

ADV II Brochure

Stark Asset Management, Inc. DBA Boulder Asset Management
9785 Maroon Circle, Suite #130
Englewood, CO 80112
(303) 779-8772
December 31, 2013

This Brochure provides information about the qualifications and business practices of Richard J. Stark (Stark Asset Management, Inc.) d/b/a Boulder Asset Management. If you have any questions about the contents of this Brochure, please contact us at (303) 779-8772 / boulderasset@hotmail.com. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Stark Asset Management is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser.

Additional information about Stark Asset Management also is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

On July 28, 2010, the United State Securities and Exchange Commission published “Amendments to Form ADV” which amends the disclosure document that we provide to clients as required by SEC Rules. This Brochure dated December 31, 2013 is a new document prepared according to the SEC’s new requirements and rules. As such, this document is materially different in structure and requires certain new information that our previous brochure did not require.

The only material change to this document for 2013 has been to update Item 4 to reflect our assets under management as of December 31, 2013.

In the past we have offered or delivered information about our qualifications and business practices to clients on at least an annual basis. Pursuant to new SEC Rules, we will ensure that you receive a summary of any material changes to this and subsequent Brochures within 120 days of the close of our business’ fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure as necessary based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Stark Asset Management at (303) 779-8772 or boulderassest@hotmail.com.

Additional information about Stark Asset Management is also available via the SEC’s web site www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with Stark Asset Management who are registered, or are required to be registered, as investment adviser representatives of Stark Asset Management.

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Item 4 – Advisory Business

Stark Asset Management, Inc., is an S Corporation doing business as Boulder Asset Management. We offer investment advice to a limited number of qualified investors. Our goal is to tailor each portfolio to preserve wealth through growth of capital and income and teach investors more about their own investments. Stark Asset Management was founded in 1984 and is still run by Richard J. Stark, CFA, and was first registered with the SEC in 1991.

As of December 31, 2013, Stark Asset Management has \$361,004,868 of discretionary client assets under management. We are not currently providing services on a non-discretionary basis.

We believe preserving and continuing to build wealth requires the selection and retention of long-term investments. This strategy avoids the high cost of excessive transactions and taxes created by market timing. The percentage that we allocate to each asset class (stocks, fixed income and cash reserves) reflects client income needs and tolerance for portfolio volatility.

Our investment philosophy for equities is to concentrate selection in a limited number of investment themes whose time horizon can vary in length. Individual issues are purchased with the intent of creating a portfolio with a five-year time horizon.

Some of our investment themes are top-down-driven by economic factors. However, most themes actually evolve on a bottom-up basis as a number of attractive stocks actually define economic segment or industry. For example, themes can be based on demographics, new product cycles, the direction of interest rates, commodity cycles, capitalization cycles, beta, dividend yield, etc.

We invest in fixed income with a focus on the income and stability needs of the individual client. Cash reserves are used to provide liquidity.

At Stark Asset Management our focus is on client service with an emphasis on education. Clients are updated quarterly on their portfolio's performance and structure, as well as Stark Asset Management's economic and investment outlook. In addition we meet with the clients quarterly to monitor client objectives, discuss the current portfolio and increase the clients understanding of the investment holdings. We also provide periodic telephone updates on current strategy and holdings and to discuss each recommendation, as well as mailings intended to improve understanding of our strategy and the reasons for retaining individual holdings.

Quarterly we provide several reports custom-tailored to the client's needs. These include investment position statements that show actual income to date and estimated income for the remainder of the year, a value-added analysis showing dollar improvements and components of value, performance, and the economic and investment outlook. We also offer several specific purpose reports, such as monthly cash flow analysis, realized and unrealized gains and losses, spreadsheets showing multiple accounts, and client-designed special reports.

Item 5 – Fees and Compensation

The specific manner in which fees are charged by Stark Asset Management is established in a client's written agreement. Clients are billed quarterly for the three months following the quarterly valuation date; the fee is payable within thirty days of this valuation date. Invoices reflect asset values generated by an in-house computer system and are reconciled with statements produced by the custodian bank or brokerage firm.

Fees are calculated at 0.5% of client assets under supervision at the beginning of the period. The current minimum fee is \$25,000 per year. Although not negotiable, our fees may exclude some "client controlled" assets if the client does not seek our advice on such holdings but desires to see said assets reflected in our reports.

The service may be terminated by Stark Asset Management or the client upon ninety days written notice provided by either party to the other. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Our fees are exclusive of brokerage commissions, transaction fees, and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to Stark Asset Management's fee, and Stark Asset Management shall not receive any portion of these commissions, fees, and costs.

Item 12 further describes the factors that Stark Asset Management considers in selecting or recommending broker-dealers for *client* transactions and determining the reasonableness of their compensation (*e.g.*, commissions).

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

Stark Asset Management does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client) or participate in side-by-side management. Our fees are calculated as described in the Advisory Business section above, and are not changed on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Item 7 – Types of Clients

Stark Asset Management provides portfolio management services to high net worth individuals, trusts, estates, and charitable organizations.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

- **Fundamental Analysis** – Fundamental analysis involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience, and expertise of the company's management, and the outlook for the company's industry. The resulting data is used to measure the true value of the company's stock compared to the current market value. The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.
- **Cyclical Analysis** – Cyclical analysis is a type of technical analysis that involves evaluating recurring price patterns and trends based upon business cycles. Economic/business cycles may not be predictable and may have many fluctuations between long term expansions and contractions. The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

- Long Term Purchases – securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than three years.
- Options Writing - a securities transaction that involves selling (writing) an option.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your defined objectives, risk tolerance, time horizon, financial horizon, financial information, liquidity needs, and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio.

Our strategies and investments may have unique and significant tax implications. Regardless of your account size or any other factors, we strongly recommend that you continuously consult with a tax professional prior to and throughout the investing of your assets.

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

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 Stark Asset Management or the integrity of our management. Stark Asset Management has been providing investment advisory services since 1984. Neither our firm nor any management persons has any reportable disciplinary information.

Item 10 – Other Financial Industry Activities and Affiliations

We have not provided information on other financial industry activities and affiliations because we do not have any relationship or arrangement that is material to our advisory business or to our clients with any of the types of entities listed below.

1. broker-dealer, municipal securities dealer, or government securities dealer or broker
2. investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
3. other investment adviser or financial planner
4. futures commission merchant, commodity pool operator, or commodity trading advisor
5. banking or thrift institution
6. accountant or accounting firm
7. lawyer or law firm
8. insurance company or agency
9. pension consultant
10. real estate broker or dealer
11. sponsor or syndicator of limited partnerships

Item 11 – Code of Ethics

Stark Asset Management has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, restrictions on the acceptance of significant gifts and the reporting of certain gifts and business entertainment items, and personal securities trading procedures, among other things. Stark Asset Management’s owners and employees are to be compliant with the CFA Institute recommendations as stated in the most current released version of the “Standards of Practice Handbook.” Each new employee is required to review this material and sign a statement, filed in the office, that they have read and understood the pertinent sections.

Stark Asset Management anticipates that, in appropriate circumstances, consistent with clients’ investment objectives, it will cause accounts over which we have management authority to effect, and will recommend to investment advisory clients or prospective clients, the purchase or sale of securities in which Stark Asset Management, its affiliates and/or clients, directly or indirectly, have a position of interest. Stark Asset Management’s

employees and persons associated with us are required to follow our Code of Ethics. Subject to satisfying this policy and applicable laws, officers, directors and employees of Stark Asset Management and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for our clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the employees of Stark Asset Management will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

Transactions for clients have priority over transactions of Stark Asset Management's owner and employees. Neither Stark Asset Management's owner nor employees are allowed to buy or sell a stock that has been added to our "Active List" five days before or five days after. In addition, all personal securities transactions of employees are reported to Richard J. Stark each quarter to ensure compliance with CFA Institute standards.

Item 12 - Brokerage Practices

Brokerage firms used by Stark Asset Management provide economic, strategy and individual company research; business-related newspapers, periodicals and newsletters; and pricing/news services.

Brokerage commissions at firms selected by us are paid at a rate of \$0.10 per share for stocks and \$0.01-\$0.10 per share on options (this is dependent on the option price and where the client account is located). This rate may be higher than those attainable from other brokers in return for those products and services. Brokerage firms selected by us are nationally recognized for their trading expertise and competence, as well as financial stability. Although the quality of research services may be a factor in the selection of brokerage firms used by Stark Asset Management, it is secondary to the brokerage firm's execution ability on specific transactions. Important factors considered on individual transactions include: the willingness of the broker to commit capital, the size of the transaction and indications in the marketplace that the broker controls the other side of the transactions.

We allocate trades to specific firms based upon the trading volume required to maintain the level of service desired from each firm. These services include, but are not limited to, research availability (in hardcopy and online versions), access to research analysts and research conferences, phone / fax / email updates on breaking / daily news affecting client holdings and soft-dollar arrangements. These trading levels are monitored on a monthly, quarterly and annual basis.

We aggregate orders whenever possible for clients in order to trade larger blocks of securities and allow clients to benefit from a smaller transaction fee or a more advantageous net price. The benefit that is obtained as a result of such aggregation is allocated pro-rata among the clients which participated in the transaction.

In some cases our clients have chosen their own brokerage firm (and subsequently may pay a higher commission rate). In those instances where clients either direct us to use a particular brokerage firm, or execute the transaction themselves, we inform the client of any economic damage incurred by not taking advantage of our execution ability and / or ability to attain lower commission rates so as to help them negotiate as low a commission rate as possible.

The products, research and services received are used to benefit all clients and not just those whose transaction pays for a particular service. Each client's commissions are intended to benefit the composite client portfolio. Allocation of commissions are monitored by way of computer programs and adjustments are made as needed to provide the maximum benefit to all clients.

Item 13 – Review of Accounts

All client portfolios are reviewed a minimum of once a week. Portfolios are reviewed for equity exposure, adherence to equity themes, individual equity weightings, average fixed income maturity, net gain/loss and adherence to client income requirements. When changes in strategy are made, all portfolios are reviewed immediately.

Client equity portfolios usually contain 30-40 actively researched issues. Industry concentration, theme concentration and individual stock characteristics are generally the same among portfolios. Fixed income portfolios are structured with emphasis on the after-tax income needs of the individual client, and are heavily concentrated in AAA and AA rated bonds. We employ a “laddered maturities” strategy to reduce volatility and lock in the desired income stream. Average maturity of the ladder is adjusted depending on interest rate outlook.

Equity exposure varies between clients, a function of client income needs and risk tolerance. Based on these two factors, an equity percentage is set with the client for the balanced portfolios and works as a policy objective, unemotionally leading to sale of equities near market highs and purchase near market lows. Individual stock selling decisions are fundamentally based with the catalyst being company performance below expectations, the

trimming of a successful stock for diversification purposes, or a better alternative investment (i.e., the source of funds).

A quarterly report is sent to all clients that includes: (1) performance of balanced assets, equities, bonds and cash reserves against commonly used benchmarks (e.g., the S&P 500, NASDAQ, Municipal and Treasury issues); (2) flow of funds analysis showing the dollar value added by the portfolio; (3) an investment position statement showing asset structure and details on individual holdings such as cost and market value per unit, income received to date and projected for the remainder of the year and (4) Stark Asset Management's "Economic and Investment Outlook." The E&I Outlook includes updates on the three best and worst performing equities in the previous quarter.

At quarterly client meetings other reports used include market cap weighting, top 10 holdings, bond maturity and quality, municipal bonds by state, realized and unrealized gains to date, monthly cash flow analysis and up-to-date investment position statements showing projected income for the next twelve months.

Clients are also encouraged to request, create and modify reports to their particular needs.

Item 14 – Client Referrals and Other Compensation

Stark Asset Management does not provide any form of compensation for client referrals.

Item 15 – Custody

Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. Stark Asset Management urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you. Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Item 16 – Investment Discretion

Stark Asset Management usually receives discretionary authority from the client at the outset of an advisory relationship to select the identity and amount of securities to be bought or sold. In all cases, however, such discretion is to be exercised in a manner consistent with

the stated investment objectives for the particular client account.

When selecting securities and determining amounts, Stark Asset Management observes the investment policies, limitations and restrictions of the clients for which it advises. For registered investment companies, our authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Item 17 – Voting *Client* Securities

As a matter of firm policy and practice, Stark Asset Management does not have any authority to and does not vote proxies on behalf of advisory clients. Clients retain the responsibility for receiving and voting proxies for any and all securities maintained in client portfolios. We may provide advice to clients regarding the clients' voting of proxies.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about our financial condition. We are not required to provide financial information to our clients because we do not: require the prepayment of more than \$1,200 in fees and six or more months in advance, take custody of client funds or securities, or have a financial condition that is reasonably likely to impair our ability to meet our commitments to you. Stark Asset Management has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

Brochure Supplement: Richard J. Stark, CFA

Richard J. Stark, CFA

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March 31, 2011

This Brochure Supplement provides information about Richard J. Stark, CFA, that supplements the Stark Asset Management Brochure. You should have received a copy of that Brochure. Please contact Stark Asset Management at (303) 779-8772 or boulderasset@hotmail.com if you did not receive our Brochure or if you have any questions about the contents of this supplement.

Additional information about Richard J. Stark, CFA, is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Richard Joseph Stark, CFA (born 1940) has served as President of Stark Asset Management since he founded the company in 1984. Immediately prior to founding Stark Asset Management, Mr. Stark was a Senior Vice President and Senior Investment Officer for Interfirst Investment Management (Dallas, Texas). He holds a B.S. degree from Marquette University and an MBA from the University of Illinois. Mr. Stark attained his Chartered Financial Analyst designation in 1974.

Item 3- 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 each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

Beyond Mr. Stark's capacity as President of Stark Asset Management, he is not engaged in any other business activity.

Item 5- Additional Compensation

Mr. Stark does not receive any additional compensation beyond that received as a result of his capacity as President of Stark Asset Management.

Item 6 - Supervision

Mr. Stark is the President of Stark Asset Management; therefore, supervision is not required.

Brochure Supplement: Richard C. Stark

Richard C. Stark

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Additional information about Richard C. Stark is available on the SEC's website at www.adviserinfo.sec.gov.

Item 2- Educational Background and Business Experience

Richard Christopher Stark (born 1970) has worked as a research analyst, trader and portfolio manager at Stark Asset Management since 1995 after spending a year as the news editor and reporter of the Rangely Times (Rangely, Colorado). Mr. Stark holds a BS degree from the University of Colorado at Boulder in Journalism and an MBA from Regis University.

Item 3- 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 each supervised person providing investment advice. No information is applicable to this Item.

Item 4- Other Business Activities

Beyond Mr. Stark's employment Stark Asset Management, he is not engaged in any other business activity.

Item 5- Additional Compensation

Mr. Stark does not receive any additional compensation beyond the salary-based compensation he receives through Stark Asset Management.

Item 6 - Supervision

Richard J. Stark, CFA and President of Stark Asset Management, is responsible for supervising Mr. Stark's advisory activities. Richard J. Stark, CFA, can be reached at (303) 779-8772 or by email at boulderasset@hotmail.com.