

## **Part 2A Appendix of Form ADV: Wrap Fee Program Brochure**

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**This Wrap Fee Program Brochure provides information about the qualifications and business practices of Wellington Shields & Co., LLC (hereinafter “WSC “). If you have any questions about the contents of this brochure, please contact us at 212-320-2000 or Compliance@wellingtonshields.com. 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 WSC is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can search this site by a unique identifying number, known as a CRD number. The CRD number for WSC is 149021.**

**WSC is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information that you should consider in determining whether to hire or retain an Adviser.**

## **Item 2. Summary of Material Changes**

Our Wrap Fee Program Brochure is prepared according to the SEC's current requirements and rules.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to current SEC Rules, we will provide you either: (i) a copy of our Wrap Fee Program Brochure that includes or is accompanied by a summary of material changes; or (ii) a summary of material changes that includes an offer to provide a copy of the current Wrap Fee Program Brochure. We urge you to carefully review all subsequent summaries of material changes, as they will contain important information about any significant changes to our advisory services, fee structure, business practices and conflicts of interest. Additionally, our current (updated) Wrap Fee Program Brochure will be available to our existing and prospective clients through the Investment Adviser Public Disclosure website.

### **Material changes since our last annual update. (March 2024)**

Wellington Shields & Co., LLC has relocated its principal office and place of business to 60 Broad Street, 39<sup>th</sup> Floor, New York, NY 10004.

**Item 3. Table of Contents**

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

### Services

WSC is the sponsor of a wrap-fee program (the “Wrap-Fee Program”), which is a program that provides Clients with advisory, custody and brokerage execution services for one all-inclusive fee (the “Fee”). This means that the cost of WSC’s investment advisory services, the cost of executing brokerage transactions and custodial fees are “wrapped” into a single annual fee based on the value of the Client’s portfolio. Investments offered through the Wrap-Fee Program include equity, balanced and fixed income mandates. WSC is also a broker/dealer and provides brokerage services and may act as broker/agent in executing securities transactions at the direction of WSC the Adviser.

In WSC’s Wrap-Fee Program, a Client enters into an agreement with WSC (the “Wrap-Fee Agreement”) whereby investment adviser representatives (“IARs”) of WSC will continuously manage client portfolios based on the individual needs of the Client. WSC provides discretionary and non-discretionary portfolio management services where the investment advice provided is customized to meet the needs and investment objective of the Client.

WSC’s Wrap-Fee Program includes the following services:

- a separately managed account based on Client’s specific goals and investment objectives;
- identification and analysis of the Client’s investment objectives;
- continuous management of the Client accounts;
- on-going communication regarding Client accounts through calls, meetings, account statements and performance updates;
- brokerage services through WSC’s registered broker-dealer; and
- custody services for Client accounts through the primary clearing firm utilized by WSC or such other custodian WSC may engage which is agreeable to the client (the “Custodian”).

The investment advice varies depending upon your individual life situations, objectives and preferences. The account is managed to diversify your investments and may include various types of securities such as equities, Exchange Traded Funds (ETFs), unit investment trusts, options, and investment grade fixed income securities. Other types of investments may also be recommended where we deem such investments appropriate based on your stated investment objectives. Accounts are managed on an individualized basis. Further restrictions and guidelines imposed by you, which must be in writing, may affect the composition and performance of your investment portfolio. Performance of your portfolio may not be identical with other clients of WSC.

WSC shall manage only the securities, cash and other investments held in a Client’s account, and in making investment decisions for a Client’s account, WSC shall not consider any other securities, cash or other investments owned by the Client. Client recognizes that there may be a gain as well as a loss or depreciation of the value of any investment due to the fluctuation of market values.

### Changes in your Financial Circumstances

In providing the contracted services, we are not required to verify any information we receive from you or from your other professionals (e.g. attorney, accountant, etc.) and we are expressly authorized to rely on the information you provide. Furthermore, unless you indicate to the contrary, we shall assume that there are no restrictions on our services, other than to manage your account in accordance with your designated investment objectives. It is your responsibility to promptly notify us if there are ever any changes in your financial situation or investment objectives for the purpose of reviewing, evaluating, and/or revising our previous recommendations or services.

WSC makes no guarantee, either oral or written, that a Client’s investment objectives will be achieved. WSC

shall not be liable for any error in judgment and/or for any investment losses in a Client's account in the absence of malfeasance, negligence or violation of applicable law. WSC shall not be responsible for any loss incurred by reason of any act or omission of a Client, custodian, any broker dealer, or any other third party.

WSC is also a broker-dealer registered with the U.S. Securities and Exchange Commission (the "SEC"), the New York Stock Exchange, Inc. ("NYSE") and the Financial Industry Regulatory Authority ("FINRA"). WSC acts as broker/agent in executing securities transactions for a Client where the Client has agreed to use WSC for such services. WSC's execution procedures are designed to make every attempt to obtain the best execution possible, although there can be no assurance that it can be obtained. WSC advisory may trade with other broker/dealers in order to achieve best execution, to obtain a wider variety of issues or to take advantage of favorable mark-ups or mark-downs available elsewhere. For Fixed-Income trades, WSC executes dealer-to-dealer transactions.

In limited circumstances and at our discretion, investors may instruct us to use one or more particular brokers for the transactions in their accounts. Those investors who may want to direct us to use a particular broker should understand that this may prevent our firm from obtaining the most favorable net price and execution. Moreover, investors that direct brokerage may incur additional costs. Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that they will obtain through their broker are adequately favorable in comparison to those that our firm would otherwise obtain for you.

WSC broker/dealer will provide custodial services through the primary clearing firm utilized by WSC or such other custodian WSC may engage which is agreeable to the client, to take possession and maintain the cash, securities and other assets in Client accounts.

WSC frequently "bunches" or groups orders of various Clients for execution when WSC believes that this may result in better or more efficient execution of those orders. All bunched orders will be executed by a broker at the same time on a given day and will be average priced. This bunching policy does not guarantee that each Client will obtain the identical price that another Client has received. However, WSC believes that all Clients benefit from bunching through greater efficiency of execution.

### Fees

In consideration for the investment management services provided under the Wrap-Fee Program the Client pays to WSC a Fee. On the last business day of each quarter, the value of each client's account will be determined by adding the value of the securities, cash equivalents, accrued interest and the net cash credit balance in the supervised portfolio. Fees are paid quarterly in arrears. Advisory fees are withdrawn directly from the client's account or the client will be billed directly as set forth in each client's investment advisory agreement.

The Fee paid by a Client shall be set forth in the Client's Wrap-Fee Agreement. Fees are subject to negotiation between the Client and WSC, but shall be based on an annualized rate of up to 1.75%. Clients with similar amount of assets under management may pay differing Fees. Fees vary from Client to Client based upon a number of factors, including, but not limited to: (1) the client type; (2) pre-existing relationship or number of other accounts; (3) assets under management; and (4) the service requirements associated with the account. For new advisory accounts, the Fee will be pro-rated based on the number of days that the account was open during the quarter in which the account was opened.

<p><b>A Client should consider that the Fee may or may not exceed the aggregate cost of service provided if they were provided separately depending upon, among other factors: (1) the amount of the Fee; (2) the level of portfolio activity in a Client's account; and (3) the value of the custodial and the Wrap-Fee Program.</b></p>
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**Clients may incur additional expenses as described below:**

In addition to the Fee, each mutual fund, ETF or ETN in which the Client's assets may be invested pay an advisory fee to the fund's investment adviser and charge other expenses as described in the fund's prospectus. Clients whose un-invested cash balances are swept into money market funds at their custodian also pay similar fees, including a fee to the WSC broker/dealer. Clients also pay a management fee on the portion of their assets invested in a mutual fund to the fund's investment advisor. Any assets invested in an affiliated mutual fund are omitted from the fee calculation.

The Fee does not include exchange fees, SEC fees, transfer taxes, certain brokerage related fees such as wiring charges and overnight shipping charges, and other fees required by law. In some instances where the client directs the custodial arrangement, clients may be responsible for the custodial fees charged by the custodian.

**Compensation**

Investment Advisers Representatives ("IARs") receive compensation paid directly to them by WSC as a result of a Client's participation in the Wrap-Fee Program, or the referral of a Client to advisory accounts, including those participating in the Wrap-Fee Program. This amount may be more than what they would receive if clients paid separately for investment advice, brokerage, and other services. Therefore, WSC representatives may have a financial incentive and conflict of interest to recommend the Wrap-Fee Program over other programs or services. IARs typically receive a share of the Fee, which amount is subject to negotiation between each IAR and WSC.

Through WSC broker/dealer, IARs may also receive 12b-1 distribution fees from certain mutual funds recommended by WSC for shareholder servicing and/or distribution services provided to Clients. These fees are disclosed in the fund prospectuses that are mailed to each of their clients.

WSC believes that its IARs recommend mutual funds from which it receives 12b-1 fees to Clients only if each such mutual fund meets a Client's investment objective and the terms of participating in such mutual fund are no less favorable than those that could be obtained by investing in a competing mutual fund. Notwithstanding the foregoing, the receipt of these additional 12b-1 fees by IARs constitutes a conflict of interest with Clients.

Client liquid funds are typically invested in an expanded FDIC insured cash sweep program. Interest is paid at the current bank rate for short-term demand deposits. This program will automatically invest and redeem uninvested cash held in a portfolio. Wellington Shields & Co. receives an offsetting revenue share on eligible balances from First Clearing, a division of Wells Fargo Clearing Services, LLC ("First Clearing") based upon the aggregate amount of customer funds deposited and the Federal Funds Target Rate. Under WSC's agreement with First Clearing, this may result in as much as 97 basis points (0.97%) annual rate of the cash balances. This payment from First Clearing can be considered a conflict of interest, as it could form an incentive for WSC to direct client asset flows into lower yielding cash returns for its own gain. Our focus and ultimate incentive however is to grow assets by generating the highest returns possible on a risk-adjusted basis for our clients. Thus, any conflict is mitigated by the fact that the lower returns of excessively large balances affect the overall performance of a portfolio and the upside potential of both WSC and the client.

Margin Interest - Advisory accounts have access to margin loans through First Clearing. Clients will only be charged interest on the money they borrow. The interest rates on margin loans are usually lower than consumer loan rates. A client must complete a Margin Agreement with First Clearing to be approved for margin. The rate of interest charged to the account is equal to the base lending rate less any negotiated amount based on a number of factors including the size of the debit balance. The base rate is determined by First Clearing based on various commercially recognized rates, The rate varies according to market conditions and First Clearing reserves the right to determine which rates, or combination of rates, will apply. As of February 2024, the Base Lending Rate is 8.5%. Wellington Shields retains any percentage above the amount charged to WSC by First Clearing, typically the Broker Call Rate. WSC's dually registered broker-dealer retains this premium amount. This receipt of this interest creates a conflict of interest for WSC to recommend the use of margin. As is customary for all margin extended

to clients by any broker-dealer and/or clearing firm, clients will receive regular monthly statements that include a statement of interest charged. The interest charged is disclosed on the statement for the interest period and calculated from the settlement date for each transaction.

**Additional Compensation** - Wellington Shields receives an annual payment from First Clearing to offset overhead costs it incurs for clearing and custody services for client accounts. To the extent this additional revenue may be viewed as a conflict, we believe it is mitigated since payments are not based upon any client-related metrics or breakpoints.

#### Wrap Fee Program Disclosures

- The benefits under a wrap fee program depend, in part, upon the size of the account, the management fee charged, and the number of transactions likely to be generated in the account. For example, a wrap fee program may not be suitable for accounts with little trading activity. In order to evaluate whether a wrap fee program is suitable for you, you should compare the Program Fee and any other costs of the Program with the amounts that would be charged by other advisers, broker-dealers, and custodians, for advisory fees, brokerage and other execution costs, and custodial services comparable to those provided under the Program.
- In considering the investment programs described in this brochure, you should be aware that participating in a wrap fee program may cost more or less than the cost of purchasing advisory, brokerage, and custodial services separately from other advisers or broker-dealers.
- Our firm and Associated Persons receive compensation as a result of your participation in the Program. This compensation may be more than the amount our firm or the Associated Persons would receive if you paid separately for investment advice, brokerage, and other services. Accordingly, a conflict of interest exists because our firm and our Associated Persons have a financial incentive to recommend the Program.
- Similar advisory services may be available from other registered investment advisers for lower fees.

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

WSC provides investment advisory services to individuals, investment companies, institutions, pension and profit-sharing plans, trusts, estates, not-for-profit organizations, corporations, as well as other types of clients.

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

We are both a sponsor and portfolio manager of Wrap Fee Program. There is no independent selection process or review process upon which IARs would be recommended or chosen for particular Clients. As described in Item 4 of this Wrap Fee Program Brochure, WSC's IARs have a financial incentive to recommend WSC's Wrap Fee Program to clients which in itself creates a conflict of interest that may compromise their objectivity.

The management of a Client's portfolio remains with the IAR a Client has selected. The IAR continuously manages equity, balanced & fixed-income portfolios, where appropriate, based on the individual needs of a Client.

Performance information for each IAR is computed on a consistent basis utilizing industry standard time weighted rates of returns that is calculated by linking the internal rates of returns in each IAR's portfolios. IAR's performance information is not reviewed by a third party.

WSC may utilize the services of other registered investment advisers (a "sub-adviser") to manage a Client's entire portfolio, or a portion thereof. All sub-advisers contracted by WSC must be registered as investment advisers with the SEC.

After gathering information about a Client's financial situation and objectives, WSC may select one or more sub-advisers based on investment style and suitability in order to meet the Client's financial needs, investment goals, and tolerance for risk and investment objectives.

Once the portfolio is constructed, WSC monitors the performance of the sub-adviser; and WSC continues to maintain the Client account and provides administrative, execution and arrange custodial services. Clients will not sign an agreement with the sub-adviser; the agreement is between WSC and the sub-adviser. WSC will pay a portion of the Fee to the sub-adviser. Such compensation may differ depending upon the individual agreement WSC has with each sub-adviser.

#### Performance-Based Fees and Side-By-Side Management

We do not charge any fees based on a share of capital gains on or capital appreciation of the assets of a client.

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

Our portfolio managers, in their individual capacity, may use all or use some of the following methods of analysis to determine which securities to buy, sell or hold:

Fundamental analysis: We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the company is underpriced (indication it may be a good time to buy) or overpriced (indicating it may be time to sell).

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

Technical analysis: We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and to potentially predict future price movement.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly managed or financially unsound company may underperform regardless of market movement.

Charting: In this type of technical analysis, we review charts of market and security activity in an attempt to identify when the market is moving up or down and to predict when how long the trend may last and when that trend might reverse.

Third-Party Manager Analysis: We examine the experience, expertise, investment philosophies, and past performance of independent third-party investment managers in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. We monitor the manager's underlying holdings, strategies, concentrations and leverage as part of our overall periodic risk assessment. Additionally, as part of our due-diligence process, we survey the manager's compliance and business enterprise risks.

A risk of investing with a third-party manager who has been successful in the past is that he/she may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a third-party manager's portfolio, there is also a risk that a manager may deviate from the stated investment mandate or strategy of the portfolio, making it a less suitable investment for our clients. Moreover, as we do not control the manager's daily business and compliance operations, it is possible for us to miss the absence of internal controls necessary to prevent business, regulatory or reputational deficiencies.

Mutual Fund and/or ETF/ETN analysis: We look at the experience and track record of the manager of the mutual fund or exchange traded fund ("ETF") or exchange traded notes ("ETN") to determine if that manager has



demonstrated an ability to invest over a period of time and in different economic conditions. We also look at the underlying assets in a mutual fund or ETF/ETN in an attempt to determine if there is significant overlap in the underlying investments held in other funds in the client's portfolio.

A risk of mutual fund and/or ETF/ETN analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as we do not control the underlying investments in a fund or ETF/ETN, managers of different funds held by the client may purchase the same security, increasing the risk to the client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF/ETN, which could make the fund or ETF/ETN less suitable of the client's portfolio.

Risks for all forms of analysis: Our securities analysis method relies on the assumption that the companies whose securities we purchase and sell, the rating agencies that review these securities, and other publicly available sources of information about these securities, are providing accurate and unbiased data. While we are alert to indications that data may be incorrect, there is always a risk that our analysis may be compromised by inaccurate or misleading information.

Security Selection and Asset Allocation Risk: Securities selected from a particular asset class (e.g., stocks, bonds, money market instruments) may experience unusual market volatility or may not perform as expected. An asset allocation program does not guarantee achievement of a client's investment objective nor protect against loss.

We may use the following strategies in managing client accounts:

Long-term purchases: We purchase securities with the idea of holding them in the clients account for a year or longer. We may do this because we believe the securities to be currently undervalued. We may do this because we want exposure to a particular asset class over time, regardless of the current projection for this class.

A risk in a long-term purchase strategy is that, by holding the security for this length of time, we may not take advantage of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

Short-term purchases: We purchase securities with the idea of selling them within a relatively short time (typically a year or less). We do this in an attempt to take advantage of conditions that we believe will soon result in a price swing in the securities we purchase.

A risk in a short-term purchase strategy is that, should the anticipated price swing not materialize, we are left with the option of having a long-term investment in a security that was designed to be a short-term purchase, or potentially taking a loss. In addition, this strategy involves more frequent trading than does a longer-term strategy and will result in less favorable tax treatment of short-term capital gains.

Margin transactions: When employing this strategy we purchase stocks for your portfolio with money borrowed from your brokerage account. This allows you to purchase more stock than you would be able to with your available cash, and allows us to purchase stock without selling other holdings.

A risk in margin trading is that, in volatile markets, securities prices can fall very quickly. If the value of the securities in your account minus what you owe the broker falls below a certain level, the broker will issue a "margin call", and you will be required to sell your position in the security purchased on margin or add more cash to the account. In some circumstances, you may lose more money than you originally invested. There are interest costs associated with trading on margin that will negatively affect returns.

Option transactions: Certain strategies use options as an investment strategy. An option is a contract that gives the buyer the right, but not the obligation, to buy or sell an asset (such as a share of stock) at a specific price on or before a certain date. An option, just like a stock or bond, is a security. An option is also a derivative, because it derives its value from an underlying asset.

The two types of options are calls and puts:

A call gives the holder the right to buy an asset at a certain price within a specific period of time. For certain strategies we will buy a call if our analysis indicates the stock may increase in value before the option expires.

A put gives the holder the right to sell an asset at a certain price within a specific period of time. For certain strategies we will buy a put if our analysis indicates the price of the stock may fall before the option expires.

Options can be used to speculate on the possibility of a sharp price swing. We also use options to “hedge” a purchase of the underlying security; in other words, we will use an option purchase to limit the potential upside and/or downside of a security we have purchased for your portfolio.

Some portfolios use “covered calls”, in which we sell an option on security you own. In this strategy, you receive a fee for making the option available, and the person purchasing the option has the right to buy the security from you at an agreed-upon price.

A risk of covered calls is that the option buyer does not have to exercise the option, so that if we want to sell the stock prior to the end of the option agreement, we have to buy the option back from the option buyer, for a possible loss. A covered call strategy may also limit upside appreciation.

We may use a “spreading strategy”, in which we purchase two or more option contracts (for example, a call option that you buy and a call option that you sell) for the same underlying security. This effectively puts you on both sides of the market, but with the ability to vary price, time and other factors.

A risk of spreading strategies is that the ability to fully profit from a price swing is limited.

For all strategies:

***Clients should understand that investing in any securities, including mutual funds and ETFs / ETNs, involve risks of loss of both income and principal.***

#### Proxy Policy

As a matter of firm policy and practice, WSC does not vote proxies on behalf of Clients with respect to securities held in a Client’s account unless specifically instructed otherwise. The Custodian is directed to forward all shareholder-related materials to the owner of the account.

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

Through personal discussions with clients, goals and objectives based on a client's particular circumstances are established. During our data-gathering process, we determine the client’s individual objectives, time horizons, risk tolerance, and liquidity needs. WSC then develops the client's personal investment guidelines and creates and manages a portfolio based on those guidelines. Information obtained from the Client is used to identify risk tolerance, objectives, and appropriate asset allocation. WSC will custom tailor an investment portfolio for a Client based on the style of management the Client selects.

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

Client information will be communicated directly from the Client to the portfolio manager. There are no restrictions on the ability of Clients to contact and consult with the portfolio manager.

While the underlying securities within Wrap-Fee Program accounts are continuously monitored, these accounts are formally reviewed at least annually by your IAR. WSC accounts are reviewed in the context of each Client’s

investment objectives and guidelines. More frequent reviews may be triggered by material changes in variables such as a Client's individual circumstances, or the market, political or economic environment, or upon a client's request.

Clients also receive frequent contact to keep them apprised of their accounts. At least annually, Clients are contacted to determine if there have been material changes to the financial status, objective or needs of the Client.

The Custodian sends account statements to Clients at least quarterly, for the quarters ended March, June, September and December, and each month during which there is activity in a Client's account. The statements will indicate all amounts disbursed from a Client's account (including the amount of the Fee or other fees paid to WSC), all transactions occurring in the account during the period covered by the statement, and a summary of the Client's positions and portfolio value at the end of the period. The Custodian will also send copies of Client account statements to WSC.

## **Item 9 Additional Information**

### **Disciplinary Reporting**

We are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of our advisory business or the integrity of our management.

In our broker-dealer capacity, Wellington Shields has the following events to report:

Non-Compliance with FINRA Rules. In 2019, FINRA determined that WSC failed to make and keep accurate records of customer confirmation and trade blotters as required by SEC Rule 17a-3 and MSRB Rule G-8. During the relevant period, the Firm also failed to complete the unsolicited/solicited field when entering municipal securities traded in the Order Management System. While contemporaneous records outside the OES were generally complete and accurate, the failure to populate this field caused trade confirmation to be inaccurate. No customers experienced financial harm and no inaccurate information was disseminated to the market as a result of the errors. Without admitting or denying the findings, WSC entered an Acceptance, Waiver and Consent, was censured and paid a fine of \$100,000.

A complete history of firm disciplinary information can be found at <https://brokercheck.finra.org/> and entering our firm name or CRD number, which is 149021.

In our advisory capacity, Wellington Shields has no disciplinary events to report. We note that the firm received a deficiency letter from the SEC in September 2022. The SEC cited that WSC did not recognize it had custody of advisory client assets as a result of the broker/dealer's authority under its WFCS clearing agreement. In 2022, WSC updated its ADV Part 1 to reflect that it has custody, revised its policies and procedures on custody, and arranged for annual surprise custody exams with a PCAOB registered accounting firm. WSC will further update its disciplinary information upon final disposition from the SEC.

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

WSC is a dually registered broker-dealer and investment adviser and member of the NYSE, FINRA and SIPC. WSC, in addition to being an Adviser, is a broker-dealer that provides brokerage services to individuals and institutions. The broker/dealer, in turn, introduces its customers to a clearing firm, to act as custodian for their accounts. WSC broker/dealer provides many WSC advisory clients with brokerage services and may receive payment for these transaction related services in the form of commissions. Commissions are not paid by clients entering a wrap-fee program. WSC can also earn fees from its clearing agent on client cash and margin balances.

WSC broker/dealer is the principal underwriter and distributor of the Capital Management Investment Trust ("Trust"), a registered open-end investment company and the Trust's exclusive agent for the distribution of Trust

shares, for which it receives fees and/or commissions. WSC directors, David V. Shields, and W. Jameson McFadden, are shareholders and directors of the Trust.

Wellington Shields Capital Management, (“WSCM”), an affiliate, is an SEC registered investment adviser. WSCM and WSC are separate limited liability companies that are wholly owned by Wellington Shields Holdings, LLC.

WSC is affiliated with Capital Management Associates, Inc. (hereinafter “CMA”) which serves as the investment advisor for the Wellington Shields All Cap series of the Capital Management Investment Trust (“Trust”), a registered open-end management investment company. WSC employees David V. Shields, and W. Jameson McFadden, are shareholders and directors of CMA.

The trust may be offered in certain circumstances to clients of WSC which will pay fees in connection with their investment in the Trust from which Messrs., D. Shields and W.J. McFadden will indirectly benefit.

Because WSC is a dually registered broker-dealer, the management persons and other employees of WSC are management persons and registered representatives of NYSE and FINRA member broker dealer. In their separate capacities as registered representatives, these individuals will be able to effect securities transactions for advisory clients, for which they will receive separate and additional compensation. Clients, however, are not under any obligation to engage these individuals when considering the purchase/sale of securities.

Clients should be aware that the receipt of additional compensation by WSC broker dealer and its management persons or employees creates a conflict of interest that may impair the objectivity of WSC the adviser and these individuals when making advisory recommendations. WSC the adviser endeavors at all times to put the interest of its clients first as part of its fiduciary duty as a registered investment adviser and takes the following steps to address this conflict:

- WSC discloses to clients the existence of all material conflicts of interest, including the potential for the broker/dealer and its employees to earn compensation from advisory clients in addition to WSC’s advisory fees. See ADV, Part 3, Form CRS for additional details;
- WSC discloses to clients that they are not obligated to purchase recommended investment products from the broker dealer’s employees or Related Companies;
- WSC collects, maintains and documents accurate, complete and relevant client background information, including the client’s financial goals, objectives and risk tolerance;
- WSC’s management conducts regular reviews of each client account to verify that recommendations made to a client are suitable to the client’s needs and circumstances;
- WSC requires that its employees seek prior approval of any outside employment activity so that WSC may ensure that any conflicts of interests in such activities are properly addressed;
- WSC periodically monitors these outside employment activities to verify that any conflicts of interest continue to be properly addressed by WSC; and
- WSC educates its employees regarding the responsibilities of a fiduciary, including the need for having a reasonable and independent basis for the investment advice provided to clients.

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

WSC has adopted a written Code of Ethics which requires the firm to comply with certain rules, laws and securities regulations, including but not limited to information involving securities holdings of employees. WSC has adopted a Code of Ethics for the purpose of instructing its personnel in their ethical obligations and to provide rules for their personal securities transactions, among other things. This code is based on three underlying fiduciary principles: (1) our duty at all times to place the interest of our clients first; (2) the requirement that all our personal securities transactions be conducted consistent with this code and in such a manner as to avoid any actual or potential conflict

of interest or any abuse of an individual's position of trust and responsibility; and (3) the fundamental standard that our investment personnel should not take inappropriate advantage of their positions. Among other things, our Code of Ethics also requires the prior approval of any acquisition of securities in a limited offering (e.g., private placement) or an initial public offering. Our code provides for oversight, enforcement and recordkeeping provisions. Clients or prospective clients may obtain a copy of the Code of Ethics upon request to our Compliance Officer at the firm's principal office address or by telephone at (212) 320-3000.

Our Code of Ethics is designed to assure that the personal securities transactions, activities and interests of our employees will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Our firm and/or individuals associated with our firm may buy or sell for their personal accounts securities identical to or different from those recommended to our clients. In addition, any related person(s) may have an interest or position in a certain security(ies) which may also be recommended to a client.

It is the expressed policy of our firm that no person employed by us may purchase or sell any security immediately prior to a transaction(s) being implemented for an advisory account, thereby preventing such employee(s) from benefiting from transactions placed on behalf of advisory accounts.

As required by Section 204A of the Investment Advisers Act of 1940, as amended, WSC has implemented written procedures to detect and prevent the misuse of material, non-public information, i.e., inside information, by WSC, its affiliates, or any officer, director, stockholder or employee, or any member of their families. Such persons may have a position in and may, from time to time, purchase or sell any of the securities that WSC trades in or recommends to Clients. WSC employees and their affiliates also may invest in WSC's Wrap-Fee Program.

### **Review of Accounts**

While the underlying securities in all accounts are regularly monitored, these accounts are formally reviewed annually. More frequent reviews may be triggered by material changes in variables such as the client's individual circumstances, or the market, political, economic environment or upon a client's request. Individual assets held in the portfolios are reviewed to determine if they conform to the investment strategy designed to meet the client's account objective. The overall investment portfolio, as well as the individual assets, performance of current holdings and an analysis of individual purchase and/or sales of securities transactions are reviewed.

These accounts are reviewed by the Managing Director, Chief Compliance Officer, Portfolio Manager or a designated officer of the firm.

Statements are sent to clients at least quarterly. Any account that has activity will receive a statement monthly. Accounts with no activity during the course of the month will not receive a statement for that month. However, all clients will receive a minimum of four statements each year, sent at quarterly intervals – March, June, September and December.

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

WSC has no agreements to compensate any outside party for customer referrals. WSC does not receive any fees for referrals made by the firm.

### **Financial Information**

Under no circumstances will we earn fees in excess of \$1,200 more than six months in advance of services rendered. Therefore, we are not required to include a financial statement.

As a registered investment advisory firm that maintains discretionary authority for client accounts, we are also required to disclose any financial condition that is reasonably likely to impair our ability to meet our contractual obligations. WSC has no additional financial circumstances to report.