

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2016-01-25** | Period of Report: **2015-12-31**  
SEC Accession No. [0001477932-16-008264](#)

([HTML Version](#) on [secdatabase.com](#))

FILER

**CASTLE HOLDING CORP**

CIK:[802510](#) | IRS No.: **770121957** | State of Incorp.:**NV** | Fiscal Year End: **0930**  
Type: **10-Q** | Act: **34** | File No.: **033-37809-NY** | Film No.: **161358595**  
SIC: **6199** Finance services

Mailing Address  
*45 CHURCH STREET  
FREEPORT NY 11520*

Business Address  
*45 CHURCH ST STE 25  
FREEPORT NY 11520  
5168682000*

---

---

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

**FORM 10-Q**

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended **December 31, 2015**

Commission file number **33-37809-NY**

**CASTLE HOLDING  
CORP.**

(Exact Name of Registrant as Specified in Its Charter)

**Nevada**

(State or Other Jurisdiction of Incorporation  
or Organization)

**77-0121957**

(I.R.S. Employer Identification No.)

**111 West Sunrise Highway, Second Floor East  
Freeport, NY 11520  
(516)-378-1000**

(Address of Principal Executive Offices, Zip Code & Telephone Number)

Securities registered pursuant to Section 12(b) of the Act:  
**None**

Securities registered pursuant to section 15(d) of the Act:  
**Common Stock, \$0.0025 par value**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.  
Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (ss.232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).  
Yes  No

As of January 22, 2016, the registrant had 44,983,510 shares of common stock issued and 44,394,710 shares of common stock outstanding, as well as 522,250 Class A Convertible preferred shares issued and outstanding and 100,000 Class B Preferred shares issued and outstanding.

---

**Castle Holding Corp.**  
**TABLE OF CONTENTS**  
**Quarterly Period Ended December 31, 2015**

	<u>Page No.</u>
<b>PART I – Financial Information</b>	
Item 1. Financial Statements	3
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	15
Item 3. Quantitative and Qualitative Disclosures About Market Risk	16
Item 4. Controls and Procedures	16
<b>PART II – Other Information</b>	
Item 1. Legal Proceedings	17
Item 1A. Risk Factors	17
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	17
Item 3. Defaults Upon Senior Securities	17
Item 4. Mine Safety Disclosures	17
Item 5. Other Information	17
Item 6. Exhibits	18
SIGNATURES	19

**PART I**

**ITEM 1. FINANCIAL STATEMENTS**

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Financial Condition**  
**(Unaudited and Unreviewed)**

	<b>December 31, 2015</b>	<b>September 30, 2015</b>
<u>Assets</u>		
Cash and cash equivalents	\$45,224	\$65,969
Marketable securities, at market value	230,940	219,920
Inventory	2,348	3,109
Investment in Emergent Health Corporation common stock	120,000	160,000
License agreement with Emergent Health Corporation	30,000	30,000
Other assets	952	952
Total assets	<u>\$429,464</u>	<u>\$479,950</u>
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Accounts payable and accrued expenses	\$1,217	\$1,223
Loans payable to affiliates	18,081	18,081
Total liabilities	<u>19,298</u>	<u>19,304</u>

Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 8,900,000 and 9,000,000 shares, respectively; none issued and outstanding	-	-
Class A Convertible Preferred stock, \$.01 par value; authorized 1,000,000 shares, issued and outstanding 522,250 and 522,250 shares, respectively; liquidation preference of \$522,250 and \$522,250, respectively	5,223	5,223
Class B Preferred stock, \$.01 par value; authorized 100,000 shares, issued and outstanding 100,000 and 100,000 shares, respectively	1,000	1,000
Common stock, \$.0025 par value; authorized 100,000,000 shares, issued 44,983,510 and 44,983,510 shares, respectively (net of 261,000 shares "stopped" and requested to be cancelled)	112,459	112,459
Treasury common stock - 588,800 and 588,800 shares, respectively - at cost	(32,620 )	(32,620 )
Additional paid-in capital	1,833,527	1,833,527
Accumulated deficit	(1,509,423)	(1,458,943)
<b>Total stockholders' equity</b>	<b>410,166</b>	<b>460,646</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$429,464</b>	<b>\$479,950</b>

See notes to consolidated financial statements.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**(Unaudited and Unreviewed)**

	<b>Three Months Ended</b>	
	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
Sales	\$4,779	\$-
Cost of sales	761	-
Gross profit	<u>4,018</u>	<u>-</u>
Selling expenses	1,717	-
General and administrative expenses	31,623	2,205
Total operating expenses	<u>33,340</u>	<u>2,205</u>
Income (loss) from operations	(29,322 )	(2,205 )
Other income (expense):		
Interest and dividends revenues	7,250	6,960
Royalties revenues	572	-
Net gain (loss) on marketable securities	11,020	(47,705 )
Impairment of investment in Emergent Health Corporation common stock	(40,000)	-
Total other income (expense) - net	<u>(21,158 )</u>	<u>(40,745 )</u>
Income (loss) before income taxes	(50,480 )	(42,950 )
Provision for income taxes	-	-
Net income (loss)	<u>\$(50,480 )</u>	<u>\$(42,950 )</u>
Net income (loss) per common share:		
Basic	<u>\$(0.00 )</u>	<u>\$(0.00 )</u>

Diluted		<u>\$(0.00)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding:			
Basic		<u>44,394,710</u>	<u>40,236,387</u>
Diluted		<u>44,916,960</u>	<u>40,935,637</u>

See notes to consolidated financial statements.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Period October 1, 2014 to December 31, 2015**  
**(Unaudited and Unreviewed)**

	Class A Convertible Preferred Stock, \$.01 Par Value		Class B Preferred Stock, \$.01 Par Value		Common Stock, \$.0025 Par Value		Treasury Common Stock, \$.0025 Par Value		Additional Paid-in Capital	Accum Deficit
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount		
Balances, September 30, 2014	699,250	\$ 6,993	-	\$ -	37,629,510	\$ 94,074	(588,800)	\$(32,620)	\$ 1,516,142	\$ (1,2
Spin-off of Castle Advisors Inc. effective November 17, 2014	-	-	-	-	-	-	-	-	-	(19,
Issuance of common shares on November 20, 2014 for:										
Cash	-	-	-	-	3,000,000	7,500	-	-	37,500	-
2,000,000 restricted shares, Emergent Health Corporation ("EMGE") common stock	-	-	-	-	2,000,000	5,000	-	-	245,000	-
Rights to license agreement between Cappello's Inc, and Emergent Health Corporation	-	-	-	-	2,000,000	5,000	-	-	25,000	-
Conversion of Class A convertible preferred Stock on March 31, 2015	(177,000)	(1,770)	-	-	354,000	885	-	-	885	-
Issuance of Class B Preferred Stock effective June 1, 2015	-	-	100,000	1,000	-	-	-	-	9,000	-

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the Period October 1, 2014 to December 31, 2015**  
**(Unaudited and Unreviewed)**

	<b>Class A Convertible Preferred Stock, \$.01 Par Value</b>		<b>Class B Preferred Stock, \$.01 Par Value</b>		<b>Common Stock, \$.0025 Par Value</b>		<b>Treasury Common Stock, \$.0025 Par Value</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>
	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>	<b>Shares</b>	<b>Amount</b>		
Net loss for the year ended September 30, 2015	-	-	-	-	-	-	-	-	-	(203,472 )
Balances, September 30, 2015	522,250	5,223	100,000	1,000	44,983,510	112,459	(588,800)	(32,620)	1,833,527	(1,458,943 )
Net loss for the three months ended December 30, 2015	-	-	-	-	-	-	-	-	-	(50,480 )
Balances, December 30, 2015	<u>522,250</u>	<u>\$ 5,223</u>	<u>100,000</u>	<u>\$ 1,000</u>	<u>44,983,510</u>	<u>\$ 112,459</u>	<u>(588,800)</u>	<u>\$ (32,620)</u>	<u>\$ 1,833,527</u>	<u>\$ (1,509,423 )</u>

See notes to consolidated financial statements.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
**(Unaudited and Unreviewed)**

	<b>Three Months Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Cash flows from operating activities:		
Net income (loss)	\$(50,480 )	\$(42,950 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Impairment of investment in Emergent Health Corporation common stock	40,000	-
Changes in operating assets and liabilities:		
Marketable securities	(11,020 )	23
Inventory	761	-

Restricted cash and securities	-	41,013
Accounts payable and accrued expenses	(6 )	577
Net cash provided by (used in) operating activities	(20,745 )	(1,337 )
Cash flows from investing activities	-	-
Cash flows from financing activities:		
Proceeds from sale of common shares	-	45,000
Spin off of Castle Advisors, Inc.	-	(19,908 )
Net cash provided by (used in) financing activities	-	25,092
Net increase (decrease) in cash and cash equivalents	(20,745 )	23,755
Cash and cash equivalents, beginning of period	65,969	20,639
Cash and cash equivalents, end of period	<u>\$45,224</u>	<u>\$44,394</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$-</u>	<u>\$31</u>
Income taxes paid	<u>\$-</u>	<u>\$-</u>
Non-cash investing and financing activities:		
Issuance of 2,000,000 shares of CHC common stock in exchange for 2,000,000 restricted shares of Emergent Health Corp. common stock	<u>\$-</u>	<u>\$250,000</u>
Issuance of 2,000,000 shares of CHC common stock in exchange for rights to license agreement between Cappello's Inc. and Emergent Health Corporation	<u>\$-</u>	<u>\$30,000</u>

See notes to consolidated financial statements.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

**1. ORGANIZATION**

Castle Holding Corp. ("CHC") is a holding company which was incorporated in Nevada on June 13, 1986. The subsidiaries of CHC are as follows:

1. Castle Royalties Corp. (incorporated in New York April 11, 1991) – name changed from Church Street Securities Corp. on March 16, 2015; assignee of License Agreement with Emergent Health Corporation effective March 16, 2015 (see Note 5).
2. SAS Health and Beauty Corp. (incorporated in New York May 27, 1994) – name changed from Wall Street Indians, Ltd. on March 31, 2015; manufactures and markets a skin care product.
3. The Unlisted Stock Market Corporation (incorporated in New York December 9, 1999) – no operations from inception.
4. Shark Venture Capital Inc. (incorporated in Nevada December 22, 2014) – plans to engage in venture capital activities.

Effective November 17, 2014, CHC spun off all of the shares of its then wholly owned subsidiary Castle Advisors, Inc. ("CAI") to CHC's common stockholders of record as of the close of business on November 10, 2014. CAI, which was incorporated in New York December 23, 1993, acts as a financial consultant.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Interim financial statements** – The accompanying unaudited interim financial statements have been prepared by management in accordance with accounting principles generally accepted in the United States of America for interim financial information and pursuant to rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, they do not include all information and footnotes required by generally accepted accounting principles for annual audited financial statements. In the opinion of management, the unaudited financial statements have been prepared on the same basis as the annual financial statements and reflect all adjustments considered necessary for a fair presentation.

The results of operations for the three months ended December 31, 2015 are not necessarily indicative of the results to be expected for the year ending September 30, 2016. The accompanying unaudited interim financial statements should be read in conjunction with the Company's financial statements and notes related thereto for the years ended September 30, 2015 and 2014 included in our Form 10-K filed with the SEC.

**Principles of consolidation** – The consolidated financial statements include the accounts of CHC and its subsidiaries (collectively, the "Company"). All significant intercompany balances and transactions have been eliminated in consolidation.

**Use of estimates** – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

---

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

**Cash and cash equivalents** The Company considers highly liquid investments with maturities of three months or less at the time of purchase to be cash equivalents.

**Marketable securities** Marketable securities consist of trading securities valued at market. All fair value measurements are based on Level 1 inputs (i.e., closing trading prices of respective marketable securities). Unrealized gains and losses are reflected in income (\$11,020 and (\$47,705) for the three months ended December 31, 2015 and 2014, respectively).

**Inventory** – Inventory is stated at the lower of cost (first-in, first-out method) or market (net realizable value). At December 31, 2015 and September 30, 2015, inventory consists of bottles of a skin care product called SAS Flower of Youth Facial Lift Spray.

**Revenue recognition** – Revenues are recognized upon delivery of the products, at which time title passes to the customer, provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an arrangement exists; the sales price is fixed or determinable; and collectability is deemed probable.

**Income taxes** – Income taxes are accounted for under the assets and liability method. Deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

Net income (loss) per common share – Basic net income (loss) per common share is calculated based upon the weighted average number of common shares outstanding. Diluted net income (loss) per common share is calculated based upon the weighted average number of common shares outstanding and dilutive convertible preferred shares outstanding.

Recent accounting pronouncements – Certain accounting pronouncements have been issued by the FASB and other standard setting organizations which are not yet effective and therefore have not yet been adopted by the Company. The impact on the Company's financial position and results of operations from adoption of these standards is not expected to be material.

### 3. MARKETABLE SECURITIES, AT MARKET VALUE

At December 31, 2015 and September 30, 2015, marketable securities consist of:

	<b>December 31, 2015</b>	<b>September 30, 2015</b>
29,000 and 29,000 shares, respectively, Medallion Financial Group (TAXI)	\$230,840	\$219,820
Various	100	100
Total	<u>\$230,940</u>	<u>\$219,920</u>

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

#### 4. INVESTMENT IN EMERGENT HEALTH CORPORATION COMMON STOCK

On November 20, 2014, pursuant to a Stock Purchase Agreement involving a change in control of CHC, CHC acquired 2,000,000 restricted shares of Emergent Health Corporation ("EMGE") common stock in exchange for the issuance of 2,000,000 restricted shares of CHC common stock. The EMGE investment was initially valued at an estimated fair value of \$250,000. The closing trading price of EMGE free trading common stock at November 20, 2014 was \$0.49 per share.

At September 30, 2015, the Company recognized an impairment loss on the investment in EMGE common stock of \$90,000 and reduced the carrying value from \$250,000 to \$160,000. At December 31, 2015, the Company recognized an additional impairment loss on the investment in EMGE common stock of \$40,000 and reduced the carrying value from \$160,000 to \$120,000. The closing trading price of EMGE free trading common stock at September 30, 2015 and December 31, 2015 was \$0.08 per share and \$0.06 per share, respectively.

#### 5. LICENSE AGREEMENT WITH EMERGENT HEALTH CORPORATION

On November 20, 2014, pursuant to the Stock Purchase Agreement involving a change in control of CHC, CHC was assigned effective January 1, 2015 the License Agreement between Cappello's, Inc, (Licensor) and EMGE (Licensee) dated August 26, 2014 (the "EMGE License Agreement") in exchange for the issuance of 2,000,000 restricted shares of CHC common stock. The EMGE License Agreement was valued at its estimated fair value of \$30,000 based upon 2014 royalties.

The EMGE License Agreement provides for Licensee's payment of quarterly royalty payments to Licensor equal to 5% of the first \$1,000,000 of annual net sales of the Licensed Products, 4% of the next \$1,000,000 of annual net

sales, 3% of the next \$1,000,000 of annual net sales, 2% of the next \$2,000,000 of annual net sales, and 1% of all additional annual net sales. The term of the EMGE License Agreement expires upon the expiration of the last to expire of the Patent Rights. In the event the Base Sales of any one or more of the Licensed Products do not increase by 15% per year over each prior calendar year ("Underperforming Licensed Products") and the Licensee does not pay royalties based on 15% annual increases in Base Sales for the Underperforming Licensed Product(s), Licensor may terminate the license for such Underperforming Licensed Product(s) or convert the license from an exclusive license to a non-exclusive license for such Underperforming Licensed Product(s). During the term, Licensor is to keep Licensee informed of the progress of the Patent Rights in the U.S. Patent Office and is to direct and control all aspects of the prosecution and maintenance of the Patent Rights using patent counsel of its choice; Licensee is to pay all reasonable costs and fees attributable to the Patent Rights including patent maintenance fees, government fees and attorney fees.

On June 17, 2015, pursuant to a Swenson-Emergent Loan and Security Agreement, the Company consented to EMGE's grant of a security interest in the License Agreement to a lender.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

Based on the calendar year 2015 sales of the licensed products reported to CHC by EMGE, the Company was entitled to royalties of \$18,528. However, the Company collected royalties of only \$572 from EMGE in 2015. Due to the uncertainty of future collections from EMGE, the Company has not recognized the remaining \$17,956 royalties due at December 31, 2015.

**6. LOANS PAYABLE TO AFFILIATES**

Loan payable to affiliates consist of:

	<b>December 31, 2015</b>	<b>September 30, 2015</b>
SAS Health and Beauty Corp. Promissory Note due John V. Cappello, chief executive officer of the Company, non-interest bearing, due December 1, 2016	\$15,000	\$15,000
Loans payable to entities affiliated with president and treasurer of the Company, non-interest bearing, due on demand	<u>3,081</u>	<u>3,081</u>
<b>Total</b>	<b><u>\$18,081</u></b>	<b><u>\$18,081</u></b>

**7. STOCKHOLDERS' EQUITY**

**Class A Convertible Preferred Stock**

From March 2001 to September 2001, CHC sold a total of 706,750 shares of Class A Convertible Preferred Stock for gross proceeds of \$706,750.

Each share of Class A Convertible Preferred Stock is convertible at any time into one share of the Company's Common Stock at the election of the Class A Convertible Preferred Stockholder. At any time, CHC may require conversion of the Class A Convertible Preferred Shares provided that CHC Common Stock closes at a price of \$1.50 per share or higher for more than 20 consecutive business days. At any time after one year from the issue date of the Class A Convertible Preferred Shares, CHC may require conversion of the Class A Convertible Preferred Shares

provided that CHC pay the Class A Convertible Preferred Stockholder \$0.50 per Class A Convertible Preferred Share.

The Class A Convertible Preferred Shares are non-voting and have a first priority, up to \$1.00 per Class A Convertible Preferred Share, in the event of liquidation of CHC.

As a provision of the private offering, CHC used 33% of the gross proceeds of the offering to purchase \$380,000 face value of U.S. Treasury Strips (the "Strips") maturing August 15, 2011.

The proceeds from the Strips were available to holders of the Class A Convertible Preferred Shares and were in addition to the other assets of CHC. The Strips, and upon maturity, subsequent investments purchased from such proceeds, were to be held by CHC to secure payment of the investment in the Class A Convertible Preferred Shares in the event of liquidation of CHC. The protection afforded by the Strips was to terminate upon the conversion of the Class A Convertible Preferred Shares and the Strips, or their proceeds, were to thereafter be available to CHC.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

On January 7, 2015, CHC offered its Class A Convertible Preferred shareholders the ability to convert each one (1) share of CHC Class A Convertible Preferred stock owned into two (2) restricted shares of restricted CHC common stock (the "Offer"). Through March 31, 2015, 18 of the Class A Convertible Preferred shareholders (representing 179,500 shares, or approximately 26% of the 699,250 issued and outstanding shares of Class A Convertible Preferred Stock) responded to the Offer. 17 of the responding shareholders (representing 177,000 shares) accepted the Offer; the 1 other responding shareholder (representing 2,500 shares) declined the Offer. Accordingly, in May 2015, CHC issued a total of 354,000 restricted shares of CHC common stock to the 17 Class A Convertible Preferred shareholders who accepted the Offer.

The 17 accepting shareholders represented approximately 98.6% of the responding shareholders' shares and constituted a quorum. On February 15, 2015, based on the results of the Offer, the majority stockholder and Board of Directors approved the release of restrictions on the proceeds from the Strips.

**Class B Preferred Stock**

Effective June 1, 2015, CHC issued 100,000 shares of Class B Preferred Stock (valued at \$10,000) to John V. Cappello, chief executive officer of the Company, in connection with a \$15,000 loan made to SAS Health and Beauty Corp., subsidiary of CHC (see Note 6). Each share of Class B Preferred Stock is entitled to 100 votes per share but has no conversion, liquidation, or dividend rights.

**Common Stock**

On November 20, 2014, pursuant to a Stock Purchase Agreement involving a change in control of CHC, CHC issued a total of 7,000,000 restricted shares of CHC common stock to Cappello's Inc. ("Cappello's") in exchange for (1) Cappello's assignment of a License Agreement between Cappello's and EMGE dated August 26, 2014 to CHC effective January 1, 2015 (2,000,000 shares) (see Note 5. above), (2) 2,000,000 restricted shares of EMGE common stock (2,000,000 shares) (see Note 4. above), and (3) \$45,000 cash (3,000,000 shares).

**8. INCOME TAXES**

CHC files a consolidated income tax return with its subsidiaries for federal reporting purposes. CHC and its subsidiaries file separate income tax returns for state reporting purposes.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

The provisions for (benefit from) income taxes consisted of:

	<b>Three Months Ended June 30,</b>	
	<b>2015</b>	<b>2014</b>
<b>Current:</b>		
Federal	\$-	\$-
State	-	-
Total	-	-
<b>Deferred:</b>		
Federal	(3,332 )	(13,654 )
State	(681 )	(2,792 )
Change in valuation allowance	4,013	16,446
Total	-	-
<b>Provision for income taxes</b>	<b>\$-</b>	<b>\$-</b>

The Company's effective tax rate differed from the United States Federal income tax rate for the following reasons:

	<b>Three Months Ended December 31,</b>	
	<b>2015</b>	<b>2014</b>
Computed Federal income tax at 34%	\$(17,163 )	\$(14,603 )
Computed state income tax, net of Federal tax effect	(2,166 )	(1,843 )
Non-deductible impairment of investment in Emergent Health Corporation common stock	15,316	-
Change in valuation allowance	4,013	16,446
<b>Provision for income taxes</b>	<b>\$-</b>	<b>\$-</b>

Based on management's present assessment, the Company has not yet determined it to be more likely than not that a deferred tax asset of \$403,350 attributable to the future utilization of \$1,137,149 of net operating loss carryforwards and \$49,175 of capital loss carryforwards will be realized. Accordingly, the Company has maintained a 100% allowance against the deferred tax asset in the financial statements at December 31, 2015. The Company will continue to review this valuation allowance and make adjustments as appropriate. The net operating loss carryforwards expire as follows: \$180,132 in year 2021, \$694,345 in year 2022, \$135,943 in year 2023, \$66,021 in year 2024, \$39,208 in year 2025, and \$21,500 in year 2035. The capital loss carryforward of \$49,175 expires in year 2018.

Current United States income tax laws limit the amount of loss available to be offset against future taxable income when a substantial change in ownership occurs. Therefore, the amount available to offset future taxable income may be limited.

**Notes to Consolidated Financial Statements**  
**Three Months Ended December 31, 2015 and 2014**  
**(Unaudited and Unreviewed)**

**9. COMMITMENTS AND CONTINGENCIES**

Since December 2005, the Company has been using space in Freeport New York provided by a public accounting firm owned by the Company's treasurer at no cost to the Company.

On July 2, 2015, a Lease Agreement was fully executed by J. M. Basile & Associates, Inc., Agent for Jamil Bami ("Lessor") and the Company (as Lessee). The lease provides for the Company to rent office space in King of Prussia, Pennsylvania for a term of 1 year from September 2015 to August 2016 at a rent of \$950 per month.

On November 24, 2015, the Company executed a Financial Public Relations Agreement and an Independent Consulting Agreement with The OTCBBL.com, Inc. (the "Consultant"). The Financial Public Relations Agreement provides for the Consultant to perform certain specified public relations services for the Company for a term of 90 days for total compensation of \$30,000. For the three months ended December 31, 2015, the Company paid the Consultant \$20,000 of the \$30,000 and has included \$20,000 in general and administrative expenses in the consolidated statement of operations. The Independent Consulting Agreement provides for the Consultant to introduce third parties to the Company for the purposes of consummating a Financing or Acquisition Transaction. In the event that a Financing or Acquisition Transaction is consummated with a party introduced by the Consultant, the Company is to pay the Consultant within 5 business days of the closing a "finder's fee" equal to 5% of the first \$1,000,000, 4% of the next \$1,000,000, and 3% of the remaining transaction amount.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**GENERAL**

Castle Holding Corp. ("CHC") is a holding company which was incorporated in Nevada on June 13, 1986. On September 30, 1987, CHC acquired Castle Securities Corp., a New York corporation which operated as a securities broker dealer from November 1, 1985 to October 31, 2003. On April 11, 1991, CHC formed Church Street Securities Corp., a New York corporation which operated as a securities broker dealer from October 26, 1995 to January 6, 2005. Since January 2005, CHC and its subsidiaries have had minimal business operations and operating revenues.

Commencing July 2015, CHC's subsidiary SAS Health and Beauty Corp. has engaged in the production and sales of a skin care product called SAS Flower of Youth Facial Lift Spray

**RESULTS OF OPERATIONS** – Three Months ended December 31, 2015 compared to Three Months ended December 31, 2014.

Sales increased \$4,779 from \$0 in 2014 to \$4,779 in 2015 (all from sales of the SAS Flower of Youth Facial Lift Spray product, which was launched in July 2015).

Cost of sales increased \$761 from \$0 in 2014 to \$761 in 2015 (all from sales of the SAS Flower of Youth Facial Lift Spray).

Gross profit increased \$4,018 from \$0 in 2014 to \$4,018 in 2015 (all from sales of the SAS Flower of Youth Facial Lift Spray). The gross profit percentage of sales in 2015 was approximately 84%.

Total operating expenses increased \$31,135 from \$2,205 in 2014 to \$33,340 in 2015. The increase was primarily due to \$20,000 of consulting fees incurred in 2015 relating to a Financial Public Relations Agreement executed in November 2015 and \$8,458 of selling, general and administrative expenses incurred by our subsidiary SAS Health and Beauty Corp. primarily in connection with the launch of the SAS Flower of Youth Facial Lift Spray product.

Other expense – net decreased \$19,587 from \$40,745 in 2014 to \$21,158 in 2015. The decrease was due primarily to the \$58,725 improvement in net gain (loss) on marketable securities from a loss of \$47,705 in 2014 to a gain of \$11,020 in 2015, offset by a \$40,000 expense recognized in 2015 from impairment of our investment in Emergent Health Corporation common stock. For both periods, substantially all of the marketable securities were invested in TAXI common stock which price per share increased from \$7.58 at September 30, 2015 to \$7.96 at December 31, 2015.

Net loss increased \$7,530 from \$42,950 in 2014 to \$50,480 in 2015. The increase was due to the \$31,135 increase in operating expenses, offset partially by the \$4,018 increase in gross profit and the \$19,587 decrease in other expense – net.

## LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2015, the Company had cash and cash equivalents of \$45,224, total assets of \$429,464, total liabilities of \$19,298, and total stockholders' equity of \$410,166. Of the \$429,464 total assets at December 31, 2015, \$230,840 represents the quoted value of 29,000 shares TAXI common stock and \$120,000 represents the carrying value of 2,000,000 restricted shares of Emergent Health Corporation (EMGE) common stock.

Cash and cash equivalents decreased \$20,745 from \$65,969 at September 30, 2015 to \$45,224 at December 31, 2015. The \$20,745 decrease was due primarily to the \$50,480 net loss and the \$11,020 increase in marketable securities, offset partially by the \$40,000 non-cash impairment of investment in Emergent Health Corporation common stock.

The Company currently has no other agreements, arrangements or understandings with any person to obtain funds through bank loans, lines of credit or any other sources.

We currently have no commitments with any person for any capital expenditures.

We have no off-balance sheet arrangements.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

Since year ended September 30, 2002, Castle Holding Corp. has had no principal accountant. Accordingly, there has been no disagreements with accountants on accounting and financial disclosure.

## **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

As a "smaller reporting company" as defined by Rule 229.10(f)(1), we are not required to provide the information required by this Item 3.

## **ITEM 4. CONTROLS AND PROCEDURES**

### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

Under the supervision and with the participation of our management, including our principal executive officer and the principal financial officer, we have conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as of the end of the period covered by this report. Based on this evaluation, our principal executive officer and principal financial officer concluded as of the evaluation date that our disclosure controls and procedures were effective such that the material information required to be included in our Securities and Exchange Commission reports is accumulated and communicated to our management, including our principal executive and financial officer, recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms relating to our company, particularly during the period when this report was being prepared.

### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There have been no changes in our internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## PART II – OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

There are no pending legal proceedings to which the Company is a party or in which any director, officer or affiliate of the Company, any owner of record or beneficially of more than 5% of any class of voting securities of the Company, or security holder is a party adverse to the Company or has a material interest adverse to the Company. The Company's property is not the subject of any pending legal proceedings.

### ITEM 1A. RISK FACTORS

As a "smaller reporting company" as defined by Rule 229.10(f)(1), we are not required to provide the information required by this Item 1A.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

(a) Recent Sales of Unregistered Securities – In the three months ended December 31, 2015, we did not sell any of our common stock or Class A Convertible Preferred Stock.

(b) Issuer Purchases of Equity Securities: In the three months ended December 31, 2015, we did not purchase any of our common stock or Class A Convertible Preferred Stock.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5. OTHER INFORMATION

None.

### ITEM 6. EXHIBITS

**The following exhibits are including with this filing:**

3.1\* Articles of Incorporation (Form S-18 Registration No. 33-8395-LA, effective November 14, 1986)

3.2\* Amendment to Articles of Incorporation (Form S-18 Registration No. 33-37809-NY, effective February 11, 1991)

3.2\* Amendment to Articles of Incorporation filed August 15, 2001 (September 30, 2001 Form 10-K filed January 15, 2002)

- 3.3\* By-laws (Form S-18 Registration No. 33-8395-LA, effective November 14, 1986)
- 4.4\* Specimen Stock Certificate (Form S-18 Registration No. 33-37809-NY, effective February 11, 1991)
- 31.1 Sarbanes-Oxley Section 302 certification by John V. Cappello
- 31.2 Sarbanes-Oxley Section 302 certification by Michael T. Studer
- 32.1 Sarbanes-Oxley Section 906 certification by John V. Cappello
- 32.2 Sarbanes-Oxley Section 906 certification by Michael T. Studer
- 99.1\* Complaint for Injunctive and Other Relief (dated September 14, 1994) – Securities and Exchange Commission, Plaintiff (Form 8-K dated September 13, 1994)
- 99.3\* Distribution Agreement (Form 8-K filed October 29, 2014)

\* Previously filed and incorporated by reference.

### SIGNATURES

Pursuant to the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### Castle Holding Corp.

Date: January 22, 2016

By: /s/ John V. Cappello  
John V. Cappello  
Chief Executive Officer

#### Castle Holding Corp.

Date: January 22, 2016

By: /s/ Michael T. Studer  
Michael T. Studer  
Secretary, Treasurer, Chief Financial Officer

**CHIEF EXECUTIVE OFFICER SARBANES-OXLEY SECTION 302  
CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q**

I, John V. Cappello, certify that:

- 1) I have reviewed this quarterly report for the quarterly period ended December 31, 2015 on Form 10-Q of Castle Holding Corp.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 22, 2016

By: /s/ John V. Cappello  
John V. Cappello  
Chief Executive Officer

**CHIEF FINANCIAL OFFICER SARBANES-OXLEY SECTION 302  
CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q**

I, Michael T. Studer, certify that:

- 1) I have reviewed this quarterly report for the quarterly period ended December 31, 2015 on Form 10-Q of Castle Holding Corp.;
- 2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
- 3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows as of, and for, the periods presented in this report;
- 4) The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
- 5) The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: January 22, 2016

By /s/ Michael T. Studer  
Michael T. Studer  
Chief Financial Officer

**CHIEF EXECUTIVE OFFICER SARBANES-OXLEY SECTION 906  
CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q**

In connection with the quarterly report on Form 10-Q of Castle Holding Corp. (the "Company") for the quarterly period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

- (1) except for the inclusion of unreviewed financial statements, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 22, 2016

By: /s/ John V. Cappello

John V. Cappello  
Chief Executive Officer

**CHIEF FINANCIAL OFFICER SARBANES-OXLEY SECTION 906  
CERTIFICATION FOR QUARTERLY REPORT ON FORM 10-Q**

In connection with the quarterly report on Form 10-Q of Castle Holding Corp. (the "Company") for the quarterly period ended December 31, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned certifies pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 that, to my knowledge:

- (1) except for the inclusion of unreviewed financial statements, the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: January 22, 2016

By: /s/ Michael T. Studer

Michael T. Studer  
Chief Financial Officer