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# CUSTOMER DISCLOSURES

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AUGUST 16, 2017

R.M. STARK & CO., INC.

701 SE Sixth Avenue, Suite 203, Delray Beach, FL 33483

## **ABOUT US**

R.M. Stark & Co., Inc. (“R.M. Stark,” the “Firm,” or “We”) is registered as a broker-dealer under federal and state securities laws. R.M. Stark is also a member of the Financial Industry Regulatory Authority, (“FINRA”) and the Securities Investor Protection Corporation (“SIPC”). R.M. Stark supports a network of independent registered representatives nationwide.

Stark Financial Advisers, Inc. (“Stark Financial Advisers”), an affiliated company, is registered as an investment adviser under Florida securities laws.

The Firm’s registered representatives and financial advisers may provide services in both capacities. In accordance with FINRA rules, whether acting in a brokerage or advisory capacity, R.M. Stark and Stark Financial Advisers must and do observe high standards of commercial honor and just and equitable principles of trade.

When acting as a broker-dealer, R.M. Stark will facilitate the execution of security transactions in accordance with your instructions. These securities may include open and closed-end mutual funds, exchange traded funds, stocks, American Depository Receipts, real estate investment trusts, options, corporate bonds, U.S. government and government agency bonds, mortgage backed securities, and municipal bonds. The Firm also offers insurance products including fixed and variable annuities, and life insurance.

R.M. Stark does not create or offer private placement securities and does not underwrite new issues. R.M. Stark does enter selling-groups offering new issue securities. R.M. Stark does not make a market in any security.

In addition to brokerage services, R.M. Stark offers a variety of investment advisory programs and services. These include non-discretionary and discretionary asset management and advice on the selection of professional asset managers and securities offered through our investment advisory programs.

## **CHARGES AND FEES**

In brokerage accounts, customers generally compensate R.M. Stark and its registered representatives through fees and commissions. Level-fee pricing plans are available as are traditional commission arrangements. For example, a customer may pay R.M. Stark a commission for each equity transaction, a mark-up/mark-down for bond transactions, and a sales charge for mutual fund transactions and unit trusts. Or, the customer may pay R.M. Stark a flat asset-based fee for services. Brokerage fees are negotiable.

Investment advisory accounts are charged either a level-fee based upon an annual rate that covers both execution services and advisory services, or separate fees for advisory and brokerage services. Separate Disclosure Documents are available for advisory services that describe all fees and services. Investment advisory fees are negotiable.

R.M. Stark receives additional compensation from a variety of sources, including interest income and 12b-1 fees. The Firm also receives compensation from account service charges, and maintenance fees, such as retirement accounts and inactive accounts. Interest income is earned from uninvested free credit balances, and interest charged on margin accounts. The 12b-1 fees (marketing and distribution fees) are received from mutual funds. For additional information, please see “*Understanding Our Fees, Charges and Other Compensation.*”

### **Equity/Option Commission Schedule**

For agency execution services of Common and Preferred Stocks, Exchange-Traded Funds, Closed-end Mutual Funds, and Options, the following schedule will apply effective 4/1/2017:

<u>Principal Amount</u>	<u>Maximum Commission Charge</u>
\$1 through \$3,000	\$90
\$3,001 through \$10,000	2.50%
\$10,001 through \$25,000	2.25%
\$25,001 and above	1.50%

In addition to commission charges, there is an additional \$1.00 per contract charge for the execution of options.

Rates are negotiable based upon a variety factors, including: (1) whether the transaction is solicited or unsolicited; (2) trading volume and activity; and, (3) account history.

Service charges may apply to retail (non-retirement) accounts. When service charges are applied, the total charge (commission plus service charge) may not exceed the Maximum Charge listed above.

### **Fixed Income Pricing Schedule**

#### ***Fixed Income Securities Executed as Principal***

<u>Principal Amount</u>	<u>Minimum Mark-up Mark/down</u>	<u>Maximum Mark-up Mark-down</u>
\$1,000 - \$5,000	\$100	3.00%
\$5,001 - \$25,000	\$100	2.50%
\$25,001 - \$50,000	1.00%	2.25%
\$50,001 - \$100,000	0.75%	2.00%
\$100,001 - \$250,000	0.50%	1.75%
\$250,001 and above	Negotiable	Negotiable

## **CUSTODY AND CLEARING**

R.M. Stark has contracted with Pershing LLC, a BNY Mellon Company, to provide certain recordkeeping and operational services. These services may include execution and settlement of securities transactions, custody of securities and cash balances, and extension of credit on margin transactions.

R.M. Stark also introduces business directly to various mutual fund and insurance companies. In addition to providing product offerings, such as variable annuities and open-ended mutual funds, these financial organizations may also act as the security custodians.

## **REGISTERED REPRESENTATIVE'S COMPENSATION**

A registered representative's compensation is based upon a fixed revenue sharing arrangement. The Firm does not offer differential payouts for different products or revenue production levels; these practices could result in a material conflict by providing an incentive for a registered representative to offer products with higher payouts, or to execute trades for the purpose of increasing production levels.

## **MUTUAL FUNDS**

The following breakpoint disclosures are sourced from FINRA's website: [www.finra.org](http://www.finra.org). We believe the website to be reliable but cannot guarantee its accuracy.

Before investing in mutual funds, it is important that you, the customer, understand the sales charges, expenses, and management fees that will be charged, as well as the breakpoint discounts to which a customer may be entitled. Understanding these charges and breakpoint discounts will assist you in identifying the best investment for your needs and may help reduce the cost of your investment(s). This Disclosure Document will provide general background information about these charges and discounts. However, sales charges, expenses, management fees, and breakpoint discounts vary from mutual fund to mutual fund. Therefore, you should discuss these issues with your registered representative and review each mutual fund's Prospectus and Statement of Additional Information (which are available from your registered representative) to obtain specific information regarding charges and breakpoint discounts associated with a particular mutual fund.

### ***Sales Charges***

Investors that purchase mutual funds must make certain choices, including which funds to purchase and which class share is most advantageous. Each mutual fund has a specified investment strategy. Customers need to consider whether a mutual fund's investment strategy is compatible with their investment objectives. Additionally, most mutual funds offer different share classes. Although each share class represents a similar interest in the mutual fund's portfolio, the mutual fund will charge different fees and expenses depending upon the share class. As a rule, Class A shares carry a "front-end" sales charge or "load" that is deducted from the investment at the time the fund shares are bought. This sales charge is a percentage of the total purchase price. As explained below, many mutual funds offer volume discounts to the front-end sales

charge assessed on Class A shares at certain pre-determined levels of investment; these are called "breakpoint discounts."

In contrast, Class B and Class C shares usually do not carry any front-end sales charges. Instead, investors that purchase Class B or Class C shares pay asset-based sales charges, which may be higher than the charges associated with Class A shares. Depending upon the rules of the particular mutual fund, investors that purchase Class B and Class C shares may also be required to pay a sales charge, known as a "contingent deferred sales charge," when they sell their shares.

### ***Breakpoint Discounts***

Most mutual funds offer investors a variety of ways to qualify for breakpoint discounts on the sales charge associated with the purchase of Class A shares. In general, most mutual funds provide breakpoint discounts to investors who make large purchases at one time. The extent of the discount depends upon the size of the purchase; as the amount of the purchase increases, the percentage used to determine the sales load decreases. In fact, the entire sales charge may be waived for investors that make very large purchases of Class A shares. Mutual fund prospectuses contain tables that illustrate the available breakpoint discounts and the investment levels at which breakpoint discounts apply. Additionally, most mutual funds allow investors to qualify for breakpoint discounts based upon current holdings from prior purchases through "***Rights of Accumulation***," and future purchases, based upon "***Letters of Intent***." This Document provides general information regarding ***Rights of Accumulation*** and ***Letters of Intent***. However, mutual funds have different rules regarding the availability of ***Rights of Accumulation*** and ***Letters of Intent***. Therefore, you should discuss these issues with your registered representatives and review the mutual fund Prospectus to determine the specific terms upon which a mutual fund offers ***Rights of Accumulation*** or ***Letters of Intent***.

***Rights of Accumulation*** - Many mutual funds allow investors to include the value of previous purchases of the same fund, or another fund within the same fund family, with the value of the current purchase, to qualify for breakpoint discounts. Moreover, mutual funds allow investors to count existing holdings in multiple accounts, such as IRAs or accounts at other broker-dealers, to qualify for breakpoint discounts. Therefore, if you have accounts at other broker-dealers and wish to take advantage of the balances in these accounts to qualify for a breakpoint discount, you must advise your registered representative about those balances. You may need to provide documentation establishing the holdings in those other accounts to your registered representatives if you wish to rely upon the balances in accounts at another broker-dealer.

In addition, many mutual funds allow investors to count the value of holdings in accounts of certain related parties, such as spouses or children, to qualify for breakpoint discounts. Each mutual fund has different rules that govern when relatives may rely upon each other's holdings to qualify for breakpoint discounts. Customers should consult with their registered representatives or review the mutual fund's Prospectus or Statement of Additional Information to determine what these rules are for the fund family in which they are investing. If you wish to rely upon the holdings of related parties to qualify for a breakpoint discount, you should advise your registered representative about these accounts. You may need to

provide documentation to your registered representative if you wish to rely upon balances in accounts at another broker-dealer.

Mutual funds also follow different rules to determine the value of existing holdings. Some funds use the current Net Asset Value (“NAV”) of existing investments in determining whether an investor qualifies for a breakpoint discount. However, a small number of funds use the historical cost, which is the cost of the initial purchase, to determine eligibility for breakpoint discounts. If the mutual fund uses historical costs, a customer may need to provide account records, such as confirmation statements or monthly statements, to qualify for a breakpoint discount based upon previous purchases. You should consult with your registered representative and review the mutual fund's prospectus to determine whether the mutual fund uses either NAV or historical costs to determine breakpoint eligibility.

- ***Letters of Intent*** - Most mutual funds allow investors to qualify for breakpoint discounts by signing a ***Letter of Intent***, which commits the investor to purchasing a specified amount of Class A shares within a defined period, usually 13 months. For example, if an investor plans to purchase \$50,000 worth of Class A shares over a period of 13 months, but each individual purchase would not qualify for a breakpoint discount, the investor could sign a ***Letter of Intent*** at the time of the first purchase and receive the breakpoint discount associated with \$50,000 investments on the first and all subsequent purchases. Additionally, some funds offer retroactive ***Letters of Intent*** that allow investors to rely upon purchases in the recent past to qualify for a breakpoint discount. However, if an investor fails to invest the amount required by the ***Letter of Intent***, the fund is entitled to retroactively deduct the correct sales charges based upon the amount that the investor invested. If you intend to make several purchases within a 13-month period, you should consult with your registered representative and the mutual fund Prospectus to determine if it would be beneficial to sign a ***Letter of Intent***.

Clearly, understanding the availability of breakpoint discounts is important because it may allow an investor to purchase Class A shares at a lower price. The availability of breakpoint discounts may save money and may also affect the decision as to the appropriate share class in which to invest. Therefore, you should discuss the availability of breakpoint discounts with your registered representative and carefully review the mutual fund Prospectus and its Statement of Additional Information, which can be obtained from your registered representative, when choosing among the share classes offered by a mutual fund.

## **ACCOUNT PROTECTION**

R.M. Stark and Pershing LLC are members of SIPC; SIPC protects its members' securities customers up to \$500,000 (including \$250,000 for claims for cash). An explanatory brochure is available upon request or at [www.sipc.org](http://www.sipc.org).

In addition to SIPC protection, Pershing provides coverage in excess of SIPC limits from certain underwriters in Lloyd's insurance market and other commercial insurers. It provides the following protection for Pershing LLC's global assets:

- An aggregate loss limit of \$1 billion for eligible securities – over all client accounts.
- A per-client loss limit of \$1.9 million for cash awaiting reinvestment – within the aggregate loss limit of \$1 billion

SIPC and the excess of SIPC insurance policy do not protect against loss due to market fluctuation.

An excess of SIPC claim would arise only were R.M. Stark or Pershing to fail financially and client assets for covered accounts, (as defined by SIPC), could not 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.

## **ANTI-MONEY LAUNDERING REQUIREMENTS**

### **THE USA PATRIOT ACT**

The USA Patriot Act, signed by President Bush in 2001, is designed to detect, deter and punish terrorists in the United States and abroad. The Act imposes new anti-money laundering requirements on brokerage firms and financial institutions. By April 24, 2002, all brokerage firms were required to have new comprehensive Anti-Money Laundering programs.

To help you understand these efforts, we want to provide you with some information about money laundering and our steps to implement the USA Patriot Act.

### **WHAT IS MONEY LAUNDERING?**

Money Laundering is the process of disguising illegally obtained money so that the funds appear to come from legitimate sources or activities. Money laundering occurs in connection with a wide variety of crimes, including, but not limited to, illegal arms sales, drug trafficking, robbery, fraud, racketeering and terrorism.

## HOW BIG IS THE PROBLEM AND WHY IS IT IMPORTANT?

The use of the U.S. financial system by criminals to facilitate terrorism or other crimes could well taint our financial markets. Per the U.S. State Department, one recent estimate puts the amount of worldwide money laundering activity at \$1 trillion a year.

## WHAT ARE WE REQUIRED TO DO TO ELIMINATE MONEY LAUNDERING?

Under new rules required by the USA Patriot Act, our Anti-Money Laundering program must designate a special compliance officer, set up employee training, conduct independent audits and establish policies and procedures to detect and report suspicious transactions and ensure compliance with the new laws.

As part of our required program, we may ask you to provide various identification documents or other information. Until you provide the information or documents we need, we may not be able to open an account or effect any transactions for you.

We at R.M. Stark thank you for your patience and hope that you will support us in our efforts to deny terrorist groups access to America's financial systems.

## CUSTOMER IDENTIFICATION PROGRAM

### IMPORTANT INFORMATION YOU NEED TO KNOW ABOUT OPENING A NEW ACCOUNT

To help the government fight the funding of terrorism and money laundering activities, federal law requires financial institutions to obtain, verify and record information that identifies each person who opens an account.

### TYPES OF INFORMATION YOU WILL BE REQUIRED TO PROVIDE

When you open a new account we are required to collect the following:

- Name
- Date of Birth
- Address
- Identification Number;
  - U.S. citizen: taxpayer identification number (Social Security number or Employer Identification number)
  - Non-U.S. citizen: taxpayer identification number; passport number and country of issuance; alien identification card number; or government issued identification showing nationality, residence and a photograph of you.

You will also need to show your driver's license or other identifying documents.



A corporation, partnership, trust or other legal entity may need to provide other information, such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement.

U.S. Department of the Treasury, Securities and Exchange Commission, FINRA and New York Stock Exchange rules already require you to provide most of this information. These rules also may require you to provide additional information, such as your net worth, annual income, occupation, employment information, investment experience and objectives and risk tolerance.

#### **WHAT HAPPENS IF YOU DO NOT PROVIDE THE REQUESTED INFORMATION OR, YOUR IDENTIFY CAN'T BE VERIFIED?**

We may not be able to open an account or carry out any transactions for you. In the event we have already opened an account for you, we may have to close it.

#### **BUSINESS DISRUPTION PLAN**

The purpose of the Business Continuity Plan is to ensure that, in the event of a Significant Business Disruption (“SBD”) to any of the Firm’s locations, our clients’ abilities to access their accounts, funds or place transactions, remain uninterrupted. We have developed the following Business Continuity Plan to include various types of SBDs and the steps to be taken to avoid any downtime to our clients.

#### **TYPES OF DISRUPTIONS**

Types of disasters include, but are not limited to, Earthquakes, Fires, Floods, Hardware/Software Failures, Human Causes, Natural Causes, Prolonged Loss of Utility Service, Riots, Strikes, Technical Causes, Terrorist Attacks, Tornadoes, etc.

FINRA Rules requires a firm to disclose to its clients how its Business Continuity Plan addresses possible SBDs under various scenarios and its responses thereto. At R.M. Stark, we have identified critical tasks, such as trading, deposits, withdrawals, any market sensitive items, and ensuring that customers have access to their funds and securities. The Firm has a contingency plan in place for SBDs that could affect the Firm, the building, city or region in which the Firm resides.

#### **ALTERNATE PHYSICAL LOCATIONS**

Should there be a SBD, we will continue our operations at an alternate location. From our alternate location, the firm will be able to conduct the same volume of business as in our primary site. All services, including telephone, fax, e-mail and postal services, will have been forwarded to this location. All telephone calls will be answered in the usual manner, without delay. Our clients’ abilities to access their accounts, funds or place transactions will remain uninterrupted. In the event of a SBD, additional information will be posted to this web site. You may also contact us by email at [gstark@rmstark.com](mailto:gstark@rmstark.com).

## **PRIVACY POLICY**

“Personal information” refers to the nonpublic financial information obtained by us in connection with providing you a financial product or service.

### **INFORMATION WE COLLECT**

We collect personal information to help us serve your financial needs, offer new products or services, provide customer service and fulfill legal and regulatory requirements. The type of information we collect varies per the products or services involved and may include:

Information we receive from you on applications and related forms (such as name, address, social security number, assets and income); and information about your transactions and relationships with us, our affiliates, or others (such as products or services purchased, account balances and payment history).

### **INFORMATION DISCLOSED IN ADMINISTERING PRODUCTS AND SERVICES**

We will not disclose personal information about current or former customers, to non-affiliated third parties except as permitted or required by law. We do not sell any personal information about you to any third party. In the normal course of business, personal information may be shared with persons or entities involved in servicing and administering products and services on our behalf, including your investment executive and other service providers and affiliates assisting us.

We will make account information available to other financial institutions or individuals, if requested by you.

### **PROCEDURES TO PROTECT CONFIDENTIALITY AND SECURITY OF YOUR PERSONAL INFORMATION.**

We have procedures in place that limit access to personal information to those employees and service providers who need to know such information to perform business services on our behalf. We educate our employees on the importance of protecting the privacy and security of confidential personal information. We also maintain physical, electronic and procedural safeguards that comply with federal and state regulations to guard your personal information.

We will update our policy and procedures if necessary to ensure that your privacy is maintained and that we conduct our business in a way that fulfills our commitment to you. If we make any material changes in our privacy policy, we will make that information available to customers through our Web site and/or other communications.

## **PRIVACY ONLINE**

R.M. Stark and Pershing LLC always make extensive use of firewalls and encryption devices. Effective December 6, 2007 Pershing LLC launched a stronger authentication initiative that will provide clients accessing their accounts on NetExchange Client Sites with more enhanced security measures to safeguard their personal and account information. These features include:

**Image Identification;** An image and phrase chosen by client is displayed during the login process to validate that the user is authenticating to a genuine site.

**Challenge Question Authentication;** If a user logs on to the Client Site from an unknown computer, the User will be presented with a “challenge” question and must provide a valid answer “response” to be authenticated.

**Stronger Password Composition;** This feature consists of mandatory and optional rules. Mandatory controls are turned on during either a password change or reset operation. Optional controls can be enabled by R.M. Stark.

## **MISCELLANEOUS**

R.M. Stark does not assure the ongoing suitability of an investment or portfolio of investments. The Firm takes no responsibility for the propriety of unsolicited orders, other than to discharge our best execution obligations. Absent instructions to act only in an agency capacity, R.M. Stark may execute any transaction on a principal basis.