

**Item 1 – Cover Page**

**Hapanowicz & Associates Financial Services, Inc.**

doing business as Hapanowicz & Associates, H&A Wealth Advisors and  
H&A Retirement Advisors  
301 Grant Street, Suite 300  
Pittsburgh, PA 15219  
(412)261-5966

**Hapanowicz & Associates Managed Assets Program  
Wrap Fee Program Brochure**

**Date of Brochure Appendix: March 2015**

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This wrap fee program brochure provides information about the qualifications and business practices of Hapanowicz & Associates Financial Services, Inc. (also referred to as Hapanowicz & Associates). If you have any questions about the contents of this brochure, please contact us at (412)261-5966. 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.

Additional information about Hapanowicz & Associates Financial Services, Inc. is also available on the Internet at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

\*Registration as an investment advisor does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

The following material changes have occurred since filing our last annual amendment in March 2014:

- We have added the SSE Strategy. Please refer to Item 6 – Portfolio Manager Selection and Evaluation for further details; and
- We have had an increase in our assets under management. Please see Item 6 – Portfolio Manager Selection and Evaluation for further details.

We will ensure that you receive a summary of material changes, if any, to this and subsequent disclosure brochures within 120 days after our fiscal year ends. Our fiscal year ends on December 31 so you will receive the summary of material changes, if any, no later than April 30 each year. At that time we will also offer a copy of the most current disclosure brochure. We may also provide other ongoing disclosure information about material changes as necessary.

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#### Item 4 – Services, Fees and Compensation

Hapanowicz & Associates Financial Services, Inc. (Advisor) is the sponsor of the Hapanowicz Managed Account Program (“HMAP Program”), a wrap fee program developed through an arrangement using LPL Financial Corporation’s (“LPL”) Strategic Wealth Management platform. Through the HMAP Program, we provide investment management services, including providing continuous investment advice to and making investments for you based on your individual needs. Through this service, we offer a customized and individualized investment program. A specific asset allocation strategy and suitability profile is crafted to focus on your specific goals and objectives. Your information should be updated regularly, but at a minimum every 3 years.

HMAP accounts are custodied at LPL in its capacity as a registered broker/dealer, member FINRA/SIPC. LPL is also an investment advisor registered with the SEC, but does not serve as an investment advisor for you through the HMAP Program. LPL provides clearing, custody and other brokerage services for accounts established through the HMAP Program. Therefore, you are required to establish a brokerage account(s) through LPL’s Strategic Wealth Management platform. Separate accounts are maintained for you, and you retain all rights of ownership of your accounts (e. g., the right to withdraw securities or cash, exercise or delegate proxy voting, and receive transaction confirmations).

HMAP accounts allow you to authorize us to purchase and sell, on a discretionary basis, portfolios consisting of securities and investments. We may limit our discretion with respect to your account and the securities eligible to be purchased for your account. See **Limits to Certain Types of Investments at Item 6, Portfolio Manager Selection and Evaluation**, elsewhere in this Disclosure Brochure Appendix.

With discretionary authority, we make all decisions to buy, sell or hold securities, cash or other investments in the managed account in our sole discretion without consulting with you before implementing any transactions. You must provide us with written authorization to exercise this discretionary authority. Discretionary authority is limited. We do not have access to your funds and/or securities with the exception of having advisory fees deducted from your account and paid to us by the account custodian. Any fee deduction is done pursuant to your prior written authorization provided to the account custodian. You have the ability to place reasonable restrictions on the types of investments that may be purchased in an account. You may also place reasonable limitations on the discretionary power granted to us so long as the limitations are specifically set forth or included as an attachment to the client agreement. Please see **Item 16, Investment Discretion**, in the separate Hapanowicz & Associates, Inc. Disclosure Brochure for additional information concerning discretionary authority.

During any month that there is activity in the HMAP account, you receive a monthly account statement from LPL showing account activity as well as positions held in the account at month end. Additionally, you receive a confirmation of each transaction that occurs within the HMAP account unless the transaction is the result of a systematic purchase, redemption or exchange. You also receive a detailed quarterly report showing performance, positions, and activity. All account data and statements are also available on-line through the account view portal through LPL.

The annual investment advisory fee charged is 1.0% of the assets held in the account and is negotiable depending on the market value of the account, asset types, your financial situation and trading activity. The advisory fee may be higher or lower than 1.0%. The annual fee is divided and paid quarterly in advance through a direct debit to your account. LPL is responsible for calculating and debiting all fees from your accounts. You must provide LPL with written authorization to debit advisory fees from your

accounts and pay the fees to us. Fees are based on the account's asset value as of the last business day of the prior calendar quarter. Fees for accounts opened at any time other than the beginning of a quarter is prorated based on the number of days remaining in the initial quarter.

Prior to engaging us to provide investment management services, you are required to enter into a formal investment advisory agreement with us setting forth the terms and conditions, including the amount of investment advisory fees, under which we manage your assets and also a separate custodial/clearing agreement with LPL.

You can open a HMAPI or HMAPII account. A HMAPI account is a non-wrap or traditional account. This means in addition to our investment advisory fee, you also must pay transaction charges to defray the costs associated with trade execution. These costs are set out in the LPL Strategic Wealth Management platform brokerage account and application agreement. The HMAPII account is a wrap fee account, meaning you do not pay transaction charges associated with trade execution. The minimum account size to open any HMAPI account is \$500,000, although exceptions may be granted upon request. Factors considered when granting an exception include the total value of the overall engagement, the types of assets in the account and the time and resources expended on the services.

Hapanowicz & Associates is a transparent company, established to serve our clients' interests first before its own. We disclose all fees and charges. Generally we do not accept 12b-1 fees. You may however incur certain charges imposed by third parties other than us in connection with investments made through the account including, but not limited to, surrender charges, and IRA and qualified retirement plan fees. The management fees charged by us (which include transaction and execution fees charged by LPL for HMAPI accounts) are separate and distinct from the fees and expenses charged by investment company securities that may be recommended to you. A description of these fees and expenses are available in each investment company security's prospectus. Our representatives, in their separate capacity as registered representatives of LPL, may retain a portion of the commissions charged to you. These commissions may include surrender charges and IRA and qualified retirement plan fees.

The HMAPI and HMAPII may cost you more or less than if the assets were held in a traditional brokerage account. In a brokerage account, you are charged commissions for each transaction, and the representative has no duty to provide ongoing advice with respect to the account. If you plan to follow a buy and hold investment strategy for the account or do not wish to purchase ongoing investment advice or management services, you should consider opening a brokerage account rather than a HMAPI or HMAPII account.

We do not always charge a lower advisory fee for HMAPI accounts versus HMAPII accounts. Therefore, if you have a HMAPI account, there is the potential for you to pay higher overall costs which are derived from the amount of trading activity within an account. This is because transaction costs are passed along to you in HMAPI accounts whereas transaction costs are covered under the overall fee charged for HMAPII accounts.

Either party may terminate the agreement for services at any time. If services are terminated within five business days of executing the agreement, services are terminated without penalty and a full refund of all fees paid in advance is provided. If services are terminated after the initial five day period, we provide you with a prorated refund of fees paid in advance. The refund is based on the number of days service is actually provided during the final billing period. Termination is effective from the time the other party receives written notification or such other time as may be mutually agreed upon, subject to the settlement

of transactions in progress and the final refund of advisory fees. There is no penalty charge on termination.

Although we believe our fees are reasonable in relation to the services provided, you should be aware comparable services may be available from other sources. Fees for our services may be more or less than the cost of purchasing the same services separately through other investment advisors or through other programs offered by us.

## **Item 5 – Account Requirements and Types of Clients**

### **Types of Accounts**

Hapanowicz & Associates Financial Services, Inc. generally provides investment advice to the following types of clients:

- Individuals
- Pension and profit sharing plans
- Trusts, family partnerships, estates and charitable organizations
- Corporations and business entities other than those listed above

### **Minimum Investment Amount Guidelines**

- Hapanowicz & Associates Financial Services, Inc. recommends a minimum investment amount of \$1,000,000 for establishing and maintaining an HMAP Account. Under certain circumstances, accounts below \$1,000,000 will be considered and may be accepted at the sole discretion of Hapanowicz & Associates Inc. Factors considered when granting an exception include the total value of the overall engagement, the types of assets in the account and the time and resources expended on the services.

## **Item 6 – Portfolio Manager Selection and Evaluation**

Hapanowicz & Associates has an investment committee. On it sits one AIF<sup>®</sup>, one Certified Financial Planners<sup>™</sup> (CFP<sup>®</sup>), and a Chartered Financial Analyst (CFA<sup>®</sup>). The investment committee meets weekly to review the managers selected, evaluate relative performance relative to benchmarks and peer group and determine the role in HMAP portfolios. Managers must be available on LPL platforms, generally have a minimum 3 years of performance history, a Morningstar category rating of 3 or higher. Some exceptions may apply to these criteria if deemed by the committee to be beneficial to our clients.

H&A investment committee primarily uses third party research providers, such as Morningstar, rather than conducting proprietary research.

**Tactical asset allocation.** Allows for a range of percentages in each asset class (such as Stocks = 40-50%). These are minimum and maximum acceptable percentages that permit the investor to take advantage of market conditions within these parameters. Thus, a minor form of market timing is possible, since the investor can move to the higher end of the range when stocks are expected to do better and to the lower end when the economic outlook is bleak.

**Strategic asset allocation.** Calls for setting target allocations and then periodically rebalancing the portfolio back to those targets as investment returns skew the original asset allocation percentages. The concept is akin to a “buy and hold” strategy, rather than an active trading approach. Of course, the strategic asset allocation targets may change over time as the client’s goals and needs change and as the time horizon for major events such as retirement and college funding grow shorter.

Hapanowicz & Associates’ primary strategy is a blend of strategic and tactical. Some of the risks involved with using this method include short term volatility to achieve longer term goals.

Hapanowicz & Associates’ primary strategy may involve the frequent trading of securities. The frequent trading of securities may have a positive or negative impact on investment performance. Performance from active trading can be lowered due to an increase in brokerage and other transaction costs.

H&A has designed its wrap fee programs to avoid conflicts of interest such as receiving revenue from mutual fund 12b-1 marketing fees. H&A’s policy is not to accept 12b-1 fees. In the case of funds that do pay 12b-1 fees, H&A will refund them as a credit to our clients account.

The Hapanowicz & Associates Asset Management Program (HMAP) does not allow IARs or clients to utilize portfolio managers that are not associated with Hapanowicz & Associates. In other words, the only portfolio managers selected for managing client assets in the HMAP are IARs of Hapanowicz & Associates. Therefore, conflicts of interest present in other wrap-fee programs that make available both affiliated and unaffiliated portfolio managers are not present in this HMAP. Because HMAP does not provide for a multitude of outside portfolio managers, Hapanowicz & Associates specialists do not have procedures designed to select outside portfolio managers. Most of the items required by this item of the Wrap Fee HMAP Brochure instructions do not apply to Hapanowicz & Associates.

### **General Description of Primary Advisory Services**

Because IARs serve as portfolio managers of the HMAP, the following is provided as brief descriptions of Hapanowicz & Associates’ primary services. Detailed descriptions of Hapanowicz & Associates’ services other than the HMAP are provided in Hapanowicz & Associates’ full Disclosure Brochure.

**Financial Planning Services** – We provide advisory services in the form of financial planning services. Financial planning services do not involve the active management of client accounts, but instead focus on a client’s overall financial situation. Financial planning can be described as helping individuals determine and set their long-term financial goals through investments, tax planning, asset allocation, risk management, retirement planning, and other areas. The role of a financial planner is to find ways to help the client understand his/her overall financial situation and help the client set financial objectives. These services are described under the Financial Planning Services and Wealth Resources Services sections of *Item 5 – Fees and Compensation*.

**Asset Management Services** – We provide advisory services in the form of Asset Management Services. Asset Management Services involve providing clients with continuous and on-going supervision over client accounts. This means we will continuously monitor a client’s account and make trades in client accounts when necessary. These services are provided through the Optimum Market Portfolios, Model Wealth Portfolios, Special Situations Equities Strategy (SSE) and Hapanowicz Asset Management Programs

**Outside Money Managers** – We also refer or recommend clients use outside, or unaffiliated, money managers that are registered or exempt from registration as investment advisors. Third-party money

managers are responsible for continuously monitoring client accounts and making trades client accounts when necessary. These services are provided in various forms through the Manger Select Program.

### **Participation in Wrap Fee Programs**

As thoroughly discussed in this brochure, we offer services through both traditional and wrap-fee management programs. In traditional management programs, advisory services are provided for a fee but transaction services are billed separately on a per-transaction basis. In wrap-fee programs, advisory services (including portfolio management or advice regarding selecting other investment advisors) and transaction services are provided for one fee. The HMAP (Hapanowicz Managed Account Program) is a wrap-fee program. Whenever a fee is charged to a client for management services (whether wrap fee or non-wrap fee), we receive all or a portion of the fee charged.

From a management perspective, there is not a fundamental difference in the way we manage traditional management accounts versus wrap-fee management accounts. The only significant difference is the way in which transaction expenses are paid.

### **Tailor Advisor Services to Individual Needs of Clients**

Our services are always provided based on your specific needs. You have the ability to impose restrictions on your accounts, including specific investment selections and sectors. However, we will not enter into an investment advisor relationship with a prospective client whose investment objectives may be considered incompatible with our investment philosophy or strategies or where the prospective client seeks to impose unduly restrictive investment guidelines.

### **Client Assets Managed by Hapanowicz & Associates**

We manage and administer approximately \$185,689,989 as of December 31, 2014.

Of this total, \$182,652,540 is managed by Hapanowicz & Associates Financial Services, Inc. on a discretionary basis and \$3,037,449 is managed on a non-discretionary basis under the Optimum Market Portfolio, Model Wealth Portfolio and HMAP Programs.

### **Limits Advice to Certain Types of Investments**

We provide advice on various types of investments such as those listed below.

- Exchange-listed securities (i.e. stocks)
- Securities traded over-the-counter (i.e. stocks)
- Foreign issues
- Corporate debt securities (other than commercial paper)
- Exchange Traded Funds (ETFs)
- Certificates of deposit
- Municipal securities
- Variable life insurance
- Variable annuities
- Mutual fund shares
- United States government securities
- Fixed rate annuity contracts and asset allocation and reporting services.



- Options contracts
- Alternative investments
- Hedge funds

Hapanowicz and Associates Financial Services, Inc. generally does not provide advice on, commodities, futures contracts on tangibles, or futures contracts on intangibles.

When providing Asset Management Services, the firm will typically construct each client's account holdings using stock and bond mutual funds, ETFs, and equities to build diversified portfolios. It is not Hapanowicz & Associates Financial Services, Inc.'s typical investment strategy to attempt to time the market but it may increase cash holdings modestly as deemed appropriate, based on a client's risk tolerance and Hapanowicz & Associates Financial Services, Inc.'s expectations of market behavior. Hapanowicz & Associates Financial Services, Inc. may modify its investment strategy to accommodate special situations like: low basis stock, stock options, legacy holdings, inheritances, closely held businesses, collectibles, or special tax situations.

You have the ability to place reasonable restrictions on the types of investments that may be purchased in your account.

### **Performance-Based Fees**

Hapanowicz & Associates Financial Services, Inc. does not charge or accept performance-based fees which can be defined as fees based on a share of capital gains on or capital appreciation of the assets held within a client's account.

### **Methods of Analysis**

#### **Hapanowicz & Associates uses the following methods of analysis in formulating investment advice.**

**Charting** - The set of techniques used in technical analysis in which charts are used to plot price movements, volume, settlement prices, open interest, and other indicators, in order to anticipate future price movements. Users of these techniques, called chartists, believe that past trends in these indicators can be used to extrapolate future trends.

**Fundamental** - A method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of companies). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). This method of security analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

**Cyclical** - Analyzes the investments sensitive to business cycles and whose performance is strongly tied to the overall economy. For example, cyclical companies tend to make products or provide services that are in lower demand during downturns in the economy and higher demand during upswings. Examples include the automobile, steel, and housing industries. The stock price of a cyclical company will often rise

just before an economic upturn begins, and fall just before a downturn begins. Investors in cyclical stocks try to make the largest gains by buying the stock at the bottom of a business cycle, just before a turnaround begins.

**Technical** - A method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

There are risks involved with all of these methods. Fundamental analysis takes a long-term approach to analyzing markets, often looking at data over a number of years. The data reviewed is released over years (e.g., quarterly financial statements). Technical analysis uses a shorter timeframe—often weeks or days. The price and volume data reviewed is released on a daily basis. Therefore, fundamental analysis could mean a gain is not realized until a security's market price rises to its "correct" value over the long run—perhaps several years.

As a general statement, technical analysis is used for a trade while fundamental analysis is used for an investment. It could also be said that traders buy assets they believe they can sell to someone else at a greater price while investors buy assets they believe will increase in value. The frequency of trading securities using technical analysis could have both a positive or negative impact and could also lead to increased brokerage and transaction costs, thus lowering performance. The less frequent trading practices of fundamental analysis could also have a positive or negative impact on a client's portfolio value, but likely has reduced brokerage and transaction costs.

### ***Special Situations Equities Strategy (SSE)***

H&A offers the Special Situations Equities Strategy (SSE) program within its advisory platform. SSE seeks capital appreciation via a focused portfolio of U.S. domiciled, publicly traded microcap value stocks. In general, companies within the portfolio will be of a certain minimum operating size, possess cheap financials, and exhibit strong evidence of an operational upturn.

SSE employs a research-driven process to identify small companies that are trading at attractive valuations combined with evidence indicating improved profitability. A key element within the strategy is the ability to react quickly and effectively to publicly-available news items expected to change the perceived value of companies within the SSE screening universe.

SSE is generally suitable for high net worth investors seeking aggressive growth within a small portion of their total portfolio. The fee structure may vary, but the typical account is charged an annualized fee equal to 2% of assets.

### ***Risk of Loss***

Investing in securities involves a risk of loss that you should be prepared to bear, including loss of your original principal. However, you should be aware that past performance of any security is not necessarily indicative of future results. Therefore, you should not assume that future performance of any specific investment or investment strategy will be profitable. We do not provide any representation or guarantee that your goals will be achieved. Further, depending on the different types of investments, there may be varying degrees of risk:

- Market Risk. Either the market as a whole, or the value of an individual company, goes down, resulting in a decrease in the value of client investments. This is referred to as systemic risk.
- Equity (Stock) Market Risk. Common stocks are susceptible to fluctuations and to volatile increases/decreases in value as their issuers' confidence in or perceptions of the market change. Investors holding common stock (or common stock equivalents) of any issuer are generally exposed to greater risk than if they hold preferred stock or debt obligations of the issuer.
- Company Risk. There is always a certain level of company or industry specific risk when investing in stock positions. This is referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that a company may perform poorly or that its value may be reduced based on factors specific to it or its industry (e.g., employee strike, unfavorable media attention).
- Options Risk. Options on securities may be subject to greater fluctuations in value than investing in the underlying securities. Purchasing and writing put or call options are highly specialized activities and involve greater than ordinary investment risk. Puts and calls are the right to sell or buy a specified amount of an underlying asset at a set price within a set time.
- Fixed Income Risk. Investing in bonds involves the risk that the issuer will default on the bond and be unable to make payments. In addition, individuals depending on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- ETF and Mutual Fund Risk. ETF and mutual fund investments bear additional expenses based on a pro-rata share of operating expenses, including potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities held by the ETF or mutual fund. Clients also incur brokerage costs when purchasing ETFs.
- Management Risk. Your investments also vary with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our strategies do not produce the expected returns, the value of your investments will decrease.

### **Voting Client Securities**

We do not vote proxies on your behalf. You should read through the information provided with the proxy-voting documents and to make a determination based on the information provided. However, at your request, we may provide limited clarifications of the issues based on our understanding of issues presented in the proxy-voting materials. You have the ultimate responsibility for making all proxy-voting decisions.

### **Item 7 – Client Information Provided to Portfolio Managers**

Periodically we may need to provide certain financial information about clients to a portfolio manager. This requirement may be necessary when working with an investment that has certain net worth or income requirements. This information may be supplied to the portfolio manager each year as necessary. The information is only provided to establish financial suitability/wherewithal for the specific investment.

## **Item 8 - Client Contact with Portfolio Managers**

Our HMAP primarily utilizes pooled investment vehicles which have investment/portfolio managers. These managers are not typically available to our clients for direct contact. We have relationships with those managers' companies and each provides us with points of contact so that we can obtain important information, updates and analysis necessary and relevant for our portfolio decision making process. Periodically we may be in direct contact with an investment's manager to obtain their view on certain market events. This meeting usually does not include clients.

Sometimes however, we may offer a workshop or seminar in which we bring in a portfolio manager. That manager may give his/her overall market outlook and discuss some attributes of the portfolio. These workshops or seminars are for general educational purposes only.

## **Item 9 - Additional Information**

### **Disciplinary Information**

We have no legal or disciplinary events that are material to your evaluation of our business or the integrity of our management. Therefore, this item is not applicable to our brochure.

### **Other Financial Industry Activities and Affiliations**

We are not and do not have a related person that is:

- A broker/dealer, municipal securities dealer or government securities dealer or broker
- An investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or "hedge fund," and offshore fund)
- Another investment adviser or financial planner
- A futures commission merchant, commodity pool operator or commodity trading advisor
- A banking or thrift institution
- Accountant or accounting firm
- An insurance company or agency
- A lawyer or law firm
- A pension consultant
- A real estate broker or dealer
- A sponsor or syndicator of limited partnerships

We are an independent registered investment advisor and only provide investment advisory services. We are not engaged in any other business activities and offer no other services except those described in this Disclosure Brochure. However, while we do not sell products or services other than investment advice, our representatives may sell other products or provide services outside of their role as investment advisor representatives with us.

### ***Securities Sales***

If the client wants to, the client can engage the investment advisor representatives of the firm (but not the firm) in their separate capacities as registered representatives of LPL, to render securities brokerage services under a commission arrangement. Brokerage commissions may be charged by LPL to effect these securities transactions and, thereafter, a portion of these commissions will be paid by LPL to such

investment advisor representatives as registered representatives of LPL. Prior to effecting any transactions, the client will be required to enter into a new account agreement with LPL. The brokerage commissions charged by LPL may be higher or lower than those charged by other broker/dealers. In addition, the registered representatives may also receive additional ongoing 12b-1 fees for mutual fund purchases from the mutual fund company during the period that the client maintains the mutual fund investment.

Depending on the type of LPL account that could be used to implement a financial plan or investment strategy, such compensation may include (but is not limited to) advisory program fees; commissions; mark-ups and mark-downs; transaction charges; confirmation charges; small account fees; mutual fund sub-transfer agency fees; hedge fund managed futures, and variable annuity investor servicing fees; retirement plan fees; fees in connection with LPL's insured deposit account program; administrative services fees for trust accounts; referral fees; compensation for directing order flow; and bonuses, awards or other things of value offered by LPL to the IAR.

This compensation to IAR and LPL may be more or less depending on the product or service that IAR recommends. Therefore, the IAR may have a financial incentive to recommend that a financial plan be implemented using a certain product or services.

The investment advisor representatives of Hapanowicz & Associates may recommend securities or insurance products offered by LPL (or other insurance firms), and will receive the normal commissions if products are purchased through them; thus a conflict of interest exists between their interests and those of Hapanowicz & Associates' Clients. Clients are under no obligation to purchase products recommended by investment advisor representatives or to purchase products either through Hapanowicz & Associates or LPL.

As a result of the LPL relationship, LPL will have access to certain confidential information (e.g., financial information, investment objectives, transactions and holdings) about Hapanowicz & Associates' clients, even if the client does not establish any account through LPL. If you would like a copy of the LPL Financial privacy policy, please contact Hapanowicz & Associates.

### ***Insurance Sales***

Some investment advisor representatives are licensed to provide insurance services to clients. Insurance products are provided to clients for personal, estate and business need to minimize clients' exposure to identified risks. Although clients are under no obligation to purchase insurance products recommended by investment advisor representative in their separate capacities and insurance agents, clients often purchase such products when needs arise. For clients of Hapanowicz & Associates who purchase products causing commissions to be generated these are paid to the investment advisor representatives in their separate capacities as insurance agents. For those investment advisor representatives who are insurance licensed, this activity varies throughout the year.

You are never obligated or required to purchase insurance products through one of our advisor representatives licensed as insurance agents. However, when acting as an insurance agent, our advisor representatives can help you purchase insurance products and will receive separate compensation (i.e. insurance commissions) in addition to investment advisory fees charged by Hapanowicz & Associates. Clients that choose to purchase insurance products through one of our advisor representatives should be aware they will generally only recommend insurance products of those companies for whom they are sales agents and with which they are familiar with the benefits, exclusions and other terms.

Because our advisor representatives will receive commissions for selling insurance products, there is a conflict of interest in that they may recommend policies to clients that do not require or need insurance. To control for this conflict of interest and to be consistent with our firm's fiduciary duty, our advisor representatives strive to recommend insurance products only to those clients who need new or additional insurance coverage.

### ***Third-Party Money Managers***

Hapanowicz & Associates Financial Services, Inc. has formed relationships with independent, third-party money managers. As disclosed in those items, Hapanowicz & Associates Financial Services, Inc. may recommend clients work directly with third-party money managers. When Hapanowicz & Associates Financial Services, Inc. refer clients to a third party money manager, you need to know that the firm will receive a portion of the fee charged by the third party money manager. Therefore, Hapanowicz & Associates Financial Services, Inc. has a conflict of interest in that it will only recommend third party money managers that will agree to compensate the firm by paying Hapanowicz & Associates Financial Services, Inc. a portion of the fees billed to your account managed by the third party money manager.

### ***Retirement Plan Consulting Services***

**Ascensus** - Hapanowicz & Associates has entered in to an agreement with Ascensus, Inc. to utilize their Prudent Advisor Fee Based 401(K) Platform. Through this Platform Hapanowicz & Associates' clients will contract for 401K Plan record keeping and reporting services and receive a fee as described in the Ascensus Retirement Plan Recordkeeping Services Agreement. Hapanowicz & Associates will not receive any portion of the recordkeeping fees charged to the client. The fees charged by Ascensus may be more or less than fees charged by other vendors providing similar services.

**Schneider Downs Wealth management Advisors, LLC** - Hapanowicz & Associates has entered in to an agreement with SDWM to utilize their Fee Based 401(K) Platform. Through this Platform Hapanowicz & Associates' clients will contract for 401K Plan record keeping and reporting services and receive a fee as described in the SDWM Recordkeeping Services Agreement. Hapanowicz & Associates will not receive any portion of the recordkeeping fees charged to the client. The fees charged by SDWM may be more or less than fees charged by other vendors providing similar services.

### **Code of Ethics**

An investment advisor is considered a fiduciary. As a fiduciary, it is an investment advisor's responsibility to provide fair and full disclosure of all material facts. In addition, an investment advisor has a duty of utmost good faith to act solely in the best interest of each of its clients. Section 204A-1 of the Investment Advisers Act of 1940 requires all investment advisors to establish, maintain and enforce a Code of Ethics. We have a fiduciary duty to all clients. We have established a Code of Ethics which all supervised persons must read and then execute an acknowledgment agreeing that they understand and agree to comply with the applicant's Code of Ethics. Our fiduciary duty to clients is considered the core underlying principle for the Code of Ethics and represents the expected basis for all supervised persons dealings with clients. We have the responsibility to make sure that the interests of clients are placed ahead of our own investment interests.

All supervised persons will conduct business in an honest, ethical and fair manner. All supervised persons will comply with all federal and state securities laws at all times. Full disclosure of all material facts and potential conflicts of interest will be provided to clients prior to services being conducted. All



associated persons have a responsibility to avoid circumstances that might negatively affect or appear to affect the associated persons' duty of complete loyalty to their clients.

This section is only intended to provide current clients and potential clients with a description of our Code of Ethics. If current clients or potential clients wish to review the Code of Ethics in its entirety, a copy may be requested from any of our associates and a copy will be provided within 48 hours of the request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

We may buy or sell investments or have an interest or position in an investment for our personal accounts which are also recommended to clients. We are and shall continue to be in compliance with *The Insider Trading and Securities Fraud Enforcement Act of 1988*. As these situations may represent a potential conflict of interest, we have implemented the following policies.

- Associated persons cannot prefer their own interests to that of advisory clients.
- No person employed by our firm may purchase or sell any security prior to a transaction or transactions being implemented for an advisory account.
- Associated persons shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment, unless the information is also available to the investing public upon reasonable inquiry.
- We may in certain circumstances recommend individual stock positions to clients. Although our clients may hold stock positions in their accounts that we also own, it is a result of legacy positions held by the client prior to working with our firm.
- Investments we recommend to clients generally include mutual funds, ETFs, and other investments that are publicly traded and widely available therefore limiting the risk for manipulation.

### **Account Reviews**

HMAP accounts are reviewed periodically through the year. Please see our separate Disclosure Brochure (**at Item 13, Review of Accounts**) for additional information about account reviews for financial planning and referral accounts.

Our representatives are responsible for reviewing their own accounts. While the calendar is the main triggering factor, reviews may also be performed due to your specific request, a change in your circumstances and unusual market activity or economic conditions. Absent your specific instructions, accounts are reviewed for accuracy of holdings and to ensure that the portfolios continue to work toward your goals and objectives.

### **Account Reports**

You will receive monthly statements from the account custodian or clearing firm, if your account(s) have activity during the month. If the account does not have any monthly activity, an account statement is provided by the account custodian or clearing firm at least quarterly. Such statements will show any activity in the account, as well as period ending position balances. You will also receive a confirmation

from the custodian or clearing firm of each purchase and sale transaction that occurs within HMAP accounts.

Clients will be provided with quarterly reports on their accounts from Hapanowicz & Associates. The performance information provided is believed to be accurate but cannot be guaranteed. We cannot guarantee the accuracy of fund values, securities' and other information obtained from third parties.

We encourage you to compare the reports and correspondence received from Hapanowicz & Associates with the account statements and confirmations received from the account custodian. Inquiries or concerns regarding the account, including performance reports, should be directed to Hapanowicz & Associates or the account custodian at the phone number listed on the account statement.

Accounts not receiving reports from our firm will be reviewed and monitored at the discretion of the representative assigned to the account or the independent investment advisor firm, their representatives and money managers handling the accounts. No other parties review accounts for accuracy of performance information. These individuals are available to answer your questions and to review an account at your request.

#### **Client Referrals and Other Compensation**

Hapanowicz & Associates may enter into agreements with solicitors (referring parties) to refer clients to the applicant. If a referred client enters into an investment advisory agreement with the applicant, a cash referral fee is paid to the referring party based upon a percentage of the client advisory fees that are generated. The referral agreements between any referring party and the applicant will not result in any charges to clients in addition to the normal level of advisory fees charged. The referral agreements between the applicant and referring parties are in compliance with regulations as set out in 17 CFR Section 275.206(4)-3.

We may from time to time receive expense reimbursement for travel and/or marketing expenses from distributors of investment and/or insurance products. Travel expense reimbursements are typically a result of attendance at due diligence and/or investment training events hosted by product sponsors. Marketing expense reimbursements are typically the result of informal expense sharing arrangements in which product sponsors may underwrite costs incurred for marketing such as client appreciation events, advertising, publishing and seminar expenses. Although receipt of these travel and marketing expense reimbursements are not predicated upon specific sales quotas, the product sponsor reimbursements are typically made by those sponsors for whom sales have been made or it is anticipated sales will be made. This creates a conflict of interest in that there is an incentive to recommend certain products and investments based on the receipt of this compensation instead of what is in the best interest of our clients. We attempt to control for this conflict by always basing investment decisions on the individual needs of our clients.

Please also see our separate Disclosure Brochure for additional discussion about solicitor/referral fees received from third party money managers, other compensation and non-economic benefits. Specifically, **Item 5, Fees and Compensation, Item 10, Other Financial Industry Activities and Affiliations and Item 12, Brokerage Practices** contain additional information about other compensation we may receive.



**Financial Information**

We do not require or solicit prepayment of more than \$1,200 in fees per client, six months or more in advance. Therefore, we are not required to include a balance sheet for our most recent fiscal year with this Brochure Appendix or our separate Disclosure Brochure. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, we have not been the subject of a bankruptcy petition at any time.