

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

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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.: [161597544](#)  
SIC: [6199](#) Finance services

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**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 **March 31, 2016**

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(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 April 25, 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.

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Castle Holding Corp.

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**PART I**

**ITEM 1. FINANCIAL STATEMENTS**

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

	<u>March 31,</u> <u>2016</u>	<u>September</u> <u>30,</u> <u>2015</u>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$40,808	\$65,969
Marketable securities, at market value	267,770	219,920
Inventory	3,803	3,109
Investment in Emergent Health Corporation common stock	80,000	160,000
License agreement with Emergent Health Corporation	30,000	30,000
Other assets	952	952
Total assets	<u>\$423,333</u>	<u>\$479,950</u>
<b><u>Liabilities and Stockholders' Equity</u></b>		
Liabilities:		
Accounts payable and accrued expenses	\$775	\$1,223
Loans payable to affiliates	18,081	18,081

Total liabilities	18,856	19,304
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;	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	(1,515,112)	(1,458,943)
Total stockholders' equity	404,477	460,646
Total liabilities and stockholders' equity	<u>\$423,333</u>	<u>\$479,950</u>

See notes to consolidated financial statements.

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

	Three Months Ended		Six Months Ended	
	March 31,		March 31,	
	2016	2015	2016	2015
Sales	\$2,474	\$-	\$7,253	\$-
Cost of sales	86	-	847	-
Gross profit	<u>2,388</u>	<u>-</u>	<u>6,406</u>	<u>-</u>
Selling expenses	1,620	-	3,337	-
General and administrative expenses	3,387	820	35,010	3,025
Total operating expenses	<u>5,007</u>	<u>820</u>	<u>38,347</u>	<u>3,025</u>
Income (loss) from operations	<u>(2,619 )</u>	<u>(820 )</u>	<u>(31,941 )</u>	<u>(3,025 )</u>
Other income (expense):				
Interest and dividends revenues	-	6,960	7,250	13,920
Royalties revenues	-	-	572	-
Net gain (loss) on marketable securities	36,930	(21,756 )	47,950	(69,461 )
Impairment of investment in Emergent Health Corporation common stock	<u>(40,000 )</u>	<u>-</u>	<u>(80,000 )</u>	<u>-</u>
Total other income (expense) - net	<u>(3,070 )</u>	<u>(14,796 )</u>	<u>(24,228 )</u>	<u>(55,541 )</u>
Income (loss) before income taxes	<u>(5,689 )</u>	<u>(15,616 )</u>	<u>(56,169 )</u>	<u>(58,566 )</u>
Provision for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net income (loss)	<u><u>\$(5,689 )</u></u>	<u><u>\$(15,616 )</u></u>	<u><u>\$(56,169 )</u></u>	<u><u>\$(58,566 )</u></u>
Net income (loss) per common share:				
Basic	<u><u>\$(0.00 )</u></u>	<u><u>\$(0.00 )</u></u>	<u><u>\$(0.00 )</u></u>	<u><u>\$(0.00 )</u></u>

Diluted	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.00)</u>	<u>\$(0.00)</u>
Weighted average number of common shares outstanding:				
Basic	<u>44,394,710</u>	<u>44,040,710</u>	<u>44,394,710</u>	<u>42,138,549</u>
Diluted	<u>44,916,960</u>	<u>44,739,960</u>	<u>44,916,960</u>	<u>42,837,799</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 March 31, 2016**  
**(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	Accumulated Deficit	Total Stockholder Equity
	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	\$(1,235,563)	\$349,000
Spin-off of Castle Advisors Inc. effective November 17, 2014	-	-	-	-	-	-	-	-	-	(19,908)	(19,908)
Issuance of common shares on November 20, 2014 for:											
Cash	-	-	-	-	3,000,000	7,500	-	-	37,500	-	45,000
2,000,000 restricted shares, Emergent Health Corporation ("EMGE") common stock	-	-	-	-	2,000,000	5,000	-	-	245,000	-	250,000
Rights to license agreement between Cappello's Inc, and Emergent	-	-	-	-	2,000,000	5,000	-	-	25,000	-	30,000

Health Corporation											
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	-	10,000

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 March 31, 2016**  
**(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	Accumulated Deficit	Total Stock- holders' Equity
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Net loss for the year ended September 30, 2015	-	-	-	-	-	-	-	-	-	(203,472 )	(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 )	460,646
Net loss for the six months ended March 31, 2016	-	-	-	-	-	-	-	-	-	(56,169 )	(56,169 )
Balances, March 31, 2016	<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>\$ (1,515,112 )</u>	<u>\$404,477</u>

See notes to consolidated financial statements.

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

	<b>Six Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Net income (loss)	\$(56,169 )	\$(58,566 )
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Impairment of investment in Emergent Health Corporation common stock	80,000	-
<b>Changes in operating assets and liabilities:</b>		
Marketable securities	(47,850 )	29
Inventory	(694 )	-
Restricted cash and securities	-	55,803
Accounts payable and accrued expenses	(448 )	577
<b>Net cash provided by (used in) operating activities</b>	<b>(25,161 )</b>	<b>(2,157 )</b>
<b>Cash flows from investing activities</b>	<b>-</b>	<b>-</b>
<b>Cash flows from financing activities:</b>		
Proceeds from sale of common shares	-	45,000
Reclassification from restricted cash and securities to cash and cash equivalents	-	7,110
Spin off of Castle Advisors, Inc.	-	(19,908 )
<b>Net cash provided by (used in) financing activities</b>	<b>-</b>	<b>32,202</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(25,161 )</b>	<b>30,045</b>
Cash and cash equivalents, beginning of period	65,969	20,639
<b>Cash and cash equivalents, end of period</b>	<b>\$40,808</b>	<b>\$50,684</b>
<b>Supplemental disclosures of cash flow information:</b>		
Interest paid	\$-	\$31
Income taxes paid	\$-	\$-
<b>Non-cash investing and financing activities:</b>		
Issuance of 2,000,000 shares of CHC common stock in exchange for 2,000,000 restricted shares of Emergent Health Corp. common stock	\$-	\$250,000
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	\$-	\$30,000
Conversion of 177,000 shares of CHC Class A convertible preferred stock into 354,000 shares of CHC common stock	\$-	\$1,770
Reclassification from restricted cash and securities to marketable securities	\$-	\$268,540

See notes to consolidated financial statements.

**Notes to Consolidated Financial Statements**  
**Three and Six Months Ended March 31, 2016 and 2015**  
**(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 and six months ended March 31, 2016 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.

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.

**(Unaudited and Unreviewed)**

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 (\$47,850) and (\$69,461) for the six months ended March 31, 2016 and 2015, respectively).

Inventory – Inventory is stated at the lower of cost (first-in, first-out method) or market (net realizable value). At March 31, 2016, inventory consists of bottles of a skin care product called SAS Flower of Youth Facial Lift Spray and point of sales displays.

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 March 31, 2016 and September 30, 2015, marketable securities consist of:

	<u>March 31, 2016</u>	<u>September 30, 2015</u>
29,000 and 29,000 shares, respectively, Medallion Financial Group (TAXI)	\$267,670	\$219,820
Various	<u>100</u>	<u>100</u>
Total	<u>\$267,770</u>	<u>\$219,920</u>

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three and Six Months Ended March 31, 2016 and 2015**  
**(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. At March 31, 2016, the Company recognized an additional impairment loss on the investment in EMGE common stock of \$40,000 and reduced the carrying value from \$120,000 to \$80,000. The closing trading price of EMGE free trading common stock at September 30, 2015, December 31, 2015, and March 31, 2016 was \$0.08 per share, \$0.06 per share and \$0.04 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.

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.

EMGE did not report sales of the Licensed Products to CHC in the first quarter 2016 and did not remit any royalties to CHC. Due to the uncertainty of future collections from EMGE, the Company has not recognized any royalties due from EMGE for the three months ended March 31, 2016.

On April 28, 2016 (see Note 10), CHC notified EMGE that the EMGE License Agreement was terminated.

## **6. LOANS PAYABLE TO AFFILIATES**

Loan payable to affiliates consist of:

	<b>March 31, 2016</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.

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.

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three and Six Months Ended March 31, 2016 and 2015**  
**(Unaudited and Unreviewed)**

**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.

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

	<b>Six Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Current:		
Federal	\$-	\$-
State	-	-
Total	-	-
Deferred:		
Federal	7,576	(18,618 )
State	1,549	(3,807 )
Change in valuation allowance	(9,125 )	22,425
Total	-	-
Provision for income taxes	<u>\$-</u>	<u>\$-</u>

**CASTLE HOLDING CORP. AND SUBSIDIARIES**  
**Notes to Consolidated Financial Statements**  
**Three and Six Months Ended March 31, 2016 and 2015**  
**(Unaudited and Unreviewed)**

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

	<b>Six Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Computed Federal income tax at 34%	\$(19,097 )	\$(19,912 )
Computed state income tax, net of Federal tax effect	(2,410 )	(2,513 )
Non-deductible impairment of investment in Emergent Health Corporation common stock	30,632	-
Change in valuation allowance	(9,125 )	22,425
Provision for income taxes	<u>\$-</u>	<u>\$-</u>

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 \$396,040 attributable to the future utilization of \$1,115,649 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 March 31, 2016. 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, and \$39,208 in year 2025. 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.

## 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 provided 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 which has been included in general and administrative expenses in the consolidated statement of operations. The Company believes that the services specified in the Financial Public Relations Agreement were not performed in full, has not renewed the agreement after the 90 day term, and does not intend to pay the consultant the remaining \$10,000. 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.

## 10. SUBSEQUENT EVENT

In April 2016, the Company acquired 1,500,000 free trading shares of Gold Mining USA Inc. ("GMUI") common stock from a corporate investor in exchange for the issuance of 2,000,000 restricted shares of CHC common stock to the corporate investor. On the date of the related Stock Purchase Agreement (i.e., February 24, 2016), the closing trading price of GMUI free trading common stock was \$0.11 per share and the closing trading price of CHOD free trading common stock was \$0.06 per share. On the final delivery date of the GMUI shares (i.e., April 21, 2016), the closing trading price of GMUI free trading common stock was \$0.06 per share and the closing trading price of CHOD free trading common stock was \$0.11 per share.

On April 28, 2016, the Company notified Emergent Health Corporation ("EMGE") that the EMGE License Agreement (see Note 5) was terminated. The Company plans to pursue the manufacturing and marketing of the Licensed Products through its subsidiary SAS Health and Beauty Corp.

## **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 March 31, 2016 compared to Three Months ended March 31, 2015.**

Sales increased \$2,474 from \$0 in 2015 to \$2,474 in 2016 (all from sales of the SAS Flower of Youth Facial Lift Spray product, which was launched in July 2015).

Cost of sales increased \$86 from \$0 in 2015 to \$86 in 2016 (all from sales of the SAS Flower of Youth Facial Lift Spray).

Gross profit increased \$2,388 from \$0 in 2015 to \$2,388 in 2016 (all from sales of the SAS Flower of Youth Facial Lift Spray). The gross profit percentage of sales in 2016 was approximately 97%.

Total operating expenses increased \$4,187 from \$820 in 2015 to \$5,007 in 2016. The increase was primarily due to \$2,321 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 \$11,726 from \$14,796 in 2015 to \$3,070 in 2016. The decrease was due primarily to the \$58,686 improvement in net gain (loss) on marketable securities from a loss of \$21,756 in 2015 to a gain of \$36,930 in 2016, offset by a \$40,000 expense recognized in 2016 from impairment of our investment in Emergent Health Corporation common stock and lower interest and dividends revenues of \$6,960. For both periods, substantially all of the marketable securities were invested in TAXI common stock which price per share increased from \$7.96 at December 31, 2015 to \$9.23 at March 31, 2016.

Net loss decreased \$9,927 from \$15,616 in 2015 to \$5,689 in 2016. The decrease was due to the \$2,388 increase in gross profit and the \$11,726 decrease in other expense – net, offset partially by the \$4,187 increase in operating expenses.

**RESULTS OF OPERATIONS – Six Months ended March 31, 2016 compared to Six Months ended March 31, 2015.**

Sales increased \$7,253 from \$0 in 2015 to \$7,253 in 2016 (all from sales of the SAS Flower of Youth Facial Lift Spray product, which was launched in July 2015).

Cost of sales increased \$847 from \$0 in 2015 to \$847 in 2016 (all from sales of the SAS Flower of Youth Facial Lift Spray).

Gross profit increased \$6,406 from \$0 in 2015 to \$6,406 in 2016 (all from sales of the SAS Flower of Youth Facial Lift Spray). The gross profit percentage of sales in 2016 was approximately 88%.

Total operating expenses increased \$35,322 from \$3,025 in 2015 to \$38,347 in 2016. The increase was primarily due to due to \$20,000 of consulting fees incurred in 2016 relating to a Financial Public Relations Agreement executed in November 2015 and \$10,780 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 \$31,313 from \$55,541 in 2015 to \$24,228 in 2016. The decrease was due primarily to the \$117,411 improvement in net gain (loss) on marketable securities from a loss of \$69,461 in 2015 to a gain of \$47,950 in 2016, offset by a \$80,000 expense recognized in 2016 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 \$9.23 at March 31, 2016.

Net loss decreased \$2,397 from \$58,566 in 2015 to \$56,169 in 2016. The decrease was due to the \$6,406 increase in gross profit and the \$31,313 decrease in other expense – net, offset partially by the \$35,322 increase in operating expenses.

#### LIQUIDITY AND CAPITAL RESOURCES

At March 31, 2016, the Company had cash and cash equivalents of \$40,808, total assets of \$423,333, total liabilities of \$18,856, and total stockholders' equity of \$404,477. Of the \$423,333 total assets at March 31, 2016, \$266,670 represents the quoted value of 29,000 shares TAXI common stock and \$80,000 represents the carrying value of 2,000,000 restricted shares of Emergent Health Corporation (EMGE) common stock.

Cash and cash equivalents decreased \$25,161 from \$65,969 at September 30, 2015 to \$40,808 at March 31, 2016. The \$25,161 decrease was due primarily to the \$56,169 net loss and the \$47,850 increase in marketable securities, offset partially by the \$80,000 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 March 31, 2016 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 March 31, 2016, 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 March 31, 2016, 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: April 28, 2016

By: /s/ John V. Cappello

John V. Cappello  
Chief Executive Officer

### Castle Holding Corp.

Date: April 28, 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 March 31, 2016 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 annual 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 annual 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: April 28, 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 March 31, 2016 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 annual 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 annual 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: April 28, 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 March 31, 2016, 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: April 28, 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 March 31, 2016, 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: April 28, 2016

By: /s/ Michael T. Studer

Michael T. Studer  
Chief Financial Officer