

## **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 (SEC), or by any state securities authority.

Additional Information about Lombard Advisers Incorporated is available on the SEC's website at <http://www.adviserinfo.sec.gov>.

**Disclaimer:**

Lombard Advisers Incorporated is a registered investment adviser with the United States Securities and Exchange Commission (SEC). The word "registered" in the term "registered investment adviser" does not imply a certain level of skill or training.

**March 30, 2022**

Form ADV, Part 2A, Item 2

## Material Changes

Current Disclosure Brochure Date: May 10, 2021 (as amended March 30, 2022)

This page updates information last provided on May 10, 2021

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### Material Changes since the Last Update

This page provides a summary of material changes to our firm's ADV Part 2A, Disclosure Brochure and our Client Relationship Summary (Form CRS), if applicable. Pursuant to SEC rules, we will ensure that you receive this page, or our entire Disclosure Brochure within 120 days of the close of our fiscal year (December 31<sup>st</sup>).

Certain material change updates require timelier disclosure, and we will provide these types of material disclosures promptly, as necessary.

Assets under management within this brochure have been updated for period ending December 31, 2021.

This brochure has been amended throughout to provide for the inclusion of Wrap Programs offered on the Wells Fargo Clearing Services, LLC (WFCS, LLC) platform through our clearing firm, First Clearing\*. Amended sections include:

- Item 4 – Advisory Business
- Item 5 – Fees and Compensation
- Item 7 – Types of Clients (Account Minimums)
- Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss
- Item 12 – Brokerage Practices

Item 10 – Other Financial Industry Activities and Affiliations (Affiliations and Other Material Disclosures)

- Language has been added to explain that the firm receives a rebate from First Clearing based on the value of client sweep account assets.
- We have also amended this section to inform that 12b-1 fee payments the firm receives for eligible mutual funds held in advisory accounts are credited back to the client.

\*First Clearing is a trade name used by Wells Fargo Clearing Services, LLC (WFCS, LLC), a registered broker-dealer and non-bank affiliate of Wells Fargo & Company.

Form CRS – Form CRS has been amended to provide for the inclusion of Wrap Programs offered through Wells Fargo Clearing Services, LLC (WFCS, LLC) as a type of investment service available to our clients. Links to the applicable WFCS, LLC Wrap Fee Brochure(s) have been added within Form CRS. In addition, language has been added to explain that the firm receives a rebate from First Clearing based on the value of client sweep account assets.

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### **Full Brochure Available**

To obtain a copy of our firm’s Client Relationship Summary (Form CRS), Disclosure Brochure or Supplemental IAR Biographies, Code of Ethics, Business Continuity Plan Summary Disclosure, or our Privacy Disclosure, please contact the Chief Compliance Officer at 410-342-1300.

You may also contact our firm by post at:

Lombard Advisers Incorporated  
Attn: Chief Compliance Officer  
1820 Lancaster Street  
Baltimore, MD 21231

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## Advisory Business

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### 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.

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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 for the following types of investment management services:

- a) Investment Adviser Representative (IAR) Directed Discretionary Investment Management – A Lombard Advisers sponsored program in which the firm and IAR fully manage and direct the assets in the client’s account with discretion, that is without prior consent 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) Client Directed Portfolio Management (non-discretionary) – A Lombard Advisers sponsored program in which 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.
- c) Wrap Programs offered through Wells Fargo Clearing Services, LLC (WFCS, LLC) - Lombard Advisers has entered into an agreement through our clearing firm, First Clearing, pursuant to which WFCS, LLC provides advisory platform services with respect to certain unaffiliated wrap fee programs and for execution, clearance, settlement, and custody of client assets. Lombard Advisers will provide the client with the applicable WFCS, LLC Wrap Fee Brochure and Client Relationship Summary (Form CRS). The client may also receive a Firm Brochure, Form CRS, or other disclosure documents directly from WFCS, LLC or third-party managers utilized on the WFCS, LLC Platform. The agreement between our firm and WFCS, LLC offers, among other things, the following programs:

- Client Directed Programs:
  - The Asset Advisor Program - Asset Advisor is a non-discretionary, Client directed investment Program in which the IAR provides investment recommendations based on client investment objectives, financial circumstances, and risk tolerance. Clients have the option of accepting these recommendations or selecting different investments for the account.
  - The Custom Choice Program – a non-discretionary mutual fund wrap program which allows for the allocation of assets among open-end mutual funds. Based on client investment objectives and risk tolerance, the IAR will recommend an appropriate mix of open-end mutual funds and money market funds and target allocation percentages. The client has the option of accepting the recommendations or selecting an alternative combination of funds. The IAR will implement the client investment decisions, but will not have investment discretion over the account, except for the limited discretion to rebalance the target asset allocation, with client authorization. In a taxable Account, the client is advised that decisions relating to investments in mutual funds will have tax consequences that should be discussed with a tax advisor.
  
- Separately Managed Programs:
  - Personalized Unified Managed Account – The IAR assists the client selecting among various investment options available within the Program, which includes investments in affiliated and unaffiliated Managers of WFCS, LLC, mutual funds, ETFs, and advisory annuities, each known as a “strategy”. The Program offers three investment strategy types:
    - Single Strategy, in which one strategy of a certain affiliated or unaffiliated Manager per account is selected.
    - Multi Strategy Optimal Blends, in which target allocations comprised of strategies of certain Managers, mutual funds and/or ETFs designed for Clients with various investment objectives are selected. These Optimal Blends are based upon Manager, mutual fund and ETF due diligence provided by WFCS, LLC affiliate, Wells Fargo Investment Institute (WFII).
    - Multi Strategy Custom Blends, custom target allocations consisting of multiple strategies of Managers, mutual funds, ETFs and/or advisory annuities in one account are created.
  - FundSource® - A discretionary investment advisory Program that offers a broad array of mutual funds that invest in and across different investment asset classes and employ varied approaches to investment management. The program offers a number of "Optimal Blends" that offer managed

portfolios of recommended funds, based on due diligence and asset allocation guidance provided by WFCS, LLC affiliate, WFII, and market exposures and fund combinations that they believe are appropriate for a number of different investment objectives. Based on client investment objectives, financial circumstances, and risk tolerance, the IAR will recommend either an Optimal Blend or a Customized Blend, where the client selects a target allocation in consultation with the IAR. Once the client chooses an Optimal or Customized Blend, the assets in the account will be invested by the IAR on a discretionary basis.

- Private Advisor Network – IAR assists the client in identifying a Manager to advise and counsel client with respect to the investment of assets. The intent of the Program is to offer a roster of Managers representing a broad array of investment classes and styles from which the client selects a Private Advisor Network Manager to handle the day-to-day management of the Account(s). Private Advisor Network services typically include matching the personal and financial data provided by the client with a database of Managers and providing reports to allow for periodic evaluation and comparison of account performance with objectives. Private Advisor Network Managers classified as "Cleared" in the WFCS, LLC Program have provided sufficient information to their affiliate, WFII, for review and have passed their screening qualifications on an ongoing basis. Some of the factors that are considered for clearing a manager include track record, number of investment professionals, assets under management, and legal and disciplinary history. Those Private Advisor Network Managers not classified as "Cleared" have not met all or some of the screening qualifications, but certain Clients have specifically requested their inclusion. Generally, in these cases, Clients have a pre-existing relationship with the Manager that they'd like to continue. If such a request is accommodated, these Managers are not included in the Manager identification or in the ongoing review processes described above.

Under the Private Advisor Network Program, the client grants the Manager complete discretionary trading authority and authorizes the Manager to handle the day-to-day investment management of the account in accordance with the separate management agreement between the client and the Manager.

- Customized Portfolios - Under the Customized Portfolios Program, the IAR assists the client in selecting from portfolios based on the investment strategies of WFCS, LLC affiliate, WFII. These include Fixed Income Portfolios, Custom Option strategy, and Option Premium Income strategy Portfolios.



## **Tailored Relationships**

The goals and objectives for each client are documented on Lombard Securities' client profile. 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**

For Lombard Advisers sponsored programs one standard Investment Advisory Agreement is utilized which covers both discretionary and non-discretionary investment management services.

Wrap Programs offered through WFCS, LLC utilize Client Agreements specific to the applicable program. With respect to the Private Advisor Network program, the client enters into a separate management agreement with the selected Program Manager. Lombard Advisers will provide the client with the applicable WFCS, LLC Wrap Fee Brochure and Form CRS. The client may also receive a Firm Brochure, Form CRS, or other disclosure documents directly from WFCS, LLC or third-party managers utilized on the WFCS, LLC Platform. These documents should be carefully reviewed in order to understand WFCS, LLC program features, fees, and other important information.

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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 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.

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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, covered call option 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, First Clearing. 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

For Lombard sponsored programs 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.

Please review the applicable WFCS, LLC Wrap Fee Brochure(s) for information related to the termination of the advisory agreement specific to programs offered through the WFCS, LLC platform.

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## Assets under Management

**Total Assets under management \$254,530,943 (calculated as of 12/31/2021)**

Discretionary \$107,981,467

Non-Discretionary: \$146,549,476

Form ADV, Part 2A, Item 5

## Fees and Compensation

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### Description

Lombard Advisers bases the fees for its sponsored programs 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 does not charge a minimum fee and may 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.).

#### Wrap Programs offered through Wells Fargo Clearing Services, LLC (WFCS, LLC)

Clients who choose to participate in a wrap fee program through WFCS, LLC, are typically charged a single annualized Program Fee based on a percentage of Eligible Program Assets. The Program Fee covers advisory, execution, custodial, and reporting services. Lombard Advisers and the IAR receive a portion of this fee.

Each Program's features and fee schedule may be found within the applicable Client Agreement as well as within the applicable WFCS, LLC Wrap Fee Brochure. Lombard Advisers will provide the client with the applicable WFCS, LLC Wrap Fee Brochure and Form CRS. The client may also receive a Firm Brochure, Form CRS, or other disclosure documents directly from WFCS, LLC or third-party managers utilized on the WFCS, LLC Platform. These documents should be carefully reviewed in order to understand WFCS, LLC program features, fee schedules, and other important information.

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### **Fee Billing**

For Lombard Advisers sponsored programs 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. Clients are charged \$25.00 annually for administrative costs related to the fee-billing process.

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### **Other Fees**

Custodians may charge transaction fees on purchases or sales of certain mutual funds, exchange-traded funds, and maintenance fees on ADRs. These transaction charges are usually 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, First Clearing, 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 monthly brokerage 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.

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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 (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

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### 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

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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

There is no account minimum required to participate in a Lombard Advisers' sponsored programs.

Account minimums for Wrap Programs offered through WFCS, LLC vary. Information regarding account minimums for the specific Program(s) may be found within the applicable WFCS, LLC Wrap Fee Brochure. Lombard Advisers will provide the client with the applicable WFCS, LLC Wrap Fee Brochure and Form CRS. The client may also receive a Firm Brochure, Form CRS,

or other disclosure documents directly from WFCS, LLC or third-party managers utilized on the WFCS, LLC Platform. These documents should be carefully reviewed in order to understand WFCS, LLC program features, fee schedules, and other important information.

Form ADV, Part 2A, Item 8

## **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.

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 or online 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 suitability information at any time.

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### **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 varying degrees of 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

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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 clients 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 security 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**

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### **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

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### 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 client accounts through its correspondent clearing firm, First Clearing

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### 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.

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 insurance 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/her advisory clients as insurance clients. 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 received 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.

Through our clearing firm, First Clearing, clients are provided with an automated sweep to a bank insured FDIC vehicle at no additional cost. The firm receives a rebate from First Clearing based on the value of client sweep account assets. Therefore, we have an incentive to



recommend that clients use a sweep account and recommend certain money market funds that pay the highest rebates.

All Lombard Advisers IARs are prohibited from earning any commissions, 12b-1 fees, and sales charges in any of their respective advisory 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 provide for 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 advisory firm may receive 12b-1 fees charged to clients that own certain mutual funds in their accounts. However, any 12b-1 fee payments the firm receives for eligible mutual funds held in advisory accounts are credited back to the client. 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.

Form ADV, Part 2A, Item 11

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

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### **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.

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## **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 client 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 marketplace 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.

Form ADV, Part 2A, Item 12

## **Brokerage Practices**

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### **Selecting Brokerage Firms**

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

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### **Soft Dollars**

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

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### **Order Aggregation**

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

### **Wrap Programs offered through Wells Fargo Clearing Services, LLC (WFCS, LLC)**

With respect to information regarding Brokerage Practices within wrap programs offered through WFCS LLC, Lombard Advisers will provide the client with the applicable Wrap Fee Brochure and Form CRS. The client may also receive a Firm Brochure, Form CRS, or other disclosure

documents directly from WFCS, LLC or third-party managers utilized on the WFCS, LLC platform. Disclosure documents received should be carefully reviewed in order to understand WFCS, LLC Brokerage Practices, limitations, and any additional costs associated with the use of these programs.

Form ADV, Part 2A, Item 13

## **Review of Accounts**

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### **Periodic Reviews**

Account reviews are performed periodically by Lombard Advisers' 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. Statements include information with respect to gains and losses.

Form ADV, Part 2A, Item 14

## **Client Referrals and Other Compensation**

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### **Incoming Referrals**

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

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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.

## **Custody**

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### **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 is the parent firm's clearing firm, First Clearing. 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 the 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.

## **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 and the timing of the purchases or sales.

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**

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### **Proxy Votes**

For Lombard Adviser sponsored programs, proxy material is mailed to clients by Lombard Securities' clearing firm, First Clearing. 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.

#### Wrap Programs offered through Wells Fargo Clearing Services, LLC (WFCS, LLC)

With respect to information regarding Proxy Voting within wrap programs offered through WFCS LLC, Lombard Advisers will provide the client with the applicable WFCS LLC Wrap Fee Brochure and Form CRS. The client may also receive a Firm Brochure, Form CRS, or other disclosure documents directly from WFCS, LLC or third-party managers utilized on the WFCS, LLC platform. Disclosure documents received should be carefully reviewed in order to understand WFCS, LLC processes related to proxy voting, limitations, and any additional costs associated with the use of these programs.

## **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.