Stark Financial Advisers, Inc.

Stark Financial Advisers, Inc.
Part 2A of Form ADV
Brochure

SEPTEMBER 30, 2020

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This brochure provides information about the qualifications and business practices of Stark Financial Advisers, Inc. ("SFA" or "We"). If you have any questions about the contents of this brochure, please contact us at 863-697-0824. 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 Stark Financial Advisers, Inc. also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

This Brochure contains material changes from the last Stark Financial Advisers, Inc. Brochure which was updated on or about June 30, 2020. Only the following material changes are being discussed:

On or about September 22, 2020, RMST Holding Company, Inc., the parent company holding 100% of the issued and outstanding shares of R.M. Stark & Co., Inc. ("RMST"), a company affiliated with Stark Financial Advisers, Inc. ("SFA"), was sold to OPC Advisors, LLC. Accordingly, SFA is no longer an affiliate of RMST, although the two companies continue to do business together as they did prior to the sale. (See, also, page 4 and 9.)

Additionally, the principal place of business of SFA has been moved from 730 South Federal Highway, Lake Worth Beach, FL 33460 to 16950 U.S. Highway 441 North, Okeechobee, FL 34972. (See, also, page 13).

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Item 4 – Advisory Business

Stark Financial Advisers, Inc. is a registered investment adviser ('RIA") incorporated in Florida on December 14, 2001, and approved in Florida on September 19, 2002. During the first quarter of 2018, the Firm sought and was approved for registration with the U.S. Securities and Exchange Commission. The firm is registered in Florida, North Carolina and Wisconsin. Gary L. Stark owns 100% of the stock of SFA.

SFA is in the business of giving advice about securities in exchange for compensation. SFA generally provides portfolio management services on a discretionary basis. This means that SFA clients have granted SFA the authority to effect trades in their accounts without consulting them on a trade-by-trade basis.

SFA also serves as the Wrap Fee Program Sponsor of the Wealth Allocation Program; this program is described in a separate Form ADV, Part 2A, Appendix 1 Wrap Fee Brochure. Clients in this program are generally introduced through R.M. Stark & Co., Inc. ("RMST"). RMST is registered as a securities broker/dealer with the Securities and Exchange Commission and is a member of the Financial Industry Regulatory Authority ("FINRA"), and the Securities Investor Protection Corporation ("SIPC"). Assets are held in the custody of Pershing LLC ("Pershing"), a BNY Mellon Company, which is an SEC registered broker/dealer and a member of the Financial Industry Regulatory Authority ("FINRA"), the Securities Investor Protection Corporation ("SIPC"), and the New York Stock Exchange ("NYSE).

SFA is not a securities broker/dealer and, therefore, does not provide custodial services, trade execution services, or other services typically provided by a broker/dealer. SFA manages accounts in the custody of various broker/dealers, including accounts introduced through R.M. Stark & Co., Inc. ("RMST") which was, formerly, but is no longer, an affiliated company.

SFA is an asset allocation manager. Asset allocation is an investment strategy that aims to balance risk and return by apportioning a portfolio's assets into four main asset classes - equities (stocks), fixed-income (bonds), tangibles (gold, oil, agricultural products, etc.), and cash and cash equivalents. Each asset class has different levels of risk and return, so each will behave differently over time. Our objective is to manage clients' exposure to risk in a way that is tolerable to them.

Careful consideration is given to determine which assets clients should hold and the amount clients should allocate to each asset. Factors that greatly influence the asset allocation decision are: our client's ability to handle market volatility – financially and/or emotionally; our client's financial needs and goals; and, the expected market behavior of the various asset classes. For each client, SFA determines the client's financial resources, investment horizon and risk tolerance. Using this information, we create specific portfolios with risk levels varying from Very Conservative to Aggressive.

SFA may implement various investment strategies based upon a specific client's objectives, including: long-term purchases (securities held at least a year); short-term purchases (securities sold within a year); short sales; margin transactions; and, option strategies, including covered writing and protective puts.

SFA invests in domestic stocks (U.S. stocks) and foreign stocks (primarily for growth) of both developed and developing markets (emerging markets). The Firm invests in companies of all sizes, from large-cap (more than $10 billion in market capitalization), to small-cap (a market capitalization of between $300 million and $2 billion).

SFA also invests in fixed income securities (primarily for income and to reduce portfolio volatility). A fixed income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Depending upon the client's profile and account type, SFA may invest in various types of bonds, primarily corporate, municipal, and government bonds.

SFA also invests in tangible assets. Tangible assets are assets that have physical form and a natural value (*i.e.*, precious metals) and energy products (*i.e.,* crude oil and agricultural products).

The Firm invests in real estate investment trusts ("REIT"s). A REIT is a type of security that invests in real estate through property or mortgages. REITs provide investors with an extremely liquid state in real estate. REITs receive special tax considerations and typically offer high dividend yields.

SFA also invests in cash equivalents, which are defined as assets that can easily be converted into cash. Cash equivalents include money market funds and short-term fixed income securities that mature within 12 months.

In some instances, an adviser may be able to obtain better prices and lower execution costs for its clients if it aggregates (also know as bunching or block trading) multiple smaller orders into one large order. When determining whether or not to aggregate a transactions, SFA still remains and performs subject to its duty of best execution.

Clients may impose reasonable restrictions on the management of the account subject to approval by SFA. Once agreed upon, it is the client's responsibility to inform SFA, in writing, if something changes and the restriction(s) is (are) no longer valid.

Our clients include those with whom we have a direct contractual relationship through our investment advisory agreement for asset management services, those who have enrolled in the asset-based wrap fee program, Wealth Allocation Program, sponsored by SFA, and those who have entered into a contractual management agreement with SFA and a separate wrap-fee agreement with a broker/dealer. A wrap fee is a comprehensive charge levied for services provided by SFA, such as investment advice, and a broker/dealer for brokerage services.

More specific information about the SFA Wealth Allocation Program and the fees paid by Wealth Allocation Program clients appears in SFA's disclosure brochure for that program.

The differences between wrap fee and non-wrap fee accounts are:

Wrap fee accounts are charged a bundled fee for investment advice, execution and custodial services; non-wrap fee accounts are charged a fee for investment advice by SFA and a per transaction commission charge by RMST for trade execution and custodial services.

Fees must be paid via an account debit for wrap fee accounts; non-wrap fee account fees may be charged as an account debit or by invoices.

Non-wrap fee accounts and wrap fee accounts each have specific benefits and disadvantages. Careful consideration should be given to the differences between the two and which pricing structure is most suitable for your specific circumstances.

As of September 30, 2020, SFA managed $*** on a discretionary basis. There are no client assets managed on a non-discretionary basis.

Item 5 - Fees and Compensation

Amount and Calculation of Fees

Stark Financial Advisers charges a simple management fee aligning client's interest with our own. We do not charge commissions, earn any sales credits, nor receive any trail income.

For accounts whose owners contract directly with SFA for advisory services (not through a wrap fee program), SFA charges a quarterly asset-based fee applying the annual percentage rates ("APR") shown below on assets under management:

- 1.25%, or 125 basis points ("bps") on amounts up to $150,000
- 1.00%, or 100 bps on amounts between $150,000 and $500,00
- 0.75%, or 75 bps on amounts between $500,000 and $2,000,000
- Above $2,000,000, fees are negotiated

SFA's Fee Schedule is subject to a $312.50 quarterly minimum. Existing clients may pay more or less than new clients, based on the fee schedules in effect when they became clients. Fees may be subject to negotiation by the client and SFA. We may waive all or a portion of management fees for employees.

For Fees and Terms related to the SFA Wealth Allocation Program, please see the SFA Wealth Allocation Brochure.

Although there are no such arrangements at this time, for the accounts of some clients referred to SFA through a solicitor's agreement (an agreement by which SFA agrees to pay a fee for such referrals), the APR upon which the fee is calculated may be up to 0.25% or 25 bps higher than those shown above, which is reflected in the applicable investment advisory agreement entered into with such clients. Referral fees are not negotiable, except in rare circumstances.

SFA charges fees in arrears, at the end of each quarter, by applying the APR to account balances on the last day of the preceding quarter, and then dividing by four. We normally deduct the fee directly from clients' accounts, but will consider invoicing billing requests.

Costs in Addition to the Fee

SFA clients will pay transaction fees, commissions, and/or mark-ups and mark-downs on the purchase and sale of securities in their accounts held at various custodians, unless those accounts are enrolled in wrap fee programs sponsored by the custodian-broker/dealer. Such costs will be paid directly from clients' accounts to the broker/dealer who completes the purchase or sale and/or provides other services.

For SFA non-wrap fee accounts, SFA's affiliated broker/dealer, RMST, will charge a commission per transaction.

In addition to the SFA fee, mutual funds and ETFs are subject to investment advisory, administrative, distribution, transfer agent, custodial, legal, audit and other customary fees and expenses related to investments in investment companies, as set forth in the prospectuses of the funds. These fees are paid by the funds but are, ultimately, paid by clients as fund shareholders.

Compensation Earned by RMST

RMST may receive compensation in connection with cash that is on deposit in accounts but not invested in a money market fund.

Any conflicts with RMST are mitigated by the fact that SFA's investment decision-making process is independent of and separate from RMST.

Termination of Accounts

A client may terminate an SFA account by oral or written notice to SFA. The client is responsible for any fees accrued up to the date of termination. Upon termination, the client will no longer receive ongoing monitoring and investment advice with respect to the account.

Item 6 – Performance Based Fees and Side-by-Side Management

SFA does not charge any performance-based fees based on a share of capital gains or capital appreciation of the assets of a client.

Item 7 – Types of Clients

SFA provides services to individuals, including those defined as high net worth individuals, associated trusts, estates, individual retirement accounts, pension and profit sharing plans, foundations and endowments, variable annuities, corporations and other business entities.

SFA seeks clients with assets of at least $100,000 per account. Exceptions to this policy are at SFA's discretion.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

Using financial models, SFA constructs specific portfolios for each client based upon the client's financial situation, investment horizon, and risk tolerance. Portfolios are allocated to numerous market sectors, including domestic stocks, foreign stocks, fixed-income securities, tangibles, and cash equivalents. The objective is to achieve the maximum potential return for a pre-determined level of risk.

Analysis of investment opportunities is made using a variety of methods, including fundamental research and technical analysis. Fundamental research is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price. Technical analysis is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysis does not attempt to measure a security's intrinsic value but, instead, uses changes and other tools to identify patterns that can suggest future price movement. We use data from both widely available sources, including professional journals such as the Wall Street Journal, Bloomberg, Investor's Business Daily and The Financial Times, and less available sources such as Morningstar, MarketSmith and Credit Suisse.

Investing in Securities Involves Risk

Management Risk

For each client, SFA develops individual portfolios with target asset allocations. Tools employed for purposes of arriving at an asset allocation decision, even when objectively employed, reflect subjective judgments. There is no guarantee that the target asset allocation is appropriate for a client's situation or will be an effective means of achieving the client's financial goals. While target asset allocation can reduce risk, diversification cannot eliminate risk. No assurance can be made that profits will be achieved or that substantial losses will not be incurred.

Investment Risks

Investing involves many different forms of risk depending on the investments chosen. These risks include:

- Industry/Company Risk – Security values can decline due to negative developments within an industry or company;
- Market Risk – General market fluctuations can affect securities trading in that market;
- Credit Risk – The risk of a bond issuer not being able to make timely payments of principal and/or interest;
- Interest Rate Risk – Fixed income securities tend to rise in value when interest rates fall and decline when interest rates rise;
- Inflation Risk – This is also known as purchasing power risk;
- Liquidity Risk – Some securities may be difficult to sell if prices drop dramatically;
- Currency Risk – Currency exchange rates can affect the returns of a foreign security;
- Political/Economic Risk – Investments can be affected by the political and economic developments within a country;
- Market Timing Risk – There is no guaranty that SFA will either enter or leave a market at the most opportune time.

Custodian Risk

If the custodian of the account (chosen by the client) were to go out of business, client assets may only be protected up to the Security Investor Protection Corporation ("SIPC") limits. SIPC's explanation is: "SIPC protects against the loss of cash and securities – such as stocks and bonds – held by a customer at a financially troubled SIPC-member brokerage firm. The limit of SIPC protection is $500,000, which includes a $250,000 limit for cash."

In addition to SIPC protection, excess coverage above SIPC limits is provided by most major securities custodians. An excess of SIPC claim would only arise if the securities custodian failed financially and client assets for covered accounts – as defined by SIPC – cannot be located due to theft, misplacement, destruction, burglary, robbery, embezzlement, abstraction, failure to obtain or maintain possession or control of client securities, or failure to maintain the special reserve bank account required by applicable rules.

Stark Financial Advisers, Inc. encourages investors to inquire of their specific custodian to determine actual covered coverages.

Tax Risks

SFA's strategies are not designed to address specific tax objectives, nor does SFA provide tax advice. Tax treatment of investment returns under federal and state law may change over time. Clients should consult their professional tax advisors for help with their unique situations.

Limitation of Disclosure

The foregoing list of risks does not purport to be a complete enumeration or explanation of risks involved. Strategies may develop and change over time which could subject clients to additional and different forms of risk.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of SFA or the integrity of SFA's management. SFA has no actions or events applicable to this item.

No client of SFA has ever filed a statement of claim in arbitration or filed a complaint in any other legal or equitable venue.

On June 13, 2014, SFA entered into a Stipulation and Consent Agreement with the State of Florida, Office of Financial Regulation. Prior to hearing and without the adjudication of any issue, law, or fact, and without admitting or denying the findings, and solely for the purpose of the Administrative Proceeding, SFA agreed to cease and desist from any violation of Chapter 517, Florida Statutes, and to strictly comply with all provisions thereof. SFA further agreed to pay of $15,000 administrative fine. Additional information is available upon request.

Item 10 – Other Financial Industry Activities and Affiliations

SFA and RMST are no longer affiliated companies under common control and ownership. Gary L. Stark was formerly the President and Chief Executive Officer of both companies. Mr. Stark is no longer an Officer or Director of RMST but continues as the President and Chief Executive Officer of SFA. Mr. Stark is registered with SFA as an investment Adviser and with RMST as an Investment Broker, Investment Principal, Municipal Principal, and Financial/Operations Principal.

Ellen R. P. Adler, Vice President of SFA, is no longer employed by RMST.

Stacey R. Stark, a Portfolio Manager for SFA, is also employed by RMST its Chief Executive Officer, President, a registered representative, and fixed-income trader.

RMST, as a securities broker/dealer, earns commissions and fees from clients' accounts that are in the custody of Pershing and various mutual fund and insurance companies. As registered representatives, Gary L. Stark and Stacey R. Stark receive compensation from RMST.

Individuals registered with RMST may, from time to time, refer accounts to SFA. As compensation for the referral, these individuals may receive commission compensation earned from transactions executed by RMST and/or share in the management fee earned by SFA.

The foregoing relationships, arrangements, activities and affiliations do not create a material conflict of interest with clients of either SFA or RMST.

Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

SFA has adopted a Code of Ethics for everyone associated with the firm describing its standard of business conduct and fiduciary duty to its clients. The Code of Ethics covers confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts, and personal securities trading procedures, among other things. All supervised persons at SFA must acknowledge the terms of the code of ethics annually, or as amended.

A copy of the Firm's Code of Ethics is available upon request.

Aggregation of Client Orders

In some instances, an adviser may be able to obtain better prices and lower execution costs for its clients if it aggregates (also know as bunching or block trading) multiple smaller orders into one large order. When determining whether or not to aggregate a transactions, SFA still remains and performs subject to its duty of best execution.

Including proprietary accounts of SFA, and/or personal accounts of its supervised persons, in an aggregated order creates a conflict of interest due to the fact that SFA and/or its supervised persons would have an incentive to favor such proprietary or personal accounts. If SFA does include proprietary or personal accounts in aggregated client orders, it will:

1. Aggregate transactions only if it believes that aggregation is consistent with its duty of best execution;
2. Allocate orders on a pro rata basis for partially filled orders;
3. Not favor any client over any other client, proprietary account of SFA (and its affiliates) or personal account of a supervised person of RIA Name, and each client/proprietary account/personal account participating in the order will participate at an average share price of all SFA's transactions in that security on the day of execution and transaction costs will be shared on a pro rata base for each client's participation in the transaction;
4. Prepare a written statement prior to entering into an aggregated order that will specify the participating clients/proprietary accounts/personal accounts and how SFA intends to allocate the order among clients;

5. Deviate from the written allocation statement only on a fair basis with written documentation approved by its Director of Compliance no later than one hour after the opening of the markets on the trading day following the day the order executed;
6. Maintain accurate records relating to the aggregated trades, including, each client account/proprietary account/personal account that is included in an aggregated order, the securities held by and bought and sold for that client account/proprietary account/personal account;
7. Not aggregate client/proprietary/personal assets collectively any longer than necessary to settle the purchase or sale transaction;
8. Not receive any additional compensation or remuneration as a result of any aggregated order; and,
9. Render individual advice and treatment to each advisory client.

SFA firm and/or employee accounts may trade in the same securities with client accounts. In such circumstances, where both a client's account and affiliated account is domiciled at RMST, the client's account will receive the best price from transactions executed on the same day and the same side of the market.

Item 12 – Brokerage Practices

SFA has no soft dollar arrangements with any brokerage firm and no obligation to place trades with any particular broker. Most client assets are in brokerage accounts at RMST. We also manage assets at a variety of custodians including, but not limited to, Fidelity, American Funds Lincoln Financial, Met Life and Vanguard.

SFA processes all transactions through the broker/dealer custodians of clients' assets. All transactions are monitored for the best execution. SFA may execute trades individually or bunch trades for a group of clients. Most transactions are made on an individual basis because it is SFA's practice to review accounts individually and, upon completion of the review, execute any applicable portfolio changes. When a bunched trade is executed, the transaction is allocated to clients' accounts at the average price.

SFA typically does not choose the client's custodian broker/dealer. Because of their prior and current relationship, SFA often refers clients to RMST and receives referrals from RMST. As this may potentially present a conflict, SFA considers the full range and quality of the services provided by the broker/dealer. In evaluating this practice, SFA considers a number of qualitative factors:

- Trading capabilities – Through Pershing, RMST has the capacity to execute trades in over 60 markets in local and foreign currencies;
- Trading Speed – RMST offers trading capabilities equal or superior to other broker/dealers. Generally, speed of execution is faster;

- Best execution – RMST is in receipt of periodic reports evaluating the quality of executions transacted through Pershing;
- Commissions and/or fees – RMST's commission fees are not always the lowest, however, they are always fair and reasonable;
- Stability – RMST was originally founded in 1978 and has been under the same management since 1994;
- Clearance and settlement processing – All accounts are in the custody of Pershing LLC, a BNY Mellon Company. Pershing has a 75-year history and has net capital of $2.0 billion, and $1.7 trillion in global client assets as of December 31, 2017;
- Use of technology – RMST uses a flexible, open-architecture, fully-integrated suite of technology products that allows for increased productivity and efficiency;
- Client protection - RMST is a member of SIPC. In addition, Pershing provides coverage in excess of SIPC of $1.9 million for cash awaiting reinvestment – within an aggregate loss limit of $1 billion for eligible securities.

Due to SFA's prior relationship with RMST, SFA receives benefits that assist it in managing and administering clients' accounts - assistance that SFA would not otherwise receive. These benefits include performance reporting, research and technology.

SFA only participates in one wrap-fee program, the Stark Financial Adviser Wealth Allocation Program. Since this is a program sponsored by and unique to SFA, all transactions are executed through RMST.

Business Continuity Plan

SFA has developed a Business Continuity and Disaster Recovery Plan (the "Plan") in order to provide guidance regarding the steps and actions that should be taken in the event of an unanticipated interruption of normal business operations. This Plan outlines the triggers for when alternate business processes need to be deployed, the steps to deploy the alternate business processes, the methods for verifying that business has been properly restored, and ensuring data integrity and activities for returning to normal business processing. This Plan will help safeguard supervised persons' lives and firm property, allow a method of making financial and operational assessments, recover and resume business operations in a rapid and efficient manner, protect firm books and records, continue to allow clients to transact business at all times and provide clients with access to their funds and securities in the event the firm determines that it cannot continue to do business.

The Plan will be updated whenever there is a material change to operations, structure, business, or location. In addition, the firm will review the Plan annually, on September 30, to modify it for any changes in operations, structure, business, or location or those of clearing firm. SFA will maintain copies of the Plan, the annual reviews, and any changes that have been made to the Plan for inspection by regulators. A report will be prepared documenting the review of the Plan and any updates that are made. An electronic copy is located on https://starkadvisers.com in the Business Continuity Plan "BCP." Hard copies will be maintained at SFA's principal office, 16950 U.S. Highway 441 North, Okeechobee, Florida 34972.

Item 13 – Review of Accounts

All portfolios are normally reviewed at some level on a monthly basis. Special reviews involving a specific account are triggered by one or more of the following: 1) A change in investment objectives, financial situation and/or client guidelines; 2) Invested company specific event(s); 3) Significant valuation changes; 4) Cash added or withdrawn from management. Currently, SFA has two reviewers whose titles are Portfolio Manager and/or Portfolio Administrator, each of whom is, initially, responsible for all portfolios. When a review is triggered by one of the events listed, the objective of the review is to determine the consequences thereof and take the necessary action(s). In the absence of any of such event, all accounts are reviewed on a quarterly basis to ensure that performance is in keeping with the clients' objectives under the circumstances then prevailing.

SFA provides Quarterly Reports containing the following information:

- Current Risk Profile;
- Current vs. Target Allocation;
- Allocation Comparison;
- Efficient Frontier Graph;
- Wealth Forecast;
- Wealth Percentiles;
- Proposed Portfolio (current portfolio reflecting changes made during the quarter);
- Basic Market Assumptions;
- A Quarterly Commentary;
- Disclosures.

In addition, the Firm provides customers with a year-end tax package. For taxable accounts, SFA provides a year-end summary statement of capital gains and losses. For taxable and non-taxable accounts, SFA provides a statement of management fees paid. Management fees may be tax deductible.

SFA does not provide those reports typically provided by the asset custodian. Typically, reports include various tax reporting forms such as 1099s, and 1065 (K-1s).

Item 14 – Client Referrals and Other Compensation

SFA has no agreement with any of its clients to compensate them or to be compensated for referrals.

Item 15 – Custody

SFA does not have custody of client assets. Clients typically receive monthly (in some cases quarterly) statement from their broker/dealer, mutual fund and/or insurance company that holds and maintains the clients' assets. SFA relies upon the statements provided by various custodians when reporting quarterly results. SFA urges all clients to compare the account statements received from the custodian with those received from SFA.

Item 16 – Discretion

Upon establishing an account with SFA, clients will be required to execute a Limited Power of Attorney in favor of SFA (or comparable account paperwork provided by the custodian of the assets). SFA's financial investment management discretion is exercised as follows:

- Discretion is limited to the purchase and sale of securities, and not to distributions of cash or securities (except for the limited grants of authority to facilitate the withdrawal of moneys and direct payments to third parties in accordance with client's instructions);
- Investments will not exceed the client's funds in the account unless the client has established a custodial margin account.

Item 17 - Voting Client Securities

SFA does not vote customer securities. Corporate proxies and corporate information are mailed directly to clients by the custodian(s).

Item 18 - Financial Information

SFA does not require prepayment of fees and, therefore, is not required to provide a balance sheet for its most recent year. SFA has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Item 19 – Requirements for State-Registered Advisers

Not Applicable