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PUBLIC  
Securities and Exchange Commission  
Trading and Markets

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

MAR 04 2019

SEC FILE NUMBER
8-43340

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

REPORT FOR THE PERIOD BEGINNING 01/01/2018 AND ENDING 12/31/2018  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Lombard Securities, Incorporated

OFFICIAL USE ONLY
FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)  
1820 Lancaster Street

<u>Baltimore</u>	<u>(No. and Street) Maryland</u>	<u>21231</u>
(City)	(State)	(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT  
William Socha 410-342-1300  
(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

RW Group LLC

(Name - if individual, state last, first, middle name)

<u>400 Old Forge Lane Suite 401</u>	<u>Kennett Square, PA</u>	<u>19348</u>
(Address)	(City)	(State) (Zip Code)

**CHECK ONE:**

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

FOR OFFICIAL USE ONLY

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

RMS

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OATH OR AFFIRMATION

I, William Socha, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Lombard Securities, Incorporated of December 31, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

HILDRED D. BURCH
Notary Public
Howard County
Maryland
My Commission Expires March 09, 2021

[Signature]
Signature
Chief Financial Officer
Title

[Signature]
Notary Public

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

- (a) Facing Page.
(b) Statement of Financial Condition.
(c) Statement of Income (Loss) or, if there is other comprehensive income in the period(s) presented, a Statement of Comprehensive Income (as defined in §210.1-02 of Regulation S-X).
(d) Statement of Changes in Financial Condition.
(e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
(f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
(g) Computation of Net Capital.
(h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
(i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
(j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
(k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
(l) An Oath or Affirmation.
(m) A copy of the SIPC Supplemental Report.
(n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
(o) Independant auditor's report on internal accounting control.

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

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**LOMBARD SECURITIES INCORPORATED  
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND INDEPENDENT  
AUDITORS' REPORT**

**DECEMBER 31, 2018**

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**LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AND INDEPENDENT**  
**AUDITORS' REPORT**  
**DECEMBER 31, 2018**

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors  
of Lombard Securities, Inc.

**Opinion on the Financial Statement**

We have audited the accompanying statement of financial condition of Lombard Securities, Inc. as of December 31, 2018, and the related notes (collectively referred to as the financial statement). In our opinion, the statement of financial condition presents fairly, in all material respects, the financial position of Lombard Securities, Inc. as of December 31, 2018 in conformity with accounting principles generally accepted in the United States of America.

**Basis for Opinion**

This financial statement is the responsibility of Lombard Securities, Inc.'s management. Our responsibility is to express an opinion on Lombard Securities, Inc.'s financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to Lombard Securities, Inc. in accordance with the U.S. federal securities law and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

*RW Group, LLC*

We have served as Lombard Securities, Inc.'s auditor since 2015.

Kennett Square, Pennsylvania  
February 28, 2019

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**LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2018**

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**ASSETS**

	<u>2018</u>
Cash and Cash Equivalents	\$ 1,336,396
Cash Held for the Exclusive Benefit of Customers	150
Receivable from Clearing Firm	88,390
Commissions and Fees Receivable	101,178
Investment Securities	
Prepaid Expenses	58,164
Furniture and Equipment – Net	17,906
Clearing Deposit	100,690
Other Assets	<u>169,558</u>
Total Assets	<u>\$ 1,872,432</u>

**LIABILITIES AND STOCKHOLDERS' EQUITY**

**LIABILITIES**

Compensation Payable	\$ 378,496
Accounts Payable and Accrued Liabilities	<u>301,617</u>
Total Liabilities	<u>\$ 680,113</u>

**STOCKHOLDERS' EQUITY**

Common Stock (\$.01 Par Value 100,000 Shares Authorized, 26,819 Issued and 24,159 Outstanding)	268
Additional Paid-in Capital	1,494,302
Retained Earnings	(223,615)
Treasury Stock	<u>(78,636)</u>
Total Stockholders' Equity	<u>\$ 1,192,319</u>

Total Liabilities and Stockholders' Equity	<u>\$ 1,872,432</u>
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**LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2018**

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**NOTE 1 – ORGANIZATION**

Lombard Securities Incorporated (the “Company”) was incorporated in the State of Maryland in July, 1990 and is a securities broker-dealer located in Baltimore, Maryland. The Corporation is registered with the Securities and Exchange Commission (SEC), is a member of Financial Industry Regulatory Authority (FINRA), Securities Investors Protection Corporation (SIPC) and the Municipal Securities Rulemaking Board (MSRB).

Lombard Agency, Inc., a wholly-owned subsidiary, was incorporated in the State of Maryland in January, 1991 as an insurance brokerage agency.

Lombard Advisers Incorporated, a wholly-owned subsidiary, was incorporated in the State of Maryland in August, 1994 as an investment adviser.

The Company is subject to the provisions of Rule 15c3-3 of the Securities and Exchange Commission. However, the Company operates pursuant to the exemptive provisions of Paragraphs (k)(2)(i) and (k)(2)(ii) of Rule 15c3-3. This prohibits the Company from carrying customer margin accounts, or otherwise holding customer funds or securities, or performing custodial duties with respect to customers’ securities. It also requires the Company to promptly deliver all customer funds and securities related to mutual fund transactions and to transact all customer securities transactions through a special reserve bank account for the exclusive benefit of its customers. The requirements of Paragraph (k)(2)(ii) provide that the Company clear all transactions on behalf of customers on a fully disclosed basis with a clearing broker/dealer. The clearing broker/dealer carries all of the accounts of the customers and maintains and preserves all related books and records as are customarily kept by a broker/dealer.

**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES**

**Principles of Consolidation** - The consolidated statements of financial condition, income, changes in stockholders’ equity, and cash flows include the accounts of the Company and its wholly owned subsidiaries, Lombard Agency, Inc. and Lombard Advisers Incorporated. All significant intercompany balances and transactions between the Company and its subsidiaries have been eliminated in the consolidation.

**Revenue Recognition** – The Company recognizes revenue on a trade date basis. The Company’s business consists of trade commissions, gross credits on riskless principal trades, prospectus dictated mutual funds, annuity credits, trails paid on mutual funds and annuity contracts. Each of the revenue recognitions on these sources is recorded on a trade date basis. The Company also receives investment advisory fees recorded on a quarterly basis. Revenue is recognized in the month that fees are charged to clients. The Company does not receive performance fees in an investment advisory capacity. The Company does not engage in investment banking, mergers and acquisition activities or private placements.

**Cash and Cash Equivalents** - The Company considers highly liquid investments with original maturities of one year or less to be cash equivalents.

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**LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2018**

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**NOTE 2 – SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Securities Owned** - Securities owned are valued at their fair market value, determined from quoted market prices.

**Property and Equipment** - Furniture and equipment are stated at cost net of \$257,233 accumulated depreciation. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets, usually 3 to 5 years. Depreciation expense for the year ended December 31, 2018 was \$4,434.

**Use of Estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Income Taxes** - Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes. Deferred income taxes are provided for temporary differences arising between the tax basis of assets and liabilities and their respective book basis as reported in the financial statements. As of December 31, 2018, the Company has a net operating loss carry forward of approximately \$61,133 for income tax purposes. These carry forwards expire starting in the year ending December 31, 2018 and will be completely expired by December 31, 2032. No deferred tax assets have been recorded in the accompanying balance sheet due to the uncertainty of realization. Similarly, no provision for income taxes is recorded in the accompanying statement of income, as the tax expense computed at the statutory Federal and state income tax rates has been offset by a change in valuation allowance. In general the prior three years tax returns filed with various taxing agencies are open to examination.

**Supplemental Cash Flow Disclosure** - No cash was paid for income taxes or interest during the year ended December 31, 2018.

**NOTE 3 - COMMISSIONS RECEIVABLE**

Commissions receivable represent amounts due to the Company from its clearing broker relating to client securities transactions introduced by the Company and amounts due from mutual funds and insurance companies.

**NOTE 4 - CLAIMS AND ASSESSMENTS**

The Company is generally engaged in ongoing legal matters.

**NOTE 5 - OFF-BALANCE-SHEET RISK**

A clearing broker/dealer carries all of the accounts of the clients of the Company and is responsible for execution, collection and payment of funds, and receipt and delivery of securities related to client transactions. Off-balance-sheet risk exists with respect to these transactions due to the possibility that clients may be unable to fulfill their contractual commitments wherein the clearing broker/dealer may charge any losses it incurs to the Company. The Company seeks to minimize this risk through procedures designed to monitor the credit worthiness of its clients and verify that client transactions are executed properly by the clearing broker/dealer.

**NOTE 6 - NET CAPITAL REQUIREMENTS**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. The rule also provides that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio exceeds 10 to 1. At December 31, 2018, the Company is in compliance with this rule.

Lombard Advisers Incorporated, a wholly-owned subsidiary of the Company, is required to compute net capital pursuant to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1) on a stand-alone basis. At December 31, 2018, Lombard Advisers Incorporated had net capital of \$118,467.

**NOTE 7 - LEASE COMMITMENTS**

The Company has entered into a lease for office facilities which expires on March 31, 2022. In addition to the base rent specified in the lease, it is subject to escalation based on increases in real estate tax and operating expenses. Future minimum lease payments required under this operating lease exclusive of those escalations are as follows:

2019	115,617
2020	118,996
2021	122,835
2022	<u>30,838</u>
Total	\$ <u>388,286</u>

Rent expense for the year ended December 31, 2018 was \$124,214.

**NOTE 8 - EMPLOYEE RETIREMENT PLAN**

The Company has an employee retirement plan whereby the Company matches a portion of the contributions made by the employees. All employees meeting certain age and service requirements are eligible to participate in the plan. The Company matched amount as of December 31, 2018 was \$8,088.

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**LOMBARD SECURITIES INCORPORATED AND SUBSIDIARIES  
NOTES TO CONSOLIDATED STATEMENT OF FINANCIAL CONDITION  
DECEMBER 31, 2018**

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**NOTE 9 - ADVERTISING**

Advertising costs are expensed as incurred. For the year ended December 31, 2018 costs were \$0.

**NOTE 10 – PROXY RIGHTS AGREEMENT**

The Company has entered into an agreement with a shareholder to acquire the shareholder proxy rights for a five year period as remaining:

2019	\$80,000
2020	<u>\$53,335</u>

Total \$133,335

**NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through February 28, 2019, the date on which the financial statements were available to be issued. No events have occurred since the balance sheet date that would have material impact on the financial statements.



**INDEPENDENT ACCOUNTANT'S AGREED-UPON PROCEDURES REPORT ON SCHEDULE OF ASSESSMENT AND PAYMENTS (FORM SIPC-7)**

Board of Directors of  
Lombard Securities, Inc.

In accordance with Rule 17a-5(e)(4) under the Securities Exchange Act of 1934 and with the SIPC Series 600 rules, we have performed the procedures enumerated below, which were agreed to by Lombard Securities, Inc. and the Securities Investor Protection Corporation (SIPC) with respect to the accompanying General Assessment Reconciliation (Form SIPC-7) of Lombard Securities, Inc. for the year ended December 31, 2018, solely to assist you and the SIPC in evaluating Lombard Securities, Inc.'s compliance with the applicable instructions of the General Assessment Reconciliation (Form SIPC-7). Lombard Securities, Inc.'s management is responsible for Lombard Securities, Inc.'s compliance with those requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the Public Company Accounting Oversight Board (United States) and in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose. The procedures we performed and our findings are as follows:

- 1) Compared the listed assessment payments in Form SIPC-7 with respective cash disbursement records entries, noting no differences;
- 2) Compared the Total Revenue amount reported on the Annual Audited Report Form X-17A-5 Part III for the year ended December 31, 2018, with the Total Revenue amount reported in Form SIPC-7 for the year ended December 31, 2018, noting no differences;
- 3) Compared any adjustments reported in Form SIPC-7 with supporting schedules and working papers, noting no differences;
- 4) Recalculated the arithmetical accuracy of the calculations reflected in Form SIPC-7 and in the related schedules and working papers supporting the adjustments, noting no differences; and
- 5) Compared the amount of any overpayment applied to the current assessment with the Form SIPC-7 on which it was originally computed, noting no differences.

We were not engaged to, and did not conduct an examination, the objective of which would be the expression of an opinion on compliance with the applicable instructions of the Form SIPC-7. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

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

*RW Group, LLC*

Kennett Square, PA  
February 28, 2019

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SIPC-7

(36-REV 12/18)

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

SIPC-7

(36-REV 12/18)

For the fiscal year ended 12/31/2018  
(Read carefully the instructions in your Working Copy before completing this Form)  
**TO BE FILED BY ALL SIPC MEMBERS WITH FISCAL YEAR ENDINGS**

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

920 1589 MKED AADC 220  
43340 FINRA DEC  
LOMBARD SECURITIES INC  
1820 LANCASTER ST 2ND FL  
BALTIMORE, MD 21231-3584

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

Name and telephone number of person to contact respecting this form.  
William Socha 410-342-1300

2. A. General Assessment (item 2e from page 2)	\$	<u>2,769.09</u>
B. Less payment made with SIPC-6 filed (exclude interest)	(	<u>1,430.73</u> )
<u>07/30/2018</u>		
Date Paid		
C. Less prior overpayment applied	(	<u>                    </u> )
D. Assessment balance due or (overpayment)		<u>1,538.36</u>
E. Interest computed on late payment (see instruction E) for _____ days at 20% per annum		<u>1,538.36</u>
F. Total assessment balance and interest due (or overpayment carried forward)	\$	<u>                    </u>
G. PAYMENT: <input checked="" type="checkbox"/> the box		
Check mailed to P.O. Box <input checked="" type="checkbox"/> Funds Wired <input type="checkbox"/> ACH <input type="checkbox"/>	\$	<u>1,538.36</u>
Total (must be same as F above)		
H. Overpayment carried forward	\$(	<u>                    </u> )

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

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

Lombard Securities, Incorporated  
\_\_\_\_\_  
(Name of Corporation, Partnership or other organization)  
William Socha  
(Authorized Signature)  
William Socha / Chief Financial Officer  
(Title)

Dated the 19 day of February, 2019

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

SIPC REVIEWER  
Dates: \_\_\_\_\_  
    Postmarked      Received      Reviewed  
Calculations \_\_\_\_\_ Documentation \_\_\_\_\_ Forward Copy \_\_\_\_\_  
Exceptions:  
Disposition of exceptions:

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

Amounts for the fiscal period  
beginning 1/1/2018  
and ending 12/31/2018

**Item No.**

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

Eliminate cents  
\$ 5,315,534

**2b. Additions:**

- (1) Total revenues from the securities business of subsidiaries (except foreign subsidiaries) and predecessors not included above.
- (2) Net loss from principal transactions in securities in trading accounts.
- (3) Net loss from principal transactions in commodities in trading accounts.
- (4) Interest and dividend expense deducted in determining item 2a.
- (5) Net loss from management of or participation in the underwriting or distribution of securities.
- (6) Expenses other than advertising, printing, registration fees and legal fees deducted in determining net profit from management of or participation in underwriting or distribution of securities.
- (7) Net loss from securities in investment accounts.

Total additions

**2c. Deductions:**

- (1) Revenues from the distribution of shares of a registered open end investment company or unit investment trust, from the sale of variable annuities, from the business of insurance, from investment advisory services rendered to registered investment companies or insurance company separate accounts, and from transactions in security futures products.
- (2) Revenues from commodity transactions.
- (3) Commissions, floor brokerage and clearance paid to other SIPC members in connection with securities transactions.
- (4) Reimbursements for postage in connection with proxy solicitation.
- (5) Net gain from securities in investment accounts.
- (6) 100% of commissions and markups earned from transactions in (i) certificates of deposit and (ii) Treasury bills, bankers acceptances or commercial paper that mature nine months or less from issuance date.
- (7) Direct expenses of printing advertising and legal fees incurred in connection with other revenue related to the securities business (revenue defined by Section 16(9)(L) of the Act).
- (8) Other revenue not related either directly or indirectly to the securities business.  
(See Instruction C):

3,210,861

125,283

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

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

\$ 0

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

\$ 0

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

Total deductions

3,336,144

2d. SIPC Net Operating Revenues

\$ 1,979,390

2e. General Assessment @ .0015

2,969.09

(to page 1, line 2.A.)