client account. Client investment guidelines may or may not limit the scope of potential investments. As a result, clients can impose restrictions on investing in certain securities or types of securities. When selecting securities and determining amounts, we observe the investment policies, limitations and restrictions of the client. Investment guidelines and restrictions must be provided to us in writing.

Wrap Account Management

We do not participate in wrap account management programs.

Item 17 - Voting Client Securities

It is our policy to vote proxies for all accounts for which we have voting authority in a manner in which we believe to be in the best interests of our clients. We recognize that in some instances, the interests of corporate management may not be consistent with what we view to be in the best interests of Goldman Sachs's clients. Therefore, in the absence of written voting instructions from a client, we have adopted the following voting guidelines.

1. Confidential Voting and Shareholder Actions: We believe that the proxy voting systems should provide access to both management and shareholders. As such, we would tend to vote in favor of shareholder resolutions requesting that corporations adopt policies that comprise both confidential voting and the use of independent inspectors of elections. We would also generally oppose any measures that would restrict the right of shareholders to act by written consent or to call a special meeting of the shareholders.
2. Poison Pills and Golden Parachutes: We believe that the shareholders of a corporation should have the right to vote upon decisions in which there is a real or potential conflict between the interests of shareholders and those of management. Thus, we will vote in favor of shareholder proposals requesting that a corporation submit a "poison pill" for shareholder ratification. We will examine, on a case-by-case basis, shareholder proposals to redeem a "poison pill" and management proposals to ratify a "poison pill." We will also vote in favor of proposals that "golden parachute" proposals be submitted for shareholder approval.
3. Election of Directors: We believe that one of the primary rights of a shareholder is the right to vote for the election of directors. Each director standing for election will be evaluated as to their desirability in providing proper corporate governance. We will favor situations where outside directors form a supermajority of the board.
4. Voting Rights: We believe that each shareholder should have equal voting rights. We will, in most instances, vote against dual class voting and other unequal voting structures.

5. Fair Price Amendments: We believe that “fair price amendments” can protect shareholders from coercive and discriminatory tender offers. We will generally vote in favor of fair price provisions and in favor of other measures which we feel will protect shareholders from coercive takeover bids which do not provide for fair and equal treatment of all shareholders.
6. Target Share Payments: We believe that shareholders should have the right to vote on the placement of blocks of a corporation’s stock in the hands of persons friendly to management. We will vote in favor of shareholder proposals which request that corporations first obtain shareholder authorization before issuing any significant amount of voting stock (whether common or preferred), rights, warrants or securities convertible into voting stock to any person or group. We believe that shareholders should have the right to vote on placements that could enable management of a corporation to defeat a tender offer that may be in the best interests of shareholders.
7. Tender Offers: We will consider tender offers on a case-by-case basis.
8. Other Issues: Notwithstanding the above guidelines, we will vote proxies in a manner we believe is in the best interest of our clients.

We recognize that proxy proposals may present a conflict between the interests of clients and those of the Firm. Therefore, we have adopted the following conflict procedures.

1. Identifying Conflicts: The person assigned responsibility for voting proxies shall, when reviewing proxy materials, identify conflicts of interest including, for example, when we:
 - a. are managing, or are seeking to manage, a pension plan or provide other services to a company whose management is soliciting proxies or;
 - b. have business or personal relationships with participants in proxy contests, corporate directors or candidates for directorships.
2. Data for Identifying Conflicts: The person assigned responsibility for voting proxies shall advise management of companies soliciting proxies, and management shall advise if there are any known conflicts – including, in particular, the conflicts listed as examples in the preceding paragraph.
3. Disclose Conflicts: If a conflict is identified, the person assigned to vote proxies shall notify management as soon as possible so that a decision will be made in adequate time to vote the proxy in a timely manner.
4. Voting Decisions in Conflict Situations: If the matter to be voted on is covered above, the proxy shall be voted in accordance with the above-referenced procedures. If the matter is not specifically addressed by the above-referenced procedures and there is a conflict,

management shall contact the client or client's designated representative for voting instructions.

5. Record of Voting Instructions: Management shall record, and the person responsible for voting proxies shall maintain, records reflecting client voting instructions on matters where there are conflicts.

If you would like to know how we voted any proxy in your account, please contact our office and the information will be provided. You may also request a complete copy of our written proxy voting procedures by contacting us.

Item 18 - Financial Information

Goodman Financial Corporation does not have any financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding. In addition, we do not require or solicit pre-payment of advisory fees for more than \$1,200 per client, six months or more in advance.