

# Regulation Best Interest Disclosure

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This guide summarizes important information concerning the scope and terms of the brokerage services that Wellington Shields & Co., LLC (“Wellington Shields”) offers and details the material conflicts of interest that arise through our delivery of brokerage services to you. We encourage you to review this information carefully, along with any applicable account agreement(s) and disclosure documentation you may receive from us.

As you review this information, we would like to remind you that we are registered with the U.S. Securities and Exchange Commission (SEC) as a broker-dealer and an investment adviser, providing both brokerage services and investment advisory services. Our brokerage services are the primary focus of this guide. For more information on our investment advisory services and how they differ from brokerage, please review the Customer Relationship Summary (or Form CRS) available at [wellingtonshields.com/Form-CRS/](http://wellingtonshields.com/Form-CRS/). Our Form CRS contains important information about the types of services we offer, both brokerage and investment advisory, along with general information related to compensation, conflicts of interest, disciplinary action and other reportable legal information.

Please carefully review and consider the information in each section below.

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## Brokerage Services

When you establish a brokerage account with us, you have the ability to buy, sell and hold investments within your account. The primary service we provide is our trading capability. We execute purchases and sales on your behalf, and as directed by you. In a brokerage services relationship, we can trade with you for our own account, for an affiliate or for another client, and we can earn a profit on those trades. The capacity in which we act is disclosed on your trade confirmation. However, we are not required to communicate it in advance, obtain your consent, or inform you of any profit earned on trades.

## Cash Brokerage and Margin Brokerage Accounts

We provide brokerage services through either a cash brokerage account or margin brokerage account, based on your eligibility and selection. In a cash brokerage account, you must pay for your purchases in full at the time of purchase. In a margin brokerage account, you must eventually pay for your purchases in full, but you may borrow part of the purchase price from our clearing firm, First Clearing<sup>1</sup>. This is generally referred to as a “margin loan”. The portion of the purchase price that is loaned to you is secured by securities in your account, also referred to as “collateral”. You will incur interest costs as a result of your margin activity. While many securities are eligible to be used as collateral for a margin loan, some assets are not available for margin collateral purposes.

Given that a margin-enabled brokerage account has specific eligibility requirements, unique costs, and governing regulatory requirements, our default brokerage option is our cash brokerage account. You must execute a separate margin agreement before engaging in margin brokerage activity. Included with your margin agreement is a copy of the Margin Disclosure Statement. This statement contains important information you should understand and consider before establishing a margin brokerage relationship with us. For more information on our margin brokerage services, contact your financial professional or refer to our Margin Disclosure Statement, which is available at [wellingtonshields.com/disclosures/](http://wellingtonshields.com/disclosures/).

<sup>1</sup> First Clearing is a trade name used by Wells Fargo Clearing Services, LLC.

## Brokerage Account Types

We offer many different brokerage account types including individual and joint accounts, custodial accounts, Delivery Versus Payment (DVP) accounts, estate and trust accounts, partnership accounts, individual retirement accounts and other types of retirement accounts as outlined in our account agreement(s). You should refer to our account agreement(s) for more information concerning available account types or speak with your financial professional.

## Incidental Brokerage Services, Recommendations and Account Monitoring

Within your brokerage account, we may also provide other incidental services such as research reports, and recommendations to buy, sell, or hold assets. When we make a securities recommendation, investment strategy recommendation or recommendation to rollover assets from your Qualified Retirement Plan (QRP) to an Individual Retirement Account (IRA), the recommendation is made in our capacity as a broker-dealer unless otherwise stated at the time of the recommendation. Any such statement will be made orally to you. Moreover, when we act in a brokerage capacity, we do not agree to enter into a fiduciary relationship with you, with the exception of when we provide "investment advice" as defined under Title I of Employee Retirement Income Security Act ("ERISA") or the Internal Revenue Code ("Code"), to you regarding your retirement plan account, IRA or ESA, we are fiduciaries within the meaning of ERISA and/or the Code. The way we make money creates some conflicts with your interests, so when we operate as a fiduciary for your retirement account(s) we operate under a special rule, PTE 2020-02, that requires us to act in your best interest and not put our interest ahead of yours. To the extent that particular communications to you or activities are considered "investment education" or otherwise non-fiduciary under ERISA, we are not a fiduciary in connection with such communications or activities.

It is important for you to understand that when our investment professionals make a brokerage recommendation to you, we are obligated to ensure the recommendation is in your best interest, considering reasonably available alternatives, and based on your stated investment objective, risk tolerance, liquidity needs, time horizon, financial needs, tax status, and other financial information you provide us. You may accept or reject any recommendation. It is also your responsibility to monitor the investments in your non-retirement brokerage account, and we encourage you to do so regularly. We do not commit to provide on-going monitoring of your brokerage account. If you prefer on-going monitoring of your account or investments, you should speak with an investment professional about whether an advisory services relationship is more appropriate for you.

Please also consider that, from time to time, we may provide you with additional information and resources to assist you with managing your brokerage account. This may include but is not limited to educational resources, sales and marketing materials, performance reports, asset allocation guidance, and/or periodic brokerage account reviews. When we offer these services and information, we do so as a courtesy to you. These activities are not designed to monitor specific investment holdings in your brokerage account, they do not contain specific investment recommendations about investment holdings, and you should not consider them a recommendation to trade or hold any particular securities in your brokerage account. Upon your request, we will review such information and reports with you and may provide you with investment recommendations, but we are not under a specific obligation to do so.

## Clearing Services

We have entered into an agreement with First Clearing (also referred to herein as "Clearing Agent") to carry your account and provide certain back office functions. We and First Clearing share responsibilities with respect to your account as set forth in the Designation of Responsibilities that was delivered to you upon opening of your account. Please refer to the Designation of Responsibilities for more information on how such responsibilities have been allocated between us.

## Understanding Risk

It is important for you to understand that all investment recommendations and activities involve risk, including the risk that you may lose your entire principal. Further, some investments involve more risk than other investments. Higher-Risk investments may have the potential for higher returns but also for greater losses. The higher your "risk tolerance", meaning the amount of risk or loss you are willing and able to accept in order to achieve your investment goals, the more you may decide to invest in higher-risk investments offering the potential for greater returns. We align risk tolerances with investment needs to accommodate different investment objectives from which to choose (see below). You should select the investment objective and risk tolerance best aligned with your brokerage account goals and needs.

Investment goals typically have different time horizons and different levels of emphasis on preservation of capital, income and growth. Generally, investment goals are on a spectrum, with "Income" investors typically holding the smallest percentage of higher-risk investments, followed by "Growth and Income" investors holding some higher-risk investments, and finally "Growth"

investors holding a significant portion of their portfolio in higher-risk investments. Risk tolerance also varies and we measure it on a continuum that increases from “Conservative” to “Moderate” to “Aggressive”, and finally “Trading and Speculation”. Examples are provided below.

## Generally Associated Risk Tolerance

### Income Investment Objective

**Typical Investment Objective Description** - Income portfolios emphasize current income with minimal consideration for capital appreciation and usually have less exposure to more volatile growth assets.

- **Conservative** Conservative Income investors generally assume lower risk, but may still experience losses or have lower expected income returns.
- **Moderate** Moderate Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest income returns.
- **Aggressive** Aggressive Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

### Growth and Income Investment Objective

**Typical Investment Objective Description** - Growth and Income portfolios emphasize a blend of current income and capital appreciation and usually have some exposure to more volatile growth assets.

- **Conservative** Conservative Growth and Income investors generally assume a lower amount of risk, but may still experience losses or have lower expected returns.
- **Moderate** Moderate Growth and Income investors are willing to accept a modest level of risk that may result in increased losses in exchange for the potential to receive modest returns.
- **Aggressive** Aggressive Growth and Income investors seek a higher level of returns and are willing to accept a higher level of risk that may result in greater losses.

### Growth Investment Objective

**Typical Investment Objective Description** - Growth portfolios emphasize capital appreciation with minimal consideration for current income and usually have significant exposure to more volatile growth assets.

- **Conservative** Conservative Growth investors generally assume a lower amount of risk, but may still experience increased losses or have lower expected growth returns.
- **Moderate** Moderate Growth investors are willing to accept a modest level of risk that may result in significant losses in exchange for the potential to receive higher returns.
- **Aggressive** Aggressive Growth investors seek a higher level of returns and are willing to accept a high level of risk that may result in more significant losses.

### Trading and Speculation

Trading and Speculation investors seek out a maximum return through a broad range of investment strategies which generally involve a high level of risk, including the potential for unlimited loss of investment capital.

Our recommendations are based in part on your risk tolerance and investment objective as outlined above. We encourage you to carefully consider your investment objective and risk tolerance before investing.

## Cash Sweep Program Feature

Our brokerage services include a Cash Sweep Program feature. This program permits you to earn a return on uninvested cash balances in your brokerage account by allowing cash balances to be automatically “swept” into a “Cash Sweep Vehicle”, until such balances are otherwise required to satisfy obligations arising in your account. These Cash Sweep Vehicles include interest-bearing deposit accounts, and if permissible, money market mutual funds or such other sweep arrangements made available to you. You will receive additional information concerning the Cash Sweep Program in your account agreement(s). More information about the Cash Sweep Program can be found in the Cash Sweep Program Disclosure Statement available at [wellingtonshields.com/disclosures/](http://wellingtonshields.com/disclosures/). Please review that Disclosure Statement carefully.

## Account Minimums and Activity Requirements

There is no minimum initial account balance required to open a brokerage account with us. However, if you either fail to fund your account or do not return account opening documents as required, your account will be closed. In addition, some types of brokerage accounts have minimum account activity requirements and/or minimum on-going balance requirements that must be maintained, or your brokerage account will be closed. These requirements are detailed in the account agreement(s) you receive when you open your brokerage account.

You should also understand that our financial representatives may establish their own minimum account balance requirements for the brokerage accounts they service. For example, a dedicated financial representative may choose to service only those brokerage account clients who satisfy account-specific or total household asset conditions.

Minimum asset requirements are disclosed to you orally by your financial professional.

## Brokerage Service Models and Products

In our capacity as a broker-dealer, you typically pay us for each securities transaction we effect for you. We may recommend investments and investment strategies involving securities, which include recommendations of account types and rollovers or transfers of assets, such as rolling over retirement plan assets into an IRA; however we cannot buy or sell investments in your brokerage account without first obtaining your approval.

The brokerage services at Wellington Shields vary based upon the financial professional servicing your account. Please consult with your representative as to the service models that can be provided to you.

Discount brokerage - the service Wellington Shields provides in this model is execution services. Discount brokerage clients do not rely on Wellington Shields as to what securities and when to buy and sell. Orders are sent to financial professionals for routing to markets for execution. Investment options available through other models are also available through discount brokerage.

Full Service - in this service model, clients can receive personalized service, investment and planning recommendations from the financial professional servicing their account. Fees for Full Service brokerage are typically higher than those that apply for Discount brokerage. Clients in this service model will receive the same execution services as other models. Investment options available through other models are also available through Full Service brokerage.

Wellington Shields does not provide internet based or direct access trading. All orders must be placed with a financial professional by phone, except for certain relationships where orders may be sent by electronic message, but are subject to support limitations.

Not all of our financial representatives can offer the full range of investments and services we offer. You may research your financial representative's experience, registrations and licenses on the BrokerCheck website of the Financial Industry Regulatory Authority (FINRA) at <https://brokercheck.finra.org/>.

## Brokerage Fees and Our Compensation

It is important to consider that, while a brokerage relationship can be a cost-effective way of investing your assets, it is not for everyone given the fees and costs involved.

### Transaction-Based Fees

You will pay transaction-based fees for trades you decide to enter into, such as buying and selling stocks, bonds, Exchange Traded Products (ETPs), mutual funds, annuity contracts, exercising options and other investment purchases and sales. These transaction-based fees are generally referred to as a "commission", "mark up", "sales load", or a "sales charge".

Transaction-Based fees are based on a host of factors, including, but not limited to:

- Underlying product selection
- Your brokerage service model and account type
- Size of your transaction and/or overall value of your account
- Frequency of your trade activity
- Available discounts and/or fee waivers

## Account and Service Fees

You will pay fees for various operational services provided to you through your brokerage account. These fees are set at least annually and communicated to you through information included in your account statement and other notifications. These fees do not apply to all account types and may be waived under certain conditions.

You should understand that, based on the brokerage service model you choose, the same or similar products, accounts and services may vary in the fees and costs charged to you. For more information concerning our administrative and service fees, visit us at [wellingtonshields.com/disclosures/](http://wellingtonshields.com/disclosures/).

## How We Are Compensated

We receive direct and indirect compensation in connection with your accounts. Direct compensation is taken directly from the affected account. Indirect compensation is compensation paid in ways other than directly from the account and may impact the value of the associated investments in your account. The sections below describe the compensation that we receive in connection with various investments that may be available to you. In many cases, the descriptions that follow refer to a prospectus or other offering documents that provide additional information regarding fees and other costs that apply.

## Commission Schedule for Stocks, Rights, Warrants, Secondary Market Closed End Funds (CEFs) and Exchange Traded Products (ETPs)

Wellington Shields uses a number of different commission rates, which are based upon factors including but not limited to: service model, financial representative coverage, account size and trading frequency. Commissions can be as low as zero for specific client accommodations but at no time will exceed 4.99% for trades with a principal amount of \$500 or greater. Discounts from Wellington Shields' published commission schedule, in addition to supplemental schedules, are negotiable. To the extent additional fee schedules apply, please discuss this with your financial professional.

### Commission

Principal of \$499 or less = 10% of Principal

Principal of \$500 or Greater =

Principal	Commission	For 2 or more lots
\$0 - \$2,499	= 2.1% of Principal + \$28 +	\$10 per lot for the first 10 lots and \$6.5 per lot on the remaining lots
\$2,500 - \$19,999	= 1.5% of Principal + \$43 +	\$10 per lot for the first 10 lots and \$6.5 per lot on the remaining lots
\$20,000 - \$49,999	= 0.7% of Principal + \$203 +	\$10 per lot for the first 10 lots and \$6.5 per lot on the remaining lots
\$50,000 and above	= 0.6% of Principal + \$253 +	\$10 per lot for the first 10 lots and \$6.5 per lot on the remaining lots

### Maximum

4.98% of Principal

For information on the commission charges on a specific transaction, please review the trade confirmation provided to you at the time of the transaction. We share a portion of the commission with your financial professional.

## Option Rates Equity and Index

As is the case with equities, commissions can be as low as zero for specific client accommodations but at no time will exceed 4.99% for trades with a principal amount of \$500 or greater. Discounts from Wellington Shields' published commission schedule, in addition to supplemental schedules, are negotiable.

## Commission

Principal	Commission	For any quantity greater than 1
\$0 - \$2,499	= 2% of Principal + \$25 +	\$8 per contract on quantities less than 11 or \$25 plus \$5.5 per contract on quantities equal to or greater than 11.
\$2,500 - \$19,999	= 1.4% of Principal + \$40 +	\$8 per contract on quantities less than 11 or \$25 plus \$5.5 per contract on quantities equal to or greater than 11.
\$20,000 - \$24,999	= 0.8% of Principal + \$160 +	\$8 per contract on quantities less than 11 or \$25 plus \$5.5 per contract on quantities equal to or greater than 11.
\$25,000 and above	= 0.4% of Principal + \$260 +	\$8 per contract on quantities less than 11 or \$25 plus \$5.5 per contract on quantities equal to or greater than 11.

## Maximum

4.98 % of Principal

In the event of an option exercise or assignment that will result in the purchase or sale of an underlying security, you will pay a commission. Certain small option transactions will result in commissions that are below those in the published schedule. We share a portion of these commission with your financial professional. For more information about options, see the OCC's Characteristics & Risks of Standardized Options document at:

<https://www.theocc.com/Company-Information/Documents-and-Archives/Publications> .

## Debt Securities

For debt securities, including corporate bonds, municipal bonds and CDs, we may apply a charge (*i.e. markup or markdown*) of up to 3% of the amount of your secondary market transaction. The amount of the markup/markdown will depend on a number of factors and particular circumstances for each transaction, including type of security, transactions size, credit quality, unit price, maturity, liquidity and market scarcity. Customary markups/markdowns typically fall in the range of 1% to 3% of principal. Additionally, we may incur gains (or losses) on positions we hold in inventory in response to market movements or other events that impact the value of the securities we own. We share a portion of the markup/markdown amount with your financial professional.

## Mutual Funds

We currently offer a large number of mutual funds from fund managers with whom we have a dealer agreement. These funds vary in share class structure and investment style. There are no standard definitions for mutual fund share classes and each mutual fund defines its share classes in its prospectus. Mutual funds set their own eligibility criteria for their share classes and you may not be eligible to purchase a particular share class of a particular fund. If you invest in mutual funds, we may receive direct and indirect compensation in connection with such mutual fund investments, as described below.

## Shareholder Service Fees or 12b-1

Annual 12b-1 fees, also known as trails, are paid by the fund and paid to us out of the fund assets under a distribution and servicing agreement to cover distribution expenses and sometimes shareholder service expenses that are provided on the fund's behalf. Shareholder serving fees are paid to respond to investor inquiries with information about their investments. These fees are asset-based fees charged by the fund family. These fees range from 0.00% to 1.00%, but the majority of these fees are below 0.85%. These fees may be passed on to us and may in turn be passed to your financial professional as a commission.

## Front-End Sales Charge Fees or Contingent Deferred Sales Charges (CDSC)

Front-End sales charge fees may be charged and paid to us, including your financial professional, when you purchase a fund. The front-end sales charge is deducted from the initial investment on certain share classes. This charge normally ranges from 0.00% to 5.75%. Some purchases may qualify for a reduced front-end sales charge due to breakpoint discounts based on the amount of a transaction and rights of accumulation. In addition, some purchases may qualify for a sales charge waiver based on the type of account, and/or certain qualifications within the account. You should contact your financial professional if you believe you are eligible for sales charge waivers.

A contingent deferred sales charge (CDSC) is a charge you pay upon withdrawal of money from a fund prior to the end of the fund's CDSC period. CDSC charges range from 0.00% to 5.50%. CDSC periods can range from zero to seven years. This charge typically exists only on share classes that do not have a front-end sales charge. It is sometimes referred to as the back-end load. CDSCs are not charged when you purchase a fund. The fee charged will depend on the share class purchased by the investor. A CDSC is not passed on to your financial professional. You can find a description of the amount and payment frequency of all fees and expenses charged and paid by the fund in the fund's prospectus. Fees and expenses disclosed in the fund's prospectus are charged against the investment values of the fund.

## Revenue Sharing

The firm has a revenue sharing arrangement with its clearing firm, First Clearing, on revenues generated from margin debit balances and Priority Collateralized Loans (PCL). Interest will be charged to customer Margin/PCL accounts at a rate to be determined by the firm. Factors in this determination will be trading frequency, the size of the loan, and customer history. Rates are subject to negotiation. On customer Margin/PCL balances, broker cost of funds will be based on the published Broker Call Rate minus 125 basis points. The firm will earn the difference between the interest rate charged to customers and the broker's cost of funds. A portion of fees earned on PCL balances is shared with your financial professional.

## Annuities

Our annuities consist of fixed, index and variable annuities. Under arrangements with insurance companies, we, including your financial professional, receive commission from the insurance companies for the sale of annuities, as well as trail commissions, and they are considered indirect compensation. A portion of this commission is shared with your financial professional. The commission payment is paid out of the insurance company's assets, which is derived from the product's fees, costs and expenses. Although insurance product commissions vary, we typically receive between 1% to 7.25% of the amount invested over time for annuities, 2% to 5% for fixed annuities and an average of 8% for single premium life policies.

If you surrender an insurance product during the surrender charge period cited in the prospectus, a surrender charge will be deducted from the cash value returned to you. Surrender charge periods vary but can be up to 10 years and begin around 10% of the cash value in the first year, eventually declining to 1% for the final year of the surrender period.

Insurance companies deduct certain ongoing fees and expenses from your insurance investments. These ongoing fees and expenses include mortality and expense fees, cost of insurance fees, administration fees, transaction fees, and fees associated with certain optional riders. In addition, you will indirectly pay the ongoing fees and expenses for the underlying investment options for your insurance product. These fees and expenses are separate from the fees charged by the insurance company and will be reflected in the performance of the underlying investment options. These fees can include management fees and servicing fees.

## Unit Investment Trusts (UITs)

Our UIT transactions consist of Equity and Fixed Income UITs. Wellington Shields, along with your financial professional are compensated in amounts that vary depending on the type and terms of the UIT portfolio selected. The types of fees received by us are described below and are disclosed via the prospectus issued by the UIT provider. Your financial professional can provide you with a copy of the most recent prospectus. The UIT provider deducts fees as compensation from proceeds available for investments for marketing and distribution expenses, which may include compensating us, as described in each UIT prospectus. Sales charges for UITs sold by us for 13 and 15-month UITs are 1.85%, of which 1.25% are paid to our firm and financial professional. For two-year UITs, the sales charge is 2.75%, with 2% paid to the firm and financial professional. UITs are subject to annual organizational costs and operating expenses. These fees and expenses may include, but are not limited to, portfolio supervision, record keeping, administrative fees, and trustee fees. You indirectly pay for these expenses because they are deducted from the trust assets and reflected in the net asset value of units.

## Cash Sweep Program/Bank Deposit Sweep/Other Float Compensation

Client liquid funds are typically invested in an expanded FDIC insured cash sweep program offered through our clearing firm. Interest is paid at the current bank rate for short-term demand deposits. This program will automatically invest and redeem uninvested cash held in an account. Wellington Shields receives an offsetting revenue share on eligible balances from First Clearing (a trade name used by Wells Fargo Clearing Services, LLC) based upon the aggregate amount of customer funds deposited and the Fed Funds Target Rate. Under our agreement with First Clearing, this may result in as much as a 97 basis points (0.97%) annual rate on the cash balances.



## Training and Education

We work closely with many product and service providers who provide training and education compensation to offset or reimburse us for costs incurred in conducting comprehensive training and educational meetings for our financial professionals. These meetings or events are held to educate financial professionals on product characteristics, business building ideas, successful sales techniques, suitability as well as various other topics. In addition, certain vendors provide free or discounted research or other vendor products and services, which can assist our financial professionals with providing services to you.

Likewise, from time to time, product providers will reimburse us for expenses incurred by individual branch offices in connection with conducting training and educational meetings, conferences, or seminars for financial professionals and participants. Also, financial professionals may receive promotional items, meals or entertainment or other non-cash compensation from product providers. Our employees may not accept gifts of \$100 in value or more from any one vendor in a calendar year. Any meals, entertainment, or lodging must be reasonable and customary, and must be disclosed to the Compliance Department.

Although training and education compensation is not related to individual transactions or assets held in customer accounts, it is important to understand that, due to the total number of product providers whose products are offered by us, it is not possible for all companies to participate in a single meeting or event. Consequently, those product providers that do participate in training or educational meetings, seminars or other events gain an opportunity to build relationships with financial professionals; these relationships could lead to sales of that particular company's products.

## Operational Fees

We receive compensation for various operational services provided to you through a brokerage account. The fees and costs associated with your accounts depend upon the type of your accounts and the types of services you select. You will pay fees and incur costs for various services we provide to you for your brokerage accounts, including but not limited to, account maintenance fees, account transfer fees, account termination fees, postage and handling fees, and account inactivity fees. These fees do not apply to all account types and may be waived under certain conditions. For a listing of these fees, please see our fee schedule for these services at [wellingtonshields.com/disclosures](http://wellingtonshields.com/disclosures).

## Trade Corrections

Trade corrections, defined as account designation changes that do not require market action to correct (including account number, account type, commissions charged, trailer information, tax lot information and solicited versus unsolicited designation) will be processed by the firm for any bona fide request by a customer. Correction requests are reviewed and approved by supervisory personnel at the firm. Clients are not charged for trade corrections. The firm will accept financial responsibility for any data entry error caused by firm personnel, as well as errors caused by defective or malfunctioning software operated by us or a vendor.

## Compensation for Termination of Services

Other than any contingent deferred sales charge for a fund (as described under the Mutual Funds section above, if applicable), IRA termination fees (when applicable), and account transfer fees, the firm would not receive any additional compensation in connection with the termination of its services. If you have questions regarding this, contact your financial professional.

## Brokerage - Excluded Advisory Assets

As described above, our brokerage services differ from our advisory services. However, in some instances we may allow an advisory client to trade what are referred to as "excluded assets" within their advisory services account. Excluded assets are not subject to our advisory program fees. Instead of our advisory fees, these excluded assets are subject to our standard brokerage charges when traded.

## Conflicts of Interest

Conflicts of interest exist when we provide brokerage services to you. A conflict of interest is a situation in which we engage in a transaction or activity where our interest is materially adverse to your interest. The mere presence of a conflict of interest does not imply that harm to your interests will occur, but it is important that we acknowledge the presence of conflicts. Moreover, our regulatory obligations require that we establish, maintain, and enforce written policies and procedures reasonably designed to address conflicts of interest associated with our recommendations to you.

Our conflicts of interest are typically the result of compensation structures and other financial arrangements between us, our financial professionals, our customers and third parties. We offer a broad range of investment services and products and we



receive various forms of compensation from our customers, affiliated and non-affiliated product providers and money managers, and other third parties as described above. Securities rules allow for us, our financial professionals, and our affiliates to earn compensation when we provide brokerage services to you. However, the compensation that we and our financial professionals receive from you varies based upon the product or service you purchase, which creates a financial incentive to recommend investment products and services that generate greater compensation to us.

We are committed to taking appropriate steps to identify, mitigate and avoid conflicts of interest to ensure we act in your best interest when providing brokerage recommendations to you. Below you will find additional information related to our conflicts of interest. This information is not intended to be an all-inclusive list of our conflicts, but generally describes those conflicts that are material to your brokerage relationship. In addition to this disclosure, conflicts of interest are disclosed to you in your account agreement(s) and disclosure documents, our product guides and other information we make available to you.

## Compensation We Receive From Clients

### Transaction-Based Conflicts

In your brokerage account, you pay certain fees (commissions and sales charges) in connection with the buying and selling of each investment product, including mutual funds, variable annuities, alternative investments, exchange-traded funds, equity securities, and bonds. Where these fees apply, the more transactions you enter into, the more compensation that we and your financial professional receive. This compensation creates an incentive for us to recommend that you buy and sell, rather than hold, these investments. We also have an incentive to recommend that you purchase investment products that carry higher fees, instead of products that carry lower fees or no fees at all.

### Markups and Markdowns for Principal Transactions (Principal Trading)

When you buy or sell securities in a brokerage account, and in accordance with industry regulations, we may impose a markup (increase) or markdown (decrease) in the price of transactions we execute on a principal basis. We are compensated based upon the difference (markup) between the price you pay for securities purchased from us and the price we sell such securities to you over the prevailing market price, or the difference (markdown) between the price you sell securities to us and the price we purchase such securities from you over the prevailing market price. We maintain policies and procedures reasonably designed to help ensure compliance with the markup and markdown industry rules.

### Account Maintenance and Other Administrative Fees

For the services we provide or make available to you with respect to your brokerage account, we charge certain account maintenance and other administrative fees, including transfer, handling, or other miscellaneous fees, as described in the fee schedule provided to you on an annual basis. The higher the fees we charge, the more we are compensated.

## Compensation We Receive from Third Parties

Third-Party payments we receive may be based on new sales of investment products, creating an incentive for us to recommend you buy and sell, rather than hold, investments. In other cases, these payments are made on an ongoing basis as a percentage of invested assets, creating an incentive for us to recommend that you buy and hold investments (or continue to invest through a third-party manager or adviser).

The total amount of payments we receive varies from product to product, and varies with respect to the third-party investment management products we recommend. It also varies from the compensation we receive in connection with other products and services we may make available to you, including advisory services. We have an incentive to recommend investment products and services that generate greater payments to us. This compensation generally represents an expense embedded in the investment products and services that is borne by investors, even where it is not paid by the Product Sponsor and not directly from the investment product or other fees you pay. The types of third-party compensation we receive include:

- **Revenue Sharing.** Some issuers, fund sponsors or managers, and others make payments to us that are sometimes called “revenue sharing” payments because they share with us part of the revenue that they earn on your investments or deposits in their funds or products. Revenue sharing payments are different from third-party payments because revenue sharing comes from the revenue earned by others that is then shared with us. Revenue sharing payments create a conflict of interest for us because they provide an incentive for us to make available only those investment products that generate such payments to us and to encourage you to purchase and hold those investments that result in us receiving such payments. Examples of the type of revenues that may be shared with us include mutual fund management fees, insurance company fees, and interest earned on securities-based lines of credit.

- **Trail Compensation.** Ongoing compensation from Product Sponsors may be received by us and shared with our financial professionals. This compensation (commonly known as trails, service fees or Rule 12b-1 fees in the case of mutual funds) is typically paid from the assets of the investment product under a distribution or servicing arrangement and is calculated as an annual percentage of invested assets. The amount of this compensation varies from product to product. We have an incentive to recommend that you purchase and hold interests in products that pay us higher trails.

## Additional Compensation from Product Sponsors and Other Third Parties

We and our financial professionals, associates, employees, and agents receive additional compensation from Product Sponsors and other third parties including:

- Gifts and awards, an occasional dinner or ticket to a sporting event, or reimbursement in connection with educational meetings or marketing or advertising initiatives, including services for identifying prospective clients.
- Payment or reimbursement for the costs associated with education or training events that are attended by our employees, agents, and financial professionals, and for conferences and events that we sponsor.

**Note:** The amount of these payments is not dependent or related to the level of assets you or any other of our customers invest in or with the Product Sponsor.

## Product Share Classes

Some Product Sponsors offer multiple structures of the same product (*i.e., mutual fund share classes*) with each option having a unique expense structure, and some having lower costs to you as compared to others. We are incentivized to make available those share classes or other product structures that will generate the highest compensation to us. However, we maintain policies and procedures designed to ensure that share class recommendations are in your best interest.

## Payment for Order Flow

Wellington Shields receives order flow payments for directing certain types of customer orders in equity securities. Order flow payments relate to liquidity rebates from market centers, which are received directly or indirectly through agreements with these venues. Wellington Shields can receive remuneration for directing orders to a market center, including national securities exchanges, alternative trading systems and electronic communication networks that may offer credits for orders that provide liquidity and may assess fees for orders that remove liquidity from the National Best Bid and Offer (NBBO).

## Compensation Related to Proprietary Products

Brokerage recommendations can include a recommendation to invest in a product or service that is managed, issued or sponsored by us or our affiliates. We and our affiliates will receive additional compensation or economic benefits from investments by you in such products, including, but not limited to, management credits, service fees and similar revenue sharing arrangements. The compensation related to these may be greater than similar products provided by third parties. Thus, we have an incentive to recommend investments in proprietary/affiliated products.

## Compensation Related to Our Affiliates

Wellington Shields has two affiliated investment advisory firms and is also affiliated with the Wellington Shields All Cap Fund, a registered investment company operating as a mutual fund. Revenue differentials may exist from the service offerings from one of the advisory firms, which may incentivize a recommendation to use the services of one firm over another. The affiliated mutual fund pays management fees to an affiliated advisor, which can also create a conflict.

## Compensation Received by Financial Professionals

Financial professionals are compensated in a variety of ways based on the percentage of revenue generated from sales of products and services to clients and/or total assets under advisement, including brokerage account activity. This compensation may vary by the product or service associated with a brokerage recommendation. In addition to upfront-transaction based compensation, some products feature on-going residual or "trail" payments. Thus, financial professionals are incentivized to recommend products that have higher fees as well as those with on-going payments.

As a result, financial professionals have an incentive to provide brokerage recommendations that result in selling more investment products and services, as well as investment products and services that carry higher fees. Financial professionals also have an incentive to provide brokerage recommendations to gather more assets under management and to increase brokerage trading activity, and to reduce the amount of discounts available to you.

Financial Professionals have an incentive to recommend you rollover assets from a Qualified Retirement Plan (QRP) to a brokerage Individual Retirement Account (IRA) because of the compensation they will receive. We maintain policies and procedures designed to ensure that rollover recommendations are in your best interest.

Brokerage accounts, unlike advisory accounts, do not feature an on-going fee based on assets under management. Financial Professionals are incentivized to recommend you transition your brokerage services account to an advisory account to generate on-going revenue where your brokerage account has minimal activity. Further, financial professionals are incentivized to recommend you transition your brokerage account to an advisory account after you have already placed purchases resulting in commissions and/or other transaction-based brokerage fees. We have controls established to identify and mitigate this risk. Financial professionals also have an incentive to provide higher levels of service to those customers who generate the most fees.

In some instances, recruitment compensation is provided to financial professionals who join our firm from another financial firm. This compensation, which may vary by financial professional, often includes either an upfront or backend award based upon new customer assets to the firm and/or revenue generated from such customer assets. This creates an incentive for the financial professional to recommend the transfer of assets to the firm, including brokerage assets, in order to earn this compensation.

Non-Cash compensation is provided to financial professionals in the form of credits toward business expense accounts and certain titles. Financial Professionals are also compensated in the form of education meetings and recognition trips.

Portions of these programs are subsidized by external vendors, such as mutual fund companies, insurance carriers, or money managers. Consequently, product providers that sponsor and/or participate in education meetings and recognition trips gain opportunities to build relationships with financial professionals, which could lead to sales of such product provider's products. Financial Professionals also receive promotional items, meals, entertainment, and other non-cash compensation from product providers up to \$100 per year for gifts per vendor and \$1,000 per year for meals per vendor.

## Other Financial Professional Activities

Financial Professional may be motivated to place trades ahead of customers in order to receive more favorable prices than their customers.

Financial Professionals who are transitioning through a succession plan may be incentivized to make brokerage recommendations designed to increase the value of their "book of business" through asset accumulation or brokerage trades that are not in your best interest. Financial Professionals who receive customers from a retiring financial professional are incentivized to meet growth goals and may make recommendations that are not in your best interest.

Your financial professional may be involved in outside business activities not affiliated with Wellington Shields. Outside businesses and activities can create a conflict of interest because they can provide an incentive for your financial professional to make recommendations that further the interest of, or to refrain from making recommendations that would derogate the interest of, those other businesses and activities. Also, your financial professional may have an incentive for you to engage in such outside business to earn additional compensation. Any such proposed activities are reviewed by the firm's Chief Compliance Officer or his/her designee to determine if a conflict of interest exists and whether the financial professional's commitment may negatively affect his or her ability to satisfactorily perform his or her job at Wellington Shields.

## Additional Resources

Form CRS

[wellingtonshields.com/Form-CRS/](https://www.wellingtonshields.com/Form-CRS/)

Margin Disclosure

[wellingtonshields.com/disclosures/](https://www.wellingtonshields.com/disclosures/)

Cash Sweep Program

[wellingtonshields.com/disclosures/](https://www.wellingtonshields.com/disclosures/)

Schedule of Service Fees

[wellingtonshields.com/disclosures/](https://www.wellingtonshields.com/disclosures/)