

Cover Page

Firm Brochure

Lombard Advisers Incorporated

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This brochure provides information about the qualifications and business practices of Lombard Advisers Incorporated. If you have any questions about the contents of this brochure, please contact us at: (410) 342-1300. 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 Lombard Advisers Incorporated is available on the SEC's website at www.adviser.sec.gov.

Disclaimer:

Lombard Advisers Incorporated and its investment adviser representatives are registered with various states in which they do business. The firm is known as a registered investment adviser. The word registered in the term "registered investment adviser" does not imply a certain level of skill or training.

March 31, 2021

Material Changes

Annual Update

The Material Changes section of this brochure will be updated annually when applicable material changes occur since the previous release of the Firm Brochure.

Material Changes since the Last Update

- This brochure represents the annual update amendment to the previously published brochure dated March 30, 2020.
 - There have been no material changes since the last brochure update.
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Full Brochure Available

Whenever you would like to receive a complete copy of our Firm Brochure, please contact us by telephone at: (410) 342-1300.

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Advisory Business

Firm Description

Lombard Advisers Incorporated (“Lombard Advisers”) was established in 1991 as a wholly owned subsidiary of Lombard Securities Incorporated, a Maryland corporation founded in June 1990.

Lombard Advisers is a Securities and Exchange Commission (“SEC”) Registered Investment Advisor and provides personalized investment management to individuals, pension and profit-sharing plans, trusts, estates, charitable organizations and small businesses. Advice is provided through consultation with the client and includes general portfolio management, growth and/or income investing, education funding, and retirement planning.

Principal Owners

Lombard Securities Incorporated is a 100% stockholder of Lombard Advisers Incorporated.

Types of Advisory Services

Lombard Advisers provides two primary types of investment management services:

- a) Discretionary Investment Management - the firm and IAR fully manage and direct the assets in the client's account with discretion, that is without prior knowledge of the client. Discretionary authority is limited to prudently buying and selling securities with the amount of capital in the account. Margin trading is not permitted in discretionary accounts. The firm's discretionary authority rests with the advisory agreement which, for a discretionary account contains a limited power of attorney.
- b) Portfolio Management (non-discretionary) – the firm and IAR *assist* the client in managing and directing the assets in the client's account in which the ultimate decision on how to direct the account including all purchases and sales of securities rests with the client.

Tailored Relationships

The goals and objectives for each client are documented on Lombard Securities' new account form. Portfolio management should reflect the stated goals and objectives for each client. Clients may impose restrictions on investing in certain securities or types of securities.

Types of Agreements

Lombard Advisers employs one standard Investment Advisory Agreement which covers both discretionary and non-discretionary investment management services.

Advisory Service Agreement

Although the Advisory Agreement is an ongoing agreement and adjustments are sometimes required, the length of service to the client is at the client's discretion. The client or Lombard Advisers may terminate an Agreement by written notice to the other party. At termination, fees will be billed on a pro-rata basis for the portion of the quarter completed. The net portfolio value at the completion of the prior full billing quarter is used as the basis for the fee computation, adjusted for the number of days during the billing quarter prior to termination.

Asset Management

Assets may be invested in no-load mutual funds, exchange-traded funds, Equities, corporate bonds, municipal securities, U. S. government securities, covered call options contracts, FDIC insured CDs and bank deposits and certain other investments approved by Lombard Advisers. At present, Lombard Advisers' clients must have a designated advisory account set up at the firm's parent, Lombard Securities and all brokerage transactions and reporting are handled by Lombard Securities' correspondent clearing firm. No commissions are charged to the client with regards to purchases or sales of securities in an advisory account. There may be other brokerage-related fees charged to your account. (Please see the "Other Fees" section below).

Termination of Agreement

A Client may terminate the aforementioned advisory agreement within 5 days of signing, without penalty. Thereafter, the Client may terminate at any time by notifying Lombard Advisers in writing and paying the rate for the time spent on the investment advisory engagement prior to notification of termination. If the client has made any advance payment, Lombard Advisers will refund any unearned portion of the advance payment.

Lombard Advisers may also terminate the aforementioned advisory agreement at any time by notifying the client in writing.

Assets under Management

Total Assets under management \$202,110,713 (calculated as of 12/31/2020)

Discretionary \$84,089,598

Non-Discretionary: \$118,021,115

Fees and Compensation

Description

Lombard Advisers bases its fees on a percentage of assets under management. The annual fee for the firm's Advisory Agreement is provided to the client in writing prior to the start of the relationship.

The annual Advisory Agreement fee is negotiated between the firm, its IAR(s), and client and is based on a percentage of the net assets (total asset value less debit balance in a margin account) according to the following guidelines:

Up to 1.70% on the first \$1,000,000

Up to 1.00% on the next \$2,000,000

Up to .75% on the next \$7,000,000.

Lombard Advisers, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based on certain criteria (e.g., historical relationship, type of assets, anticipated future earning capacity, anticipated future additional assets, dollar amounts of assets to be managed, related accounts, account composition, negotiations with clients, etc.).

Fee Billing

Investment management fees are billed quarterly, in advance, meaning that you are charged at the beginning of the quarterly billing cycle. Payment in full for each quarter is automatically deducted at the time of billing from the designated Lombard Securities client account, based on the net value of the account on the last business day of the most recent month. The client must provide written consent in advance to direct debiting of their investment account which is detailed in the Investment Advisory Agreement.

Other Fees

Custodians may charge transaction fees on purchases or sales of certain mutual funds and exchange-traded funds. These transaction charges are usually small and incidental to the purchase or sale of a security. The selection of the security is more important than the nominal fee that the custodian charges to buy or sell the security.

Brokerage Fees: Lombard Securities' correspondent clearing firm may charge other fees for brokerage services that include miscellaneous charges on trade executions, postage, annual fees on IRAs and other qualified accounts, margin interest on debit balances, wire fees, and securities transfer and registration fees. These fees are the responsibility of the client and are disclosed on the brokerage monthly statement.

Commissions and sales charges: Advisory accounts are never charged a sales charge or commission by Lombard Advisers in conjunction with the purchase or sale of any security.

Expense Ratios

Mutual funds generally charge a management fee for their services as investment managers. The management fee is called an expense ratio. For example, an expense ratio of 0.50 means that the mutual fund company charges 0.5% for their services. These fees are in addition to the fees paid by you to Lombard Advisers. The firm only uses advisory share classes of mutual funds in its accounts (with the exception of other share classes transferred into the account from other firms or accounts converted from Lombard Securities Incorporated). Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

Form ADV, Part 2A, Item 6

Performance-Based Fees

Sharing of Capital Gains

Fees are not based on a share of the capital gains or losses within managed accounts.

Lombard Advisers does not use a performance-based fee structure because of the potential conflict of interest. Performance-based compensation may create an incentive for the adviser to recommend an investment that may carry a higher degree of risk to the client.

Form ADV, Part 2A, Item 7

Types of Clients

Description

Lombard Advisers generally provides investment advice to individuals, banks or thrift institutions, investment companies, pension and profit-sharing plans, trusts, estates, or charitable organizations, corporations or business entities.

Client relationships vary in scope and length of service.

Account Minimums

While there is no account minimum, accounts below \$50,000 assets under management require pre-approval by the firm.

Form ADV, Part 2A, Item 8

Methods of Analysis, Investment Strategies, and Risk of Loss

Methods of Analysis

Security analysis methods may include charting, fundamental analysis, technical analysis, and cyclical analysis.

Sources of information include but are not limited to financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, timing services, annual reports, prospectuses, filings with the Securities and Exchange Commission, and company press releases.

Other sources of information that Lombard Advisers may use include subscription-based research services.

Investment Strategies

The investment strategy tailored for a specific client is based upon the objectives stated by the client during the account opening process and during later consultations. The client may change these investment objectives by updating his or her new account form at any time.

Risk of Loss

All investments involve the risk of loss, including (among other things) loss of principal, a reduction in earnings (including interest, dividends, and other distributions), and the loss of future earnings. These risks include market risk, interest rate risk, issuer risk, and general economic risk. Regardless of the methods of analysis or strategies suggested for your particular investment goals, you should carefully consider these risks, as they all bear risks.

Our investment approach constantly keeps the risk of loss in mind. Investors face the following investment risks:

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. It is the risk that a bond's yield will rise (as its price falls) after it has been purchased.
- **Market Risk.** The prices of securities in which clients invest may decline in response to certain events taking place around the world, including those directly involving the companies whose securities are owned by the client or an underlying fund; conditions affecting the general economy; overall market changes; local, regional or global political, social or economic instability; and currency, interest rate and commodity price fluctuations. Investors should have a long-term perspective and be able to tolerate potentially sharp declines in market value.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.

- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, oil-drilling companies depend on finding oil and then refining it, a lengthy process, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk to profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value.

Below are some more specific risks of investing:

Management Risk. Lombard Advisers' investment approach may fail to produce the intended results. If our perception of the performance of a specific asset class or underlying fund is not realized in the expected time frame, the overall performance of a client's portfolio may suffer.

Equity Risk. Equity securities tend to be more volatile than other investment choices. The value of an individual mutual fund or ETF can be more volatile than the market as a whole. This volatility affects the value of the client's overall portfolio. Small- and mid-cap companies are subject to additional risks. Smaller companies may experience greater volatility, higher failure rates, more limited markets, product lines, financial resources, and less management experience than larger companies. Smaller companies may also have a lower trading volume, which may disproportionately affect their market price, tending to make them fall more in response to selling pressure than is the case with larger companies.

Fixed Income Risk. The issuer of a fixed income security may not be able to make interest and principal payments when due. Generally, the lower the credit rating of a security, the greater the risk that the issuer could default on its obligation. If a rating agency gives a debt security a lower rating, the value of the debt security will decline because investors will demand a higher rate of return. As nominal interest rates rise, the value of fixed income securities is likely to decrease. A nominal interest rate is the sum of a real interest rate and an expected inflation rate.

Municipal Securities Risk. The value of municipal obligations can fluctuate over time, and may be affected by adverse political, legislative and tax changes, as well as by financial developments that affect the municipal issuers. Because many municipal obligations are issued to finance similar projects by municipalities (e.g., housing, healthcare, water and sewer projects,

etc.), conditions in the sector related to the project can affect the overall municipal market. Payment of municipal obligations may depend on an issuer's general unrestricted revenues, revenue generated by a specific project, the operator of the project, or government appropriation or aid. There is a greater risk if investors can look only to the revenue generated by the project. In addition, municipal bonds generally are traded in the "over-the-counter" market among dealers and other large institutional investors. From time to time, liquidity in the municipal bond market (the ability to buy and sell bonds readily) may be reduced in response to overall economic conditions and credit tightening.

Investment Companies Risk. When a client invests in open end mutual funds or ETFs, the client indirectly bears its proportionate share of any fees and expenses payable directly by those funds. Therefore, the client will incur higher expenses, many of which may be duplicative. In addition, the client's overall portfolio may be affected by losses of an underlying fund and the level of risk arising from the investment practices of an underlying fund (such as the use of derivatives). ETFs are also subject to the following risks: (i) an ETF's shares may trade at a market price that is above or below their net asset value; (ii) the ETF may employ an investment strategy that utilizes high leverage ratios; or (iii) trading of an ETF's shares may be halted if the listing exchange's officials deem such action appropriate, the shares are de-listed from the exchange, or the activation of market-wide "circuit breakers" (which are tied to large decreases in stock prices) halts stock trading generally; or (iv) the ETF may not effectively track the segment of the market it was designed to mirror. Lombard Advisers has no control over the risks taken by the underlying funds.

Form ADV, Part 2A, Item 9

Disciplinary Information

Legal and Disciplinary

In March 2018 the Commonwealth of Virginia State Corporation Commission Division of Securities and Retail Franchising alleged that Lombard Advisers allowed an associated person to represent themselves and act as a registered investment advisor representative prior to the approval of the associated person's registration by the state. Without admitting or denying the allegations Lombard Advisers agreed to settle the matter for \$40,000 (monetary penalties) and \$5,000 to defray the costs of an investigation.

Form ADV, Part 2A, Item 10

Other Financial Industry Activities and Affiliations

Financial Industry Activities

Lombard Advisers is an independent SEC Registered Investment Advisor, incorporated in the state of Maryland, which is a wholly owned subsidiary of Lombard Securities Incorporated, a

registered broker/dealer, member FINRA, SIPC and introduces its customer accounts through its correspondent clearing firm.

Affiliations and Other Material Disclosures

The IAR may also be a registered representative of Lombard Securities Incorporated. Lombard Advisers and its IARs currently direct client's securities brokerage business to Lombard Securities Incorporated. In addition to its clearing arrangement with its correspondent clearing firm, Lombard Securities Incorporated has execution agreements in place with other broker/dealers for trading fixed income securities in which arrangements may not necessarily provide the lowest possible execution costs to the advisory client.

Advisory clients must be aware that advisory fees will probably be higher than commissions charged in an identical non-advisory account if trading activity is modest.

The IAR may also be associated with Lombard Securities Incorporated affiliate Lombard Agency, or various other non-affiliated insurance agencies. **Outside of the advisor capacity, in a separate non-investment advisor account**, the IAR may earn commissions from insurance sales to his advisory clients as insurance customers. Lombard Advisers prohibits the sale of insurance products in any advisory account.

Lombard Securities Incorporated, in its role as appointed broker/dealer of Lombard Advisers, may receive selling compensation in connection with any securities transactions effected for any non-advisory accounts of clients maintained at the firm and, the IAR, in his/her individual capacity of registered representative of Lombard Securities Incorporated, may receive commission or concession compensation from Lombard Securities Incorporated in connection with any securities transactions effected for the other non-advisory accounts of clients maintained at or through Lombard Securities Incorporated.

Lombard Advisers, its IARs, Lombard Securities Incorporated and their affiliates may perform, among other things, research, brokerage, and investment advisory services for other clients. Advice may be given, and action undertaken in the performance of their responsibilities to other clients, which advice and actions may differ from that provided or undertaken for client.

All Lombard Advisers IARs are prohibited from earning any commissions, 12b-1 fees, and sales charges in any of their respective advisory accounts. However, the advisory firm receives 12b-1 fees charged to clients that own mutual funds in their accounts. 12b-1 fees are administrative fees charged by mutual funds generally ranging from .1% to .75% annually. Lombard Advisers IARs are permitted to sell only institutional or advisory share classes of mutual funds which generally have no or lower 12b-1 fees than A, B, and C share classes. As a result of client account transfers into Lombard Advisers, clients may own classes of A, B, and C mutual funds when they transfer their accounts to us. The receipt of 12b-1 fees may give the firm an incentive to recommend mutual funds that pay these 12b-1 fees rather than recommend another investment that may have a lower net cost to the client.

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

Code of Ethics

Lombard Advisers' Code of Ethics includes guidelines for professional standards of conduct for our Associated Persons. Our goal is to protect client interests at all times and to demonstrate our commitment to fiduciary duties of honesty, good faith, and fair dealing. All of Lombard Advisers' Associated Persons are expected to strictly adhere to these guidelines. Persons associated with Lombard Advisers are also required to report any violations to the Code of Ethics. Additionally, the firm maintains and enforces written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about our clients or client accounts by persons associated with our firm.

Participation or Interest in Client Transactions

Lombard Advisers does occasionally participate in some riskless principal trades, meaning client trades are purchased through Lombard's proprietary account. Lombard Advisers does not charge a mark-up or mark-down on these trades. Principal trading could create a potential conflict of interest because it could give the firm an incentive to make recommendations and enter trades that are not in the best interest of the client for the firm's financial gain. This conflict of interest is mitigated by the fact that Lombard Advisers has a fiduciary duty to act in the best interest of clients, and these trades are not charged a mark-up or mark-down.

Personal Trading

Lombard Advisers, its IARs and its employees may have positions in securities that are also held by clients. Firm policy prohibits any associated person or employee to trade ahead of customer orders. However, if an employee trades in the same security that is in the client's account, it could have an adverse impact on the market place of that security.

The Chief Compliance Officer of Lombard Advisers is C, Curtis Fox. He reviews all employee trades each quarter. His personal trades are reviewed by the Chief Financial Officer of Lombard Securities.

The Code of Ethics is available for review by clients and prospective clients by contacting us at (410) 342-1300.

Brokerage Practices

Selecting Brokerage Firms

Lombard Advisers believes that it is in their clients' best interests to use Lombard Securities because of easy access to in-house trading records and customer statements. Since the firm's advisory accounts never pay commissions, there is no benefit for them to seek lower commissions. It should be noted that various fees charged at other broker-dealers may be lower than those at Lombard Securities Incorporated.

Soft Dollars

Lombard Advisers does not have any formal soft dollar agreements or arrangements.

Order Aggregation

Lombard Advisers does not aggregate orders, as the firm makes no markets. Trades are done individually for each customer. No commissions are charged to the customer, and because share lots are relatively small, under these circumstances, customers may receive better prices if they had accounts at a larger advisory firm with access to order aggregation.

Review of Accounts

Periodic Reviews

Account reviews are performed periodically by Lombard Advisers' compliance department. Account reviews are performed more frequently when market conditions dictate.

Regular Reports

Clients receive brokerage statements at least quarterly on their accounts and advisory representatives may elect to mail periodic comparative financial reports to clients which must be pre-approved by the firm's compliance department.

Client Referrals and Other Compensation

Incoming Referrals

Lombard Advisers has been fortunate to receive client referrals over the years. Referrals may come from current clients, estate planning attorneys, accountants, employees, personal friends of employees and other similar sources. The firm does not compensate referring parties for these referrals.

Referrals Out

Lombard Advisers does not accept referral fees or any form of remuneration from other professionals when a prospect or client is referred to them.

Other Compensation

Lombard Advisers receives a rebate from its clearing firm, calculated monthly, on the daily average aggregate of the Dreyfus money market fund and the Bank Insured Deposit held by it's customers.

Custody

Account Statements

Lombard Advisers does not have physical custody of any client funds and/or securities and does not take custody of client accounts at any time. Client funds and securities will be held with a bank, broker dealer, or other independent qualified custodian. In the case of Lombard Advisers, the custodian may be the parent firm's clearing firm. By granting Lombard Advisers written authorization to automatically deduct fees from client accounts, Lombard Advisers is deemed to have limited custody. You will receive account statements from the independent, qualified custodian holding your funds at least quarterly. The account statement from your custodian will indicate the amount of advisory fees deducted from your account(s) each billing cycle. Clients should carefully review statements received from the custodian.

Performance Reports

In addition to receiving regular monthly statements, clients may elect to receive quarterly performance reports and may be charged an additional fee of \$60.00 per year.

Investment Discretion

Discretionary Authority for Trading

Lombard Advisers accepts discretionary authority to manage securities accounts on behalf of some of its clients. In these discretionary accounts, Lombard Advisers has the authority to determine, without obtaining specific client consent, the securities to be bought or sold, and the amount of the securities to be bought or sold.

However, if discretionary trading authorization has not been given, the IAR must consult with the client prior to each and every trade to obtain approval from the client. The client must specify on the account agreement whether the account is discretionary or non-discretionary.

Limited Power of Attorney

A limited power of attorney is a trading authorization for this purpose. For discretionary accounts only, clients give Lombard Advisers a limited power of attorney as stated in the Investment Advisory Agreement so that the firm may execute the trades without prior approval. This is a limited power of attorney, which only applies to the purchase or sale of securities for your account. It is not a full power of attorney.

Voting Client Securities

Proxy Votes

Proxy material is mailed to clients by Lombard Securities' clearing firm. Lombard Advisers does not vote proxies on securities. Clients are responsible for voting their own proxies. When assistance on voting proxies is requested, Lombard Advisers may provide recommendations to the Client. If a conflict of interest exists, it will be disclosed to the Client.

Financial Information

Financial Condition

Lombard Advisers does not have any financial impairment that will preclude the firm from meeting contractual commitments to clients.

Form ADV, Part 2A, Item 19

Requirements for State Registered Investment Advisers

This section is not applicable, as Lombard Advisers is an SEC registered firm.