

CASTLE HOLDING CORP

FORM 10-Q (Quarterly Report)

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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 **December 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 ☐

Non-accelerated filer ☐

(Do not check if a smaller reporting company)

Accelerated filer ☐

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 13, 2017, the registrant had 47,003,510 shares of common stock issued and 46,414,710 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.

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PART I

ITEM 1. FINANCIAL STATEMENTS

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

	December 31, 2016	September 30, 2016
<u>Assets</u>		
Cash and cash equivalents	\$ 36,104	\$ 41,643
Marketable securities, at market value	102,200	140,362
Inventory	3,405	3,405
Investment in Emergent Health Corporation common stock	60,000	60,000
License agreement with Emergent Health Corporation	30,000	30,000
Other assets	5,164	2
	<u> </u>	<u> </u>
Total assets	<u>\$ 236,873</u>	<u>\$ 275,412</u>
<u>Liabilities and Stockholders' Equity</u>		
Liabilities:		
Margin liability to broker	\$ 19,495	\$ 19,751
Accounts payable and accrued expenses	925	785
Deferred revenue	3,211	-
Loans payable to affiliates	18,081	18,081
	<u> </u>	<u> </u>
Total liabilities	<u>41,712</u>	<u>38,617</u>
Stockholders' equity:		
Preferred stock, \$.01 par value; authorized 8,900,000 and 8,900,000 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 200,000,000 shares, issued 47,003,510 and 47,003,510 shares, respectively (net of 261,000 shares "stopped" and requested to be cancelled)	117,509	117,509
Treasury common stock - 588,800 and 588,800 shares, respectively - at cost	(32,620)	(32,620)
Additional paid-in capital	1,883,177	1,883,177
Accumulated deficit	(1,779,128)	(1,737,494)
	<u> </u>	<u> </u>
Total stockholders' equity	<u>195,161</u>	<u>236,795</u>
	<u> </u>	<u> </u>
Total liabilities and stockholders' equity	<u>\$ 236,873</u>	<u>\$ 275,412</u>

See notes to consolidated financial statements.

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

	Three Months Ended December	
	31,	
	2016	2015
Sales	\$ -	\$ 4,779
Cost of sales	-	761
Gross profit	-	4,018
Selling expenses	1,105	1,717
General and administrative expenses	4,124	31,623
Total operating expenses	5,229	33,340
Income (loss) from operations	(5,229)	(29,322)
Other income (expense):		
Interest and dividends revenues	1,600	7,250
Royalties revenues	1,500	572
Net gain (loss) on marketable securities	(39,059)	11,020
Impairment of investment in Emergent Health Corporation common stock	-	(40,000)
Interest expense	(446)	-
Total other income (expense) - net	(36,405)	(21,158)
Income (loss) before income taxes	(41,634)	(50,480)
Provision for income taxes	-	-
Net income (loss)	\$ (41,634)	\$ (50,480)
Net income (loss) per common share:		
Basic	\$ (0.00)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding:		
Basic	46,414,710	44,394,710
Diluted	46,936,960	44,916,960

See notes to consolidated financial statements.

CASTLE HOLDING CORP. AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Equity
For the Period October 1, 2015 to December 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			
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
Issuance of common shares on April 1, 2016 for 1,500,000 free trading shares of Gold Mining USA Inc. ("GMUI") common stock	-	-	-	-	2,000,000	5,000	-	-	47,500	-	52,500
Issuance of common shares on May 5, 2016 for legal services rendered	-	-	-	-	20,000	50	-	-	2,500	-	2,200
Net loss	-	-	-	-	-	-	-	-	-	(278,551)	(278,551)
Balances, September 30, 2016	522,250	5,223	100,000	1,000	47,003,510	117,509	(588,800)	(32,620)	1,883,177	(1,737,494)	236,795
Net loss for the three months ended December 31, 2016	-	-	-	-	-	-	-	-	-	(41,634)	(41,634)
Balances, December 31, 2016	<u>522,250</u>	<u>\$ 5,223</u>	<u>100,000</u>	<u>\$ 1,000</u>	<u>47,003,510</u>	<u>\$ 117,509</u>	<u>(588,800)</u>	<u>\$ (32,620)</u>	<u>\$ 1,883,177</u>	<u>\$ (1,779,128)</u>	<u>\$ 195,161</u>

See notes to consolidated financial statements.

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

	Three Months Ended December	
	31,	
	2016	2015
Cash flows from operating activities:		
Net income (loss)	\$ (41,634)	\$ (50,480)
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	38,162	(11,020)
Inventory	-	761
Other assets	(5,162)	-
Margin liability to broker	(256)	-
Accounts payable and accrued expenses	140	(6)
Deferred revenue	3,211	-
Net cash provided by (used in) operating activities	(5,539)	(20,745)
Cash flows from investing activities	-	-
Cash flows from financing activities	-	-
Net increase (decrease) in cash and cash equivalents	(5,539)	(20,745)
Cash and cash equivalents, beginning of period	41,643	65,969
Cash and cash equivalents, end of period	<u>\$ 36,104</u>	<u>\$ 45,224</u>
Supplemental disclosures of cash flow information:		
Interest paid	\$ 446	\$ -
Income taxes paid	\$ -	\$ -

See notes to consolidated financial statements.

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

1. ORGANIZATION

Castle Holding Corp. (“CHOD”) is a holding company which was incorporated in Nevada on June 13, 1986. The subsidiaries of CHOD 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 (commencing July 2015) and vitamin supplements (commencing November 2016).
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.

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, 2016 are not necessarily indicative of the results to be expected for the year ending September 30, 2017. 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, 2016 and 2015 included in our Form 10-K filed with the SEC.

Principles of consolidation – The consolidated financial statements include the accounts of CHOD 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.

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 ((\$38,162) and (\$11,020) for the three months ended December 31, 2016 and 2015, respectively).

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

Inventory – Inventory is stated at the lower of cost (first-in, first-out method) or market (net realizable value). At December 31, 2016 and September 30, 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 collectibility 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, 2016 and September 30, 2016, marketable securities consist of:

	December 31, 2016	September 30, 2016
32,000 and 32,000 shares, respectively, Medallion Financial Group (MFIN)	\$ 96,640	\$ 135,040
1,400,000 and 1,400,000 shares, respectively, Gold Mining USA Inc. (GMUI)	5,460	5,222
Various	100	100
Total	<u>\$ 102,200</u>	<u>\$ 140,362</u>

CASTLE HOLDING CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Three Months Ended December 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 CHOH, CHOD 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 CHOD 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. At September 30, 2016, the Company recognized an additional impairment loss on the investment in EMGE common stock of \$20,000 and reduced the carrying value from \$80,000 to \$60,000. The closing trading price of EMGE free trading common stock at September 30, 2016 and December 31, 2016 was \$0.0326 per share and \$0.085 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 provided 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 was to 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 did not increase by 15% per year over each prior calendar year (“Underperforming Licensed Products”) and the Licensee did not pay royalties based on 15% annual increases in Base Sales for the Underperforming Licensed Product(s), Licensor could 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 was to keep Licensee informed of the progress of the Patent Rights in the U.S. Patent Office and was to direct and control all aspects of the prosecution and maintenance of the Patent Rights using patent counsel of its choice; Licensee was 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, 2016 and 2015
(Unaudited and Unreviewed)

Based on the calendar year 2015 sales of the licensed products reported to CHOD 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 CHOD in the first quarter 2016 or the second quarter 2016 and did not remit any royalties to CHOD. On April 28, 2016, CHOD notified EMGE that the EMGE License Agreement was terminated. The Company plans to pursue the manufacturing and marketing of the Licensed Products through its subsidiary SAS Health and Beauty Corp.

In November 2016, the Company collected \$1,500 of current royalties from EMGE.

6. LOANS PAYABLE TO AFFILIATES

Loan payable to affiliates consist of:

	December 31, 2016	September 30, 2016
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	3,081	3,081
Total	<u>\$ 18,081</u>	<u>\$ 18,081</u>

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, CHOD may require conversion of the Class A Convertible Preferred Shares provided that CHOD 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, CHOD may require conversion of the Class A Convertible Preferred Shares provided that CHOD 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 CHOD.

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

Class B Preferred Stock

Effective June 1, 2015, CHOD 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 CHOD (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

Effective April 1, 2016, CHOD issued a total of 2,000,000 restricted shares of CHOD common stock to a corporate investor in exchange for 1,500,000 free trading shares of Gold Mining USA Inc. ("GMUI") common stock. The transaction was valued at \$0.035 per GMUI share or \$52,500 total.

On May 5, 2016, CHOD issued 20,000 restricted shares of CHOD common stock to an attorney for legal services. The transaction was valued at \$0.11 per CHOD share or \$2,200 total.

8. INCOME TAXES

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

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

	Three Months Ended December 31,	
	2016	2015
Current:		
Federal	\$ -	\$ -
State	-	-
Total	-	-
Deferred:		
Federal	(13,536)	(3,332)
State	(2,706)	(681)
Change in valuation allowance	15,942	4,013
Total	-	-
Provision for income taxes	\$ -	\$ -

CASTLE HOLDING CORP. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
Three Months Ended December 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:

	Three Months Ended December 31,	
	2016	2015
Computed Federal income tax at 34%	\$ (14,156)	\$ (17,163)
Computed state income tax, net of Federal tax effect	(1,786)	(2,166)
Non-deductible impairment of investment in Emergent Health Corporation common stock	-	15,316
Change in valuation allowance	15,942	4,013
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 \$405,884 attributable to the future utilization of \$1,142,747 of prior year net operating loss carryforwards and \$51,030 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, 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, \$39,208 in year 2025, and \$27,098 in year 2036. The capital loss carryforward of \$51,030 expires \$49,175 in year 2018 and \$1,855 in year 2021.

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.

From September 2015 to August 2016, the Company also occupied office space in King of Prussia, Pennsylvania under a lease at a rent of \$950 per month. Since September 2016, the Company has been using other space in King of Prussia, Pennsylvania provided by EMGE at no cost to the Company. Management of the Company is currently working with EMGE to revive its business model and become viable.

10. SUBSEQUENT EVENTS

On January 5, 2017 to January 17, 2017, the Company sold a total of 32,000 shares, Medallion Financial Group (see Note 3) for a total of \$97,820.

On January 6, 2017, the bylaws of the Company were amended by unanimous consent of two stockholders holding a majority of the voting rights of the Company's stockholders. Among other things, the amended bylaws provide that the Company's present chief executive officer John V. Cappello be permitted 10 votes on any matter presented to the Board of Directors and that Cappello is to hold this voting right in perpetuity and may pass this voting right on or relinquish it at his discretion in the future.

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. ("SAS") has engaged in the production and sales of a skin care product called "SAS Flower of Youth Facial Lift Spray." In November 2016, SAS started marketing two vitamin supplement products called "JDI MultiVitamin/MultiMineral with NeuStem" and "NeuStem"; prepaid orders received in November and December 2016 were delivered to customers in January 2017.

RESULTS OF OPERATIONS – Three Months ended December 31, 2016 compared to Three Months ended December 31, 2015.

Sales decreased \$4,779 from \$4,779 in 2015 to \$0 in 2016. The sales in 2015 were all from sales of the SAS Flower of Youth Facial Lift Spray product. In August 2016, we disabled our order processing software which was not working properly. In November 2016, we launched a test marketing program with new software offering the spray product and two new vitamin supplement products. Orders totaling \$3,211 were received in November and December 2016 but will not be recognized as revenue until 2017 when delivery of the related products was made.

Cost of sales decreased \$761 from \$761 in 2015 to \$0 in 2016.

Gross profit decreased \$4,018 from \$4,018 in 2015 to \$0 in 2016 as a result of the sales suspension in 2016 discussed above. The gross profit percentage of sales in 2015 was approximately 84%.

Total operating expenses decreased \$28,111 from \$33,340 in 2015 to \$5,229 in 2016. The decrease was primarily due to \$20,000 of consulting fees incurred in 2015 relating to a Financial Public Relations Agreement executed in November 2015.

Other expense – net increased \$15,247 from \$21,158 in 2015 to \$36,405 in 2016. The increase was due primarily to the \$50,079 negative comparison in net gain (loss) on marketable securities from a gain of \$11,020 in 2015 to a loss of \$39,059 in 2016, offset by a \$40,000 decrease in impairment expense of our investment in Emergent Health Corporation common stock. For both periods, substantially all of the marketable securities were invested in MFIN common stock which price per share decreased from \$4.22 at September 30, 2016 to \$3.02 at December 31, 2016.

Net loss decreased \$8,846 from \$50,480 in 2015 to \$41,634 in 2016. The decrease was due to the \$28,111 decrease in operating expenses, offset partially by the \$4,018 decrease in gross profit and the \$15,247 increase in other expense – net.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 2016, the Company had cash and cash equivalents of \$36,104, total assets of \$236,873, total liabilities of \$41,712, and total stockholders' equity of \$195,161. Of the \$236,873 total assets at December 31, 2016, \$96,640 represents the quoted value of 32,000 shares MFIN common stock and \$60,000 represents the carrying value of 2,000,000 restricted shares of Emergent Health Corporation (EMGE) common stock.

Cash and cash equivalents decreased \$5,539 from \$41,643 at September 30, 2016 to \$36,104 at December 31, 2016. The \$5,539 decrease was due primarily to the \$41,634 net loss, offset partially by the \$38,162 decrease in marketable securities.

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, 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 December 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 December 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: January 19, 2017

By: /s/ John V. Cappello

John V. Cappello
Chief Executive Officer

Castle Holding Corp.

Date: January 19, 2017

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, 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 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 19, 2017

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, 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 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 19, 2017

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, 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: January 19, 2017

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, 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: January 19, 2017

By: /s/ Michael T. Studer

Michael T. Studer
Chief Financial Officer