

## **Firm Brochure**

(Part 2A of Form ADV)

# **Lombard Advisers**

INCORPORATED

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**[www.golombard.com](http://www.golombard.com)**

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](http://www.adviser.sec.gov).

**Disclaimer:**

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

**DECEMBER 31, 2015**

## Material Changes

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### **Annual Update**

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

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### **Material Changes since the Last Update**

Total assets under management are updated annually on page 6.

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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

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### Firm Description

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

Lombard Advisers 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, tax plans, education funding, retirement planning, and estate planning.

Lombard Advisers Incorporated ("Advisers") was established for the purpose of permitting associated persons of Lombard Securities Incorporated ("Securities"), who are duly qualified pursuant to applicable federal or state requirements, to participate in investment advisory activities and to receive compensation from fees rather than commissions from these activities as registered investment advisory agents.

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### Principal Owners

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

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### Types of Advisory Services

Lombard Advisers provides two primary types of investment management services:

- a) Discretionary Investment Management - the firm and agent 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 discretionary account contains a limited power of attorney.

- b) Portfolio Management (non-discretionary) – the firm and advisory agent *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.

On an occasional basis, Lombard Advisers furnishes advice to clients on matters not involving securities, such as financial planning matters, taxation issues, and trust services and estate planning.

### **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.

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### **Types of Agreements**

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

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### **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 the investment manager 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.

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### **Asset Management**

Assets may be invested in no-load mutual funds, exchange-traded funds, Equities, corporate bonds, municipal securities, U. S. government securities, options contracts, and FDIC insured CDs and bank deposits. 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.)

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### **Termination of Agreement**

A Client may terminate the aforementioned advisory agreement 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.

For Pennsylvania clients,: If a client has not been provided with a copy of the Brochure Document(s) at least 48 hours prior to signing an agreement, the client has five business days in which to cancel the agreement, without penalty (for a full refund)

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## Assets under Management

**Total Assets under management \$6,899,875 (calculated as of 12/31/2015)**

Discretionary \$0.00

Non-Discretionary: \$6,899,875

## Fees and Compensation

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### 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 agent(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.

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### Fee Billing

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

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## 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.

Lombard Advisers, in its sole discretion, may waive its minimum fee and/or charge a lesser investment advisory fee based upon 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.).

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, if any are disclosed on the brokerage monthly statement.

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

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## 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. There are no up-front or deferred sales charges on these share classes. However, firms may have an incentive to recommend mutual fund shares because these shares may compensate firms by paying them part of their quarterly management fees.. Performance figures quoted by mutual fund companies in various publications are after their fees have been deducted.

## Performance-Based Fees

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### Sharing of Capital Gains

Fees are not based on a share of the capital gains or capital appreciation of 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.



## Types of Clients

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### 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.

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### Account Minimums

The current minimum account size is \$50,000 of assets under management.

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## Methods of Analysis, Investment Strategies and Risk of Loss

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### Methods of Analysis

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

The main sources of information include 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 other subscription based research services.

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### 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. .

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### Risk of Loss

All investment programs have certain risks that are borne by the investor. 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. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk is caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.

- **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.

## Disciplinary Information

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### Legal and Disciplinary

The firm and its employees have not been involved in legal or disciplinary events related to past or present investment clients.

## Other Financial Industry Activities and Affiliations

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### Financial Industry Activities

Lombard Advisers is an independent state Registered Investment Advisor, incorporated in the state of Maryland, which is a wholly owned subsidiary of Lombard Securities, a registered broker/dealer, member FINRA, SIPC and introduces its customer accounts through its correspondent clearing firm.

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### **Affiliations and Other Material Disclosures**

The Advisory Agent is also a registered representative of Lombard Securities. Lombard Advisers and its agents currently direct Client's securities brokerage business to Lombard Securities. In addition to its clearing arrangement with its correspondent clearing firm, Lombard Securities 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 client must be aware that advisory fees will probably be higher than commissions charged in an identical non-advisory account if trading activity is modest.

Agent may also be associated with Lombard Securities' affiliate Lombard Agency, or various other non-affiliated insurance agencies. **Outside of the advisor capacity, in a separate non-investment advisor account**, the agent 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 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, Advisory Agent, in his/her individual capacity of registered representative of Lombard Securities, may receive commission or concession compensation from Lombard Securities in connection with any securities transactions effected for the other non-advisory accounts of clients maintained at or through Lombard Securities.

Lombard Advisers, its Advisory Agents, Lombard Securities 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.

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

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### **Code of Ethics**

The employees of Lombard Advisers have committed to a brief Code of Ethics that is available for review by clients and prospective clients upon request. The Code of Ethics may be found in the firm's policies and procedures manual.

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### **Participation or Interest in Client Transactions**

Lombard Advisers and its employees may have positions in securities that are also held by clients.. Firm policy prohibits any employee trades 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 price of that security.

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### **Personal Trading**

The Chief Compliance Officer of Lombard Advisers is Curt Fox. He reviews all employee trades each quarter. His personal trades are reviewed by either the Chief Operating Officer or the CEO or Lombard Securities. Because employee trades may

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

Although Lombard Advisers does have an affiliation with its parent broker/dealer, and all advisory clients use the brokerage services of the parent, other advisory firms may permit their clients to use outside 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.

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### **Soft Dollars**

No soft dollar payments of any kind including are received by Lombard Advisers.

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### **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**

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### **Periodic Reviews**

Account reviews are performed quarterly by Lombard Advisors compliance department. Account reviews are performed more frequently when market conditions dictate.

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### **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

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### **Incoming Referrals**

Lombard Advisers has been fortunate to receive client referrals over the years. The referrals came 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.

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### **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.

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## Custody

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### **Account Statements**

All assets are held at a qualified custodian, which is usually a registered broker/dealer or bank trust department. In the case of Lombard Advisers, the custodian is the parent firm's clearing firm which provides account statements directly to clients at their address of record at least quarterly.

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### **Performance Reports**

Clients are encouraged to compare the account statements received directly from their custodians to the performance report statements provided by Lombard Advisers.

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## Investment Discretion

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### **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 advisory agent 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

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### Proxy Votes

Proxy material is mailed to clients by Lombard Securities' clearing firm. Lombard Advisers does not vote proxies on securities. Clients are expected to vote 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

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### Financial Condition

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

A balance sheet is not required to be provided because Lombard Advisers does not serve as a custodian for client funds or securities, and does not require prepayment of management fees.

## Business Continuity Plan

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### General

Lombard Advisers through its affiliate Lombard Securities has a Business Continuity Plan in place that provides detailed steps to mitigate and recover from the loss of office space, communications, services or key people.

### Disasters

The Business Continuity Plan covers natural disasters such as snow storms, hurricanes, tornados, and flooding. The Plan covers man-made disasters such as loss of electrical power, loss of water pressure, fire, bomb threat, nuclear emergency, chemical event, biological event, T-1 communications line outage, Internet outage, railway accident and aircraft accident. Electronic files are backed up daily and archived offsite.

### Alternate Offices

Alternate offices are identified to support ongoing operations in the event the main office is unavailable. It is our intention to contact all clients within five days of a disaster that dictates moving our office to an alternate location.

# Information Security Program

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## Information Security

Lombard Advisers maintains an information security program to reduce the risk that your personal and confidential information may be breached.

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## Privacy Notice

All information and advice furnished by any of the parties to an advisory agreement, including their respective agents or employees, shall be treated as confidential, and shall not be disclosed to outside parties except upon written request of the Client, or as may be required of Lombard Advisers or Agent in fulfilling their advisory responsibilities hereunder, or by operation of law. Notwithstanding the foregoing, Client must accept that all such information with respect to Client's advisory account will be provided to Securities pursuant to the provisions of FINRA Rule 3040, and as a consequence will be available to the employees thereof, its correspondent, and its correspondent's employees, and to federal, state and SRO agencies in the performance of their respective regulatory responsibilities. A privacy disclosure is made in Section 3 of the Investment Advisory Agreement.

# Requirements for State Registered Investment Advisors

## Education and Business Standards

Lombard Advisers requires that advisors in its employ have a bachelor's degree and at least 3 years of experience with a series 7 general securities license. Each advisor representative must also have successfully passed the series 65/66 investment advisory course examination.

## IDENTIFICATION OF MANAGEMENT PERSONNEL

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### **EMPLOYEE NAME: William Socha – Chief Operating Officer**

Educational Background:: BS University of Baltimore – 1975

Master's Degree – University of Baltimore 1978

Date of birth: 12/13/1944

### **Business Experience:**

Securities Licenses: Series 7, 24, 27, 63, 66

NYSE Rule 431 Committee 1993-2000

Baker Watts and Company 1969-1988 – Director Operations  
Alex Brown and Sons – 1990-1997 – Director - Customer Service Clearing  
Registered since 1969  
Other Business Activities: Chief Operating Officer – Lombard Securities  
Incorporated 1997 to present  
Additional Compensation: None  
Arbitration Claims: None  
Self-Regulatory Organization or Administrative Proceeding: None  
Bankruptcy Petition: None

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**EMPLOYEE NAME C. Curtis Fox – President - Chief Compliance Officer**

University of Maryland – Bachelor’s Degree - 1983:

Date of birth: 8/9/1960

**Business Experience:**

Securities Licenses - Series 24, 7, 8, and 63

Investment Broker and Branch Manager – 1983-1993 Baker Watts & Co.

1993-1997 Branch Manager – Fox Walsh and Co.

1997 to present: Lombard Securities Incorporated – CCO since 2003

Registered since 1983

Organizer and Founder of Community Bank. 1990-1992

Long Term Experience in broker Recruitment and Independent Firm Senior Management

Other Business Activates: Chief Compliance Officer - Lombard Securities Incorporated

Disciplinary Information: None

Additional Compensation: None

Arbitration Claims: None

Self-Regulatory Organization or Administrative Proceeding: None



Bankruptcy Petition: None

## **Supervision of Investment Advisor Representatives**

The firm has written supervisory procedures in place in order that compliance with various state regulations in which we are registered can be achieved.

Lombard Advisers supervises its representatives in the following manner:

- All trades on behalf of customers are monitored and reviewed on a daily basis
- Monthly activity and brokerage statements are reviewed by management on a quarterly basis at a minimum
- In the course of account reviews, The Compliance officer and other management staff reviews accounts to ensure that portfolio makeup and trading activity reflect the investment objectives of each customer.
- In general, Lombard Securities and Lombard Advisers both of whom monitor, trading and sales practices, correspondence, complaints, and any outside business activities supervise each representative. Each representative must have at least one on site branch inspection every three years and must complete industry level continuing education annually.

The supervisors of all Lombard Investment Advisor Representatives are Curt Fox, President and Chief Compliance Officer and William Socha, Chief Operating Officer. They may be reached at 410-342-1300.

The individual described below has direct contact with their own individual advisory clients and as such, formulates personalized investment advice and recommendations for each customer. This individual is designated "Investment Advisor Representative". The minimum requirement for this designation is that the supervised person must pass the Series 65 or 66 examination. The exam, is designed to qualify candidates as investment adviser representatives. The exam covers topics that have been determined by securities regulatory authorities to be understood and comprehended in order to provide investment advice to clients.

Form ADV Part 2B

Lombard Advisers Incorporated  
Brochure Supplement

Additional Information for Investment Advisor

Raymond Caell

4615 Bayard Boulevard, Bethesda, MD 20816

Telephone: (301) 320-5110

**Main Office**

Lombard Advisers Incorporated

1820 Lancaster Street

Baltimore, MD 21231

**Telephone:** 410-342-1300

This brochure supplement provides information about Raymond Caell that supplements the Lombard Adviser's Inc. brochure. You should have received a copy of that brochure. Please contact Lombard Advisers' customer service department at 800-755-2144 if you did not receive the brochure or if you have questions about the contents of this supplement.