

## **CASTLE FINANCIAL & RETIREMENT PLANNING ASSOCIATES, INC.**

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**Firm Brochure  
Part 2A of Form ADV  
Updated January 31, 2012**

**This brochure provides information about the qualifications and business practices of Castle Financial & Retirement Planning Associates, Inc. If you have any questions about the contents of this brochure, please contact us by telephone in our New Jersey Office at (732) 888-4994, by facsimile at (732) 888-8312 or our Florida Office at (239) 947-9255 or through our web site at [www.castlefinancial.com](http://www.castlefinancial.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Castle Financial & Retirement Planning Associates, Inc. is a registered investment adviser. Registration is mandatory for all persons meeting the definition of investment advisor and does not imply a certain level of skill or training. Additional information about Castle Financial & Retirement Planning Associates, Inc. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

## **Material Changes**

The following material changes have been made to our brochure since our annual amendment was filed on February 22, 2011:

- The addition of TDAmeritrade for investment management services on page 3
- Disclosure regarding wrap fee programs on page 5
- Amended disclosure regarding Potential Conflicts of Interest Resulting from Commissions on page 9
- Amended disclosures regarding risk associated with Methods of Analysis on page 10
- Amended disclosures regarding Disciplinary Information on page 13
- Amended disclosures regarding Research and Other Soft Dollar Benefits on page 17
- Disclosure requirements for State-Registered Advisers was added on page 22

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## **ADVISORY BUSINESS**

### ***The Firm - Castle Financial***

In July 1992, Al Procaccino II established Castle Financial & Retirement Planning Associates, Inc (herein after referred to as “Castle Financial” or the “Firm”). Castle Financial is an investment advisory firm registered with the Securities Exchange Commission. Mr. Procaccino is responsible for all operations of the Firm including, but not limited to, supervision of all Firm employees; adhering to all federal and state security regulations; the execution and supervision of all trading and advisory services provided to clients; and is the Firm’s only investment advisor representative (hereinafter Mr. Procaccino is referred to as the “Advisor”).

Castle Financial provides financial planning and consulting services as well as discretionary investment advisory services. Castle Financial’s Advisor is a FINRA licensed Registered Representative with Cadaret, Grant & Co., Inc. a member of FINRA and SIPC (hereinafter referred to as the “broker/dealer” or “Cadaret, Grant”). Castle Financial’s Advisor offers investment advisory services to clients with custody of the accounts being maintained at Pershing, LLC (an affiliate of the Bank of New York Mellon, Member FINRA/SIPC), Insurance Company (annuities), or other similar qualified custodian (hereinafter referred to as the “custodian”, “Pershing”, “Fund Company” or “Insurance Company”).

### ***Services Provided***

#### **Financial Planning and Consulting Services**

Castle Financial’s Advisor offers clients comprehensive financial planning services relating to:

- Financial Planning;
- Retirement Planning;
- Portfolio Evaluation, Design and Management;
- Increasing Rates of Return on Your Money and Investments;
- Estate Planning/Protecting and Preserving Your Estate;
- College Expense Planning;
- Family Elder Law Planning;
- Stock Option Analysis;
- Business Continuity Planning;
- Wealth Risk Exposure Review/ Asset Protection;
- Charitable Gift Planning;
- Comprehensive Insurance Review;
- Pension Plan Design and Management;
- Business Succession Planning;
- Tax Efficient Wealth Distribution/Legacy Planning;

Clients are required to enter into Castle Financial’s Comprehensive Financial Advisor Agreement prior to engaging Castle Financial to provide financial planning or consulting services. This agreement sets forth the terms and conditions of the engagement, describes the scope of services to be provided, and the fee(s) that the client will be charged.

The Advisor collects the client's personal and financial data, including their desired financial goals and objectives. The Advisor then analyzes the data and makes recommendations, both orally and/or in writing for the planning or consulting service(s) that the client desired. All recommendations are client specific based on the client's financial goals, risk profile and return objectives. At the client's request, Castle Financial's Advisor may recommend the services of other professionals (attorneys, CPAs, etc.) for implementation purposes.

Clients are not obligated to engage the services of any recommended professional. Clients retain absolute authority over all implementation decisions and are free to accept or reject any recommendation from Castle Financial or its Advisor. Clients are free to select any brokerage firm, insurance company, or similar sales agency he/she desires for the implementation of any recommendations made during the analysis of their personal and financial information. Should the client decide to implement the Advisor's recommendations with Castle Financial, investments will be transacted through Castle Financial's broker/dealer. This will cause a potential conflict of interest since fees and commissions may be paid to Castle Financial or its Advisor on these transactions. Castle Financial or its Advisor generally charges either an hourly or fixed fee for financial planning and consulting services.

### **Investment Management Services**

Prior to engaging Castle Financial to provide investment management services, clients are required to enter into a formal Investment Advisory Agreement with Castle Financial setting forth the terms and conditions under which the Advisor will manage the client's investments, and the fees or other charges the client will pay. Separate custodial documents may also be required prior to establishing an account.

Upon signing Castle Financial's Investment Advisory Agreement, clients grant Castle Financial's Advisor limited discretionary authority to manage their portfolios on a discretionary basis, and to respond to inquiries from and communicate and share information with the client's attorney, accountant and other professionals to the extent necessary in the furtherance of Castle Financial's services. Clients also authorize Castle Financial and/or their account custodian(s) to debit their account(s) for payment of investment advisory fees.

Castle Financial provides investment advisory services for client(s) and determines a suitable portfolio model based upon the information provided by the client in their investment policy statement as to the client's investment objectives, risk tolerance and financial circumstances. Castle Financial's Advisor primarily recommends that clients allocate their investment assets among various equity and fixed income mutual funds, REITs, individual equities, bonds and other fixed income securities, ETFs, brokered CD's, and private placement securities that have been vetted and are sponsored or made available by Castle Financial's broker/dealer. The Advisor then designs a tactical asset allocated portfolio in accordance with the client's investment objectives, risk tolerance, and investment restrictions (if any) imposed by the client.

Castle Financial also provides investment management services to clients relative to: (1) variable annuity products that they may own, or (2) their individual employer-sponsored retirement plans. In so doing, Castle Financial either directs or recommends the allocation of client assets among the various investment subdivisions that comprise the variable annuity product or the investment alternatives that comprise the retirement plan. The client acknowledges and understands that

Castle Financial's Advisor is limited to the investment alternatives permitted under the plan or within the annuity. The client's assets will be maintained at either the specific insurance company that issued the variable annuity product that the client owns, or at the custodian designated by the retirement plan sponsor.

Security transaction are generally executed through Castle Financial's broker/dealer (Cadaret, Grant & Co., Inc.) or TD Ameritrade's trading platform, however Castle Financial may utilize other broker/dealers and custodians when requested by the client or when the client's retirement plan is maintained and the custodian is selected by the Plan's sponsor. Clients of Castle Financial must be aware that if they direct Castle Financial or its Advisor to use a particular broker that it may limit Castle Financial or its Advisor the ability to achieve best execution, negotiate commissions with other brokers on behalf of the client, or limit the client's participation in block trading.

Castle Financial and its Advisor manage 100% of the client accounts on a discretionary basis, which as of Castle Financial's fiscal year end (December 31, 2011), were 359 accounts totaling \$77,499,477 in assets under management.

### **Investment Management Services through TD Ameritrade**

For clients who wish to invest in products available through TD Ameritrade, client accounts are maintained at TD Ameritrade and are managed by Castle Financial's Advisor(s) on a discretionary basis. Please refer to Investment Management Fees in the "Fees and Compensation" section of document for information on the fees a client will pay for these services.

### **"The Investment Management System" (TIMS)**

Castle Financial's Advisor, who is a Registered Representative of Cadaret, Grant & Co., Inc, may also be dually registered as an Investment Adviser Representative of Cadaret, Grant's Registered Investment Adviser. As such, the Advisor may offer clients investment advisory services through Cadaret, Grant's investment advisory program known as "The Investment Management System" (TIMS).

"TIMS" is a fee-based asset management program where the Advisor acts as the portfolio manager for the client's account. The program allows advisors to design a portfolio that is suitable for the client, based on the client's investment objective and risk tolerance, using a large selection of no-load and load waived mutual funds, general securities, and other miscellaneous investments. The Advisor may select Pershing, LLC or Charles Schwab & Co., Inc. to act as custodian for these accounts. The minimum account value to establish an account may vary depending on the custodian used. Currently Pershing, LLC and Charles Schwab & Co., Inc. require a \$25,000 minimum to establish the account.

Castle Financial's Advisor generally place trades for individual client accounts. However at the Advisor's discretion, a client's security transaction order may be combined or "batched" together with other clients and/or the Advisor's orders and executed as a "block" transaction. By executing block transactions, the Advisor attempt to achieve best execution and to equitably allocate among their clients the difference in price that might have been obtained had such orders been placed independently. Sometimes block trades are executed with only a partial fill of the

order. This can usually be attributed to limit orders or thinly-traded securities. If this occurs, Castle Financial has adopted the following guidelines for allocation:

- (a) The shares will be allocated to accounts on a top down basis until all shares have been exhausted. The Advisor may send a fax or an Excel spreadsheet containing the allocation of shares to the trader, who will then allocate the first account and shares, then the second account and shares, etc.
- (b) In the event of varying prices of execution, an average price will be determined and given to client accounts to ensure price uniformity for all clients who receive an allocation.
- (c) The Advisor's personal or family account(s) will not receive allocations before a client's account. If the pre-determined printed allocation has an Advisor's personal or family account(s) listed before a client's account, the Advisor's personal or family account(s) will be moved to the end of the list.
- (d) Castle Financial will keep a record of block trades and their allocations.

Castle Financial has established the following procedures in the event that a trading error occurs during the execution of a security, other than a mutual fund, transaction:

- a) Upon discovery of the trade error, the IAR will immediately notify the CCO who will, in turn, notify the broker/dealer or custodian's trading department with details concerning the error. The broker/dealer or custodian will flatten the incorrect transaction with a covering transaction, regardless of whose fault it is. This immediate action will be taken to limit the potential effects that capital market fluctuations may have upon further price deterioration or appreciation. Specifically, any thought of delaying immediate remedial action in the hopes of an advantageous market swing is avoided through this action.
- b) The CCO will give the trader the correct transaction that should have been executed.
- c) The broker/dealer or custodian will confirm the correct price that the client should have received had the order been processed correctly.
- d) A trade error report containing the following information must be completed:
  - Account registration and number;
  - The trade and settlement dates;
  - The number of shares or dollar value of the trade;
  - An explanation of the error;
  - The resolution of the error; and
  - If the client lost money due to the error, include any information to evidence that the client was made whole and not harmed in any way.
- e) Any restitution to the client's account must be made through the broker/dealer.
- f) The CCO or a designated alternate will review the trade error report to ensure that all documents regarding the trade error have been attached to the report before filing the document in the trade error file.

Castle Financial has established the following procedures in the event that a trading error occurs during the execution of a mutual fund transaction:

- a) Upon discovery of the trade error, the IAR will immediately notify the CCO who will, in turn, notify the broker/dealer or custodian's trading department with details concerning the error.



- b) The broker/dealer or custodian will reverse the errors and reentered the correct transaction order in such a manner as to ensure that the client's correct trade is processed without detriment to the client. If required, the broker/dealers Compliance Department will provide the custodial or Mutual Fund Company with a Letter of Indemnity.
- c) A trade error report containing the following information must be completed:
  - Account registration and number;
  - The trade and settlement dates;
  - The number of shares or dollar value of the trade;
  - An explanation of the error;
  - The resolution of the error; and
  - If the client lost money due to the error, include any information to evidence that the client was made whole and not harmed in any way.
- d) Any restitution to the client's account must be made through the broker/dealer.
- e) The CCO or a designated alternate will review all trade error reports to ensure that all documents regarding the trade error have been attached to the report before filing the document in the trade error file.

### **Commission Business and Transactions**

In the event that the Client desires, the client can engage Castle Financial's Advisor, Al Procaccino II in his individual capacity as a registered representative of Cadaret, Grant to implement investment recommendations on a commission basis. Client choosing to purchase investment products through Cadaret, Grant will be charged brokerage commissions by Cadaret, Grant to effect the securities transactions. A portion of these commissions will be paid by Cadaret, Grant to Castle Financial's Advisor.

Castle Financial's Advisor is also licensed as life and health insurance agent. As life and health insurance agent, the advisor is able to sell insurance and insurance products to clients with those needs. The Advisor receives separate and standard commissions for the sale of these products.

### **Wrap Fees Programs**

Castle Financial does not participate in any wrap fee programs.

### **FEES AND COMPENSATION**

#### ***Planning and Consulting Service Fees:***

Castle Financial's financial planning and consulting fees range from \$500 to \$2,500 on a fixed fee basis, or up to \$150 on an hourly rate basis, depending upon the level and scope of the services required and the professionals rendering the service. Financial planning and consulting service clients are generally charged an initial consultation fee of \$100. If clients engage Castle Financial for financial planning or consulting services following the initial consultation, fifty percent (50%) of any fixed fee is payable upon signing Castle Financial's Comprehensive Financial Advisor Agreement, with the balance payable upon completion of the financial planning or consulting service. Prepayment of fees will not exceed \$500, unless the services are rendered within six (6) months of execution of the Comprehensive Financial Advisor Agreement.

If clients engage Castle Financial for financial planning or consulting services following the initial consultation on an hourly basis, an initial retainer may be required upon signing Castle Financial's Comprehensive Financial Advisor Agreement. Clients are billed in fifteen (15) minute increments (\$37.50 maximum per 15 minutes) and the total fee will be deducted from the client's account or invoiced if the money is not available or the client so desires at the end of the consultation. Castle Financial's Advisor reserves the right to negotiate financial planning and consulting service fees on a case by case basis.

### ***Termination of Planning and Consulting Services***

Clients may terminate Castle Financial's Comprehensive Financial Advisor Agreement at any time without penalty upon written notice. If a client has contracted for consulting services or a financial plan and terminates the agreement prior to completion of services or receiving the plan, the retainer is refunded less the applicable hourly charge for any completed work.

### ***Investment Management Fees***

Castle Financial charges an annual investment management fee based on a percentage of the market value of the assets being managed by Castle Financial. Castle Financial's fee is generally 1.4% of assets under management. The fee is reduced to one half percent (1/2%) on assets under management exceeding one million dollars. The investment management fees are payable quarterly in advance, based upon the market value of the Assets on the last day of the previous quarter as valued by the Custodian. However, (a) the fee for the initial quarter shall be calculated on a pro-rata basis commencing on the day that the Assets are initially designated to Castle Financial for management; and (b) if the broker/dealer or custodian only issues statements on the Account as of the last business Friday of each month (or the next preceding business day if such Friday is a holiday), then the date of the statement so issued as of the last month in any calendar quarter shall be deemed to be the last business day of such quarter for billing purposes.

Castle Financial generally requires a minimum of \$250,000 for investment management services. For investments that do not have a readily available market value, Castle Financial's Advisor may calculate its investment management fee based on the initial cost of the investments. Castle Financial's Advisor, in his sole discretion, may waive the account minimum and/or charge a lower management fee based on various criteria (i.e. pre-existing financial planning client, anticipated future earning capacity, anticipated future additional assets, dollar amount of assets to be managed, related accounts, account composition, negotiations with client, etc).

Upon signing Castle Financial's Investment Management Agreement, the client authorizes the custodian to deduct the Investment Management Fee from their Account(s) and remit the same to Castle Financial pursuant to its invoice. The Advisor sends a quarterly invoice to the Custodian setting forth the amount of the investment management fee that is due for the quarter, and the investment management fees are directly deducted from the client's account(s). The custodian shall not be required to verify the Advisor's calculation of the management fee. To satisfy the payment of the management fee, funds will be deducted directly from the Account(s), and if necessary, from liquidating holdings in the following order: (a) cash positions; (b) money market funds, or (c) current positions in the Account. It should be noted that some mutual funds and securities that are purchased and sold for the Account may have transaction fees, commissions, and/or redemption fees that will be charged to the client. These transaction fees, etc. are not

shared with Castle Financial or its Advisor and are paid directly to the broker/dealer or custodian.

All fees paid to Castle Financial are separate and distinct from other fees the client may pay, including transaction fees, short term trading fees, underlying mutual fund fees and expenses paid to the fund by shareholders of the fund as outlined in each fund's prospectus, and custodial fees. In addition, clients may pay brokerage and transaction fees, commissions, transfer taxes, exchange fees, and any other charges that may be imposed with regard to the client's brokerage account.

### ***Termination of Investment Management Services***

A client may terminate Castle Financial's Investment Advisory Agreement at any time by giving written notice to Castle Financial or its Advisor at least (7) days prior to the date of termination (the "Termination Date"). Effective on the Termination Date, the Advisor shall refrain, without liability, from taking any further action with respect to the Account. Castle Financial will cease to be entitled to receive fees for any period following the Termination Date.

Clients terminating their advisory relationship with Castle Financial prior to the end of the quarter are entitled to a pro-rata refund of any unearned investment management fee at time of termination. Castle Financial will determine the refund amount by taking the current quarterly fee and divide it by 90 (the number of days per quarter). The result is then multiply by the remaining number of days left in that billing quarter to arrive at the amount that the client will be refunded.

The client will have immediate access to the assets in his or her account(s), subject to any restrictions imposed by the broker/dealer or custodian of the accounts.

Termination of Castle Financial's Investment Advisory Agreement shall not affect either (a) the validity of any action taken by the Advisor pursuant to the Agreement, or (b) the liabilities and obligations of the parties with respect to any transactions effected prior to the Termination Date.

The death, disability or incompetency of the client will not terminate or change the terms of Castle Financial's Investment Advisory Agreement. However, the client's executor, guardian, attorney-in-fact or other authorized representative may terminate the Agreement by giving written notice to Castle Financial or its Advisor. The client and/or its authorized representative recognize that the Custodian may not permit any further Account transactions until such time as any required documentation is provided to the Custodian.

### ***"The Investment Management System" (TIMS) Fees***

The maximum annual asset management fee for accounts in the TIMS program is 2.20% plus an account administrative fee of \$25 dollars per quarter for accounts with less than \$100,000 dollars, payable quarterly in advance. Clients may terminate Cadaret, Grant's "TIMS" Agreements for any reason upon written notice; however Cadaret, Grant will not refund any portion of the fees paid by the client with respect to the quarter in which the termination becomes effective.

All fees paid to Castle Financial are separate and distinct from other fees the client may pay, including transaction fees, short term trading fees, underlying mutual fund fees and expenses paid to the fund by shareholders of the fund as outlined in each fund's prospectus, and custodial fees. In addition clients may pay brokerage and transaction fees, commissions, transfer taxes, exchange fees, and any other charges that may be imposed with regard to the client's brokerage account.

### ***Brokerage Commissions***

Please refer to the "Brokerage Practices" section of this document for services offered through Castle Financial's broker/dealer.

In the event the client chooses to purchase investment products through the Advisor in his individual capacity as a Registered Representative of Cadaret, Grant, brokerage commissions will be charged by Cadaret, Grant to effect securities transactions. A portion of the commissions charged will be paid by Cadaret, Grant to Castle Financial's Advisor in accordance with Cadaret, Grant's normal commission schedule. The brokerage commissions charged by Cadaret, Grant may be higher or lower than those charged by other broker/dealers. In addition, Cadaret, Grant, as well as Castle Financial's Advisors, may receive additional ongoing 12b-1 trail commissions on mutual fund purchases during the period that the client maintains the mutual fund investment.

Clients usually pay an up-front sales load on Class A shares. Class B and C shares usually have no front-end load (sales charge) but have a contingent deferred sales charge and carry higher annual expense charges levied by the mutual fund company. In addition, Class A shares offer clients breakpoints (discounts on sales charges) at various investment amounts; whereas, Class B and Class C shares do not offer breakpoints. Clients must be aware that they may pay a contingent deferred sales charge upon the redemption (sale) of Class B and C share mutual funds in their account(s). Clients may also incur a short-term trading fee imposed by mutual fund companies if the fund is sold or exchanged within a certain period of time. Clients are given a prospectus that outlines commissions, fees, and trading restrictions, as they may vary among the different fund companies.

Castle Financial's Advisor may recommend insurance products, such as annuities. These products have fees (such as annual, administrative, and mortality) and expenses attached to them. Besides these fees and expenses, insurance companies generally impose surrender charges on clients for the early withdrawal of funds or cancellation of the annuity contract. Clients are given a prospectus when purchasing a variable annuity, which outlines the fees, expenses and surrender charges that the client may pay.

The Advisor may recommend non-exchange-traded Real Estate Investment Trusts (REIT) to clients. When a REIT is recommended, a prospectus, which details the fees and expenses, is provided to the client. Typically, a portion of each investment in a REIT is used for fees and expenses. Non-traded REITs are long-term illiquid investments. In the event that a client has to surrender the REIT early, the client will typically have a back-end surrender charge.

Castle Financial does not reduce advisory fees to offset brokerage commissions.

### **Potential Conflicts of Interest Resulting from Commissions**

A potential conflict of interest arises when Castle Financial's Advisor, who is also a registered representative of Cadaret, Grant & Co., Inc, a securities broker-dealer through which most of the brokerage transactions for Castle Financial's clients are affected, receives compensation in the form of commissions or fees in addition to the fees charged for financial planning and investment management services.

As described above, advisory services are also available to clients who wish to invest in products available through TD Ameritrade in which case the client's accounts are maintained with TD Ameritrade. However, the Firm's compensation under these arrangements is limited to advisory fees. Castle Financial is aware that the dual association of its Advisor offering investment advice with a securities broker-dealer and in many cases their licensing to offer insurance products presents a conflict of interest and gives the Advisor(s) an incentive to recommend investment products based on the compensation received, rather than on a client's needs.

To address these conflicts, Castle Financial discloses, in writing, these relationships to clients at the time they open their accounts and has the following procedures in place. Potential investment advisory clients are advised that, unless otherwise instructed, Castle Financial will process their requests to effect trades in securities through Cadaret, Grant & Co., Inc. The commissions charged by Cadaret, Grant & Co., Inc. are competitive with similarly situated full-service retail broker-dealers offering the same variety of securities to clients. No client of Castle Financial is under any obligation to purchase securities through registered representatives of Cadaret, Grant & Co., Inc. As disclosed above, clients are offered a choice of methods of paying for the Firm's advisory services. They may pay on an hourly basis or by effecting transactions through a Cadaret, Grant & Co., Inc. registered representative and/or by purchasing insurance products through variety of insurance companies with whom the Advisor licensed as independent insurance agent. Castle Financial has an established policy that all conflicts of interest will be disclosed to a client, in writing, before the proposed action is taken by the Firm or any of its Advisors.

### **How is the potential risk of conflict of interest mitigated?**

As a fiduciary, Castle Financial and its Advisor are obligated to serve the client's best interest in all dealings. Therefore, Mr. Procaccino recommends that clients enter into an advisory agreement and pay for services as a percent of assets under management rather than commissions, thereby aligning the interest of clients and Mr. Procaccino.

All recommendations are made based on the belief that they are in the best interest of the client. Furthermore, while the costs, risks and advantages of any investment or insurance product are carefully weighed before being recommended to a client, the commission the Advisor may or may not receive is not taken into consideration. These products are offered by Castle Financial and its Advisor in order to provide comprehensive financial planning services.

Clients compensate Castle Financial on a fee basis for financial planning and ongoing investment management. This includes ongoing recommendations and help implementing these recommendations should the client choose to accept them. Clients may select any broker,

brokerage firm, insurance or other product sales company, or any other professional he or she desires for the implementation of any recommendations made by Castle Financial.

### **Brokerage and Custodian Transaction Fees**

All security transactions placed with Castle Financial's broker/dealer (Cadaret, Grant) are executed through the broker/dealers clearing firm, Pershing. Advisory fees charged by Castle Financial are separate and distinct from other fees the client may pay including but not limited to:

- Transaction fees such as ticket charges paid to the broker/dealer or custodian
- Ticket Charges for transactions in Managed Accounts sponsored by the broker/dealer
- Commissions, if applicable
- Inactivity Fees
- Custodial fees for overnight mail, wire orders, checks returned for insufficient funds for those clients with check writing privileges
- Precious Metal Storage Fees
- Custodial maintenance and termination fees for IRA's
- Limited Partnerships & Private Placement Fees
- Other service fees under special circumstances

### **PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

Neither Castle Financial nor its advisor charges client fees based upon a share of capital gains or capital appreciation of the assets in the client's account.

### **TYPES OF CLIENTS**

Castle Financial's clients are generally comprised of individuals, trust and corporations. Castle Financial generally requires clients to have a minimum of \$250,000 in assets to participate in its investment management services. However at its sole discretion, Castle Financial or its Advisor may waive the account minimum.

### **METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

#### ***Methods of Analysis***

Castle Financial's Advisor employs the following methods of analysis prior to purchasing or selling a security for a client's account:

- Fundamental Analysis - is a method of evaluating a security that entails attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. In doing so, the Advisor attempts to study everything that can affect the securities value (like the overall economy and industry conditions) and company-specific factors (like financial condition and management). Based on the advisor's analysis he can produce a value for the security and compare it with the securities current price to determine what position to take (if any) regarding that security.

Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall

market regardless of the economic and financial factors considered in evaluating the stock.

- **Technical Analysis** – is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. When analyzing securities using technical analysis the Advisor does not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity.

Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

- **Cyclical Analysis** – is a method of analyzing securities that rise quickly when economic growth is strong and falls rapidly when growth is slowing down.
- **Risks For All Forms Of Analysis** – Castle's securities analysis methods rely on the assumption that the companies whose securities it purchases and sells, the rating agencies that review these securities, and other publicly-available sources of information about these securities, are providing accurate and unbiased data. While Castle is alert to indications that data may be incorrect, there is always a risk that its analysis may be compromised by inaccurate or misleading information.
- **Due Diligent Meetings** – The Advisor participates in conference calls and meetings with analysts, portfolio managers and strategist with money management firms such as Black Rock, Allianz Pimco, Prudential, Pioneer, Sierra, Wells Fargo and others concerning their security products.

### ***Investment Strategy - Tactical Asset Allocation***

Castle Financial's overall investment strategy, based on the demographics of its client base, is to manage accounts to protect and grow the client's assets and provide income during retirement. To accomplish this, Castle Financial and its Advisor employs a conservative tactical asset allocation investment strategy to manage client portfolios. Castle Financial's Advisor meets with clients to get a clear understanding of their investment goals and the amount of risk they are willing to take to attain these goals. Based on the information provided by the client and the current market conditions, the Advisor develops a target asset allocation. In developing the targets, the Advisor will set a higher (overweight) allocation target to sectors that are anticipated to outperform others and a lower (underweight) allocation target to sectors that are anticipated to under-perform. As market conditions change, the asset allocation targets will be reviewed and updated as appropriate. In addition, asset allocation targets are updated if there is a change in the client's investment objective.

Once the Advisor has established the percentages for each asset allocation, he searches for specific investments suited to the client's investment objectives and risk tolerance. To aid in his

search, the Advisor subscribes to Casey Research and John Mauldin's, Kiplinger's, The Dailey Bell, Gluskin Sheff, and First Trust newsletters. The Advisor uses screening tools and research reports, and participates in due diligent conference calls and meetings with analysts, portfolio managers and strategist with money management firms such as Black Rock, Allianz Pimco, Prudential, Pioneer, Stadion, Sierra, Wells Fargo and others. This information is used to determine which investments are best suited for the client. Investments generally consist of a variety of equity and fixed income mutual funds, variable and fixed annuities, and Real Estate Investment Trusts (REITs).

The Advisor sells securities as the client's investment objectives change; when the securities have higher than average gains; or if the future outlook for any given security turns unfavorable (i.e. waning performance, etc.).

### ***Risk Associated with Tactical Asset Allocation***

There is risk associated with any investment strategy, including tactical asset allocation. The client must be aware of the following risk associated with a tactical asset allocation strategy:

- There is no guarantee that the use of this strategy will provide a higher performance than the use of other investment strategies.
- This strategy relies on an accurate reading of market conditions and the future direction of the market. There is no guarantee that the anticipated asset allocation targets will outperform other sectors.
- Clients may see an increase in brokerage fee and expenses depending on the volume of trading activity by the Advisor in the account.
- Clients may be exposed to tax consequences due to capital gains/losses from the sale of securities to rebalance accounts. Some of the capital gains could be short-term, which are taxed at a higher rate.
- Fund companies may place restrictions on an account for violating the Fund's short-term trading policy. While this is possible, Castle Financial and its Advisor intend to avoid processing trades in client's accounts that would subject the client to short-term trading fees or account restrictions.

### ***Risk of Loss***

Investors must be aware that there is a potential risk of loss regardless of whether or not they decide to invest their money. If investors decide to invest their money, they are obligated to assume a portion of risk. The amount of risk assumed varies from investor to investor and is one of the contributing factors for an Advisor in determining a suitable portfolio for their client. Investing in securities involves risk of loss that clients should be prepared to bear. The following is a list of some of the risk that a client may be exposed to:

- Systematic (Market) Risk – These are risks that affect the entire market and cannot be avoided through diversification. This risk may be caused by events such as changing interest rates, a recession, or wars.
- Unsystematic Risk – These are risks specific to a company or industry sector and may be avoided or mitigated by diversification.



- Credit Risk – The risk that a company or municipality will not be able to repay its lenders. This is very important to those investing in fixed-income investments such as bonds.
- Country Risk – This is risk associated with investing in foreign securities. This risk includes political, exchange rate, economic, sovereign and transfer risk (which is the risk of capital being locked up or frozen by government action.)
- Liquidity Risk – The risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss.
- Interest Rate Risk – The risk of changing interest rates and their impact on interest-bearing assets, such as bonds. In general, as interest rates increase, the price of a fixed rate bond will decrease, and vice versa.

If investors decide not to invest their money, they face the risk of loss of potential gains they would have earned had they been invested.

### **DISCIPLINARY INFORMATION**

Castle and its Advisor are required to disclose any legal or disciplinary events that are material to a client's or prospective client's evaluation of its advisory business or the integrity of its management.

Neither Castle nor its Advisor have ever been convicted of, or pled guilty or no contest to:

- Any felony;
- A misdemeanor that involved investments or investment related business, fraud, false statements or omissions, wrongful taking of property, bribery, perjury, forgery, counterfeiting, or extortion;
- Conspiracy to commit any of these offenses;

in any domestic civil or criminal, foreign or military court of competent jurisdiction.

Neither Castle nor its Advisor has ever been found to:

- Have caused an investment related business to lose its authorization to do business;
- Have been involved in a violation of an investment related statute or regulation;

in any proceeding before the SEC, any other federal regulatory agency, and state regulatory agency, or any foreign financial regulatory authority.

Neither Castle nor its Advisor has ever been found to:

- Have caused an investment related business to lose its authority to do business;
- Have been involved in a violation of the SRO's rules and was bared or suspended from membership or from association with other members, or was expelled from membership; significantly limited from investment related activities; or fined more than \$2500 dollars; in any Self-Regulatory Organization (SRO) proceeding.

### **OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

As discussed earlier in this brochure, Castle Financial's Advisor is a FINRA licensed Registered Representatives with Cadaret, Grant & Co., Inc. a member of FINRA and SIPC. Castle Financial's Advisor offers to provide investment advisory services to clients where custody of

the accounts is maintained at Pershing, LLC an affiliate of the Bank of New York Mellon, a member of FINRA/SIPC, and is the clearing broker/dealer for Cadaret, Grant.

Castle Financial does not have any related persons that are one of the following:

- Broker-dealer, municipal securities dealer, or government securities dealer or broker
- Investment company or other pooled investment vehicle (including a mutual fund, closed-end investment company, unit investment trust, private investment company or “hedge fund,” and offshore fund)
- Other investment adviser or financial planner
- Futures commission merchant, commodity pool operator, or commodity trading advisor
- Banking or thrift institution
- Accountant or accounting firm
- Lawyer or law firm
- Insurance company or agency
- Pension consultant
- Real estate broker or dealer
- Sponsor or syndicator of limited partnerships.

***Recommending and/or Selecting Other Investment Advisors***

At this time Castle Financial’s Advisors do not recommend other investment advisor to their clients.

**CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

***Code of Ethics Disclosure***

Castle Financial has adopted a Code of Ethics Policy. The Code set forth a standard of business conduct for the Firm and all persons associated with the Firm. The purpose of this Code is to set out ideals for integrity, objectivity, competence, fairness, confidentiality, professionalism and diligence for the Firm and its associated persons to espouse in the interest of the Firm and investor protection. In particular, the Code is designed to:

- Protect the clients by deterring misconduct.
- Protect Castle Financial’s reputation.
- Guard against violations of the securities laws.
- Establish procedures to ensure that Advisors conduct themselves ethically at all times.

In an effort to meet the above obligations, the Code sets out policies and procedures that Castle Financial’s Advisors are expected to follow in the following areas:

- Compliance
- Privacy and Confidentiality
- Personal securities transactions and reporting
- Insider trading
- Conflicts of interest / outside business activities
- Gifts and Entertainment
- Reporting violations and sanctions
- Record keeping

Clients and prospective clients may obtain a complete copy of Castle Financial's Code of Ethics upon request by contacting their Advisor in writing at 2899 State Highway 35, Hazlet, NJ 07730-1549 or calling our New Jersey Office at (732) 888-4994 or our Florida Office at (239) 947-9255.

In accordance with Section 204A of the Investment Advisers Act of 1940, Castle Financial also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of material non-public information by Castle Financial or any access persons of Castle Financial with regards to their personal securities transactions.

### ***Privacy Statement***

Castle Financial also protects the personal non-public information of its clients and employees, and its Advisors are expected to exercise diligence and care in maintaining and protecting the client's non-public confidential information. Castle Financial holds all personal information provided to the Firm in the strictest confidence. The records that Castle Financial maintains include all personal information that the Advisors collect from clients in connection with any of the services provided by Castle Financial. Castle Financial has never disclosed information to non-affiliated third parties, except as permitted by law, and does not anticipate doing so in the future. If Castle Financial were to anticipate such a change in its Firm's policy, it would be prohibited under the law from doing so without speaking with the client first. The Advisors use health and financial information that the client provides in order to help the client meet their personal financial goals. Castle Financial has established the following procedures to mitigate any real or perceived infringements of the client's rights of privacy:

- Castle Financial limits employee and agent access of information to only:
  - 1) Those who have a business or professional reason for knowing (i.e. broker/dealer or custodian);
  - 2) Non-affiliated parties as permitted by law (i.e. federal regulations permit us to share a limited amount of information about you with a brokerage firm in order to execute securities transactions on your behalf, or so that our firm can discuss your financial situation with your accountant or attorney.); or
  - 3) Those required by judicial or regulatory process.
- Castle Financial maintains a secure office and computer environment to ensure that client's information is not placed at unreasonable risk.
- The categories of non-public personal information that the Advisors collect from clients depend upon the scope of the client's engagement. It will include information about their personal finances, information about their health to the extent that it is needed for the planning process, information about transactions between the client and third parties, and information from consumer reporting agencies.
- For unaffiliated third parties that require access to the client's personal information, including financial services companies, service providers, and auditors, Castle Financial also requires strict confidentiality in their agreements with them and expects them to keep this information private. Federal and state regulators may also review the Firm's records as permitted by law.
- The disclosure information contained in any document completed by the client for processing and/or transmittal by Castle Financial in order to facilitate the

commencement, continuation or termination of a business relationship between the client and a non-affiliated third party service provider (i.e., broker/dealer, investment advisor, account custodian, insurance company, etc.), including information contained in any document completed and/or executed by the client for Castle Financial (i.e., advisory agreement, client information form, etc.), shall be deemed as having been automatically authorized by the client with respect to the corresponding non-affiliated third party service provider.

- Castle Financial does not provide personally identifiable information to mailing list vendors or solicitors for any purpose.
- Personally identifiable information about a client and/or employees will be shredded if it is no longer needed.
- Personally identifiable information about a client will be maintained during the time that they are a client and for the required time thereafter that such records are required to be maintained by federal and state securities laws and regulations, and consistent with the CFP Board Code of Ethics and Professional Responsibility. After this required period of record retention, all such information will be destroyed.

Castle Financial's Privacy Notice is initially given to all clients upon signing a Comprehensive Financial Advisor Agreement or an Investment Management Agreement and sent to all clients annually thereafter.

### ***Personal Trading Practices***

Castle Financial's Advisor and/or employees may have an interest in securities or may buy, sell, or hold a position in securities, which may also be recommended to the Clients. As a fiduciary, Castle Financial and its access persons owe its clients the loyalty to refrain from effecting personal securities transactions that might conflict with the client's best interests. Conflicts arise when Advisors, employees, or other access persons take advantage of investment opportunities that should have been exercised for clients or when they use their knowledge of pending client transactions to place their trades before their client's transactions.

Castle Financial has established the following guidelines to mitigate potential conflicts of interest when placing personal security transactions. Castle Financial's access persons may only effect individual stock transactions on days when there are no client transactions for the same security, unless their transactions are part of a block trade for the given security (Please refer to the Investment Management Services section of this brochure for Castle Financial's Procedures regarding block trades), or the access person receives the higher purchase or lower sales price compared to the client. There are no restrictions on Advisors for placing trades in open-end mutual funds on the same day as clients.

## **BROKERAGE PRACTICES**

### ***Recommending Broker/Dealers to Clients***

Currently, Castle Financial and its Advisor recommend Cadaret, Grant & Co., Inc. and Pershing, and TD Ameritrade to their clients. Castle Financial's Advisor is also a Registered Representative of Cadaret, Grant. Pershing, TD Ameritrade and other custodians maintain custody of the client's assets and effects brokerage transactions on behalf of Castle Financial's advisory client's

accounts. Pershing, LLC also acts as Cadaret, Grant's clearing broker. Castle Financial is independently owned and operated, and is not affiliated with or a related person of Cadaret, Grant, Pershing, or TD Ameritrade.

Castle Financial considers of a number of factors prior to selecting or recommending broker/dealers, including but not limited to, their familiarity with the securities to be sold or purchased, their execution skills, order-flow capabilities, their commission rates or other fee schedules, their custodial services, their level of net capital (financial strength) and excess SIPC and other insurance coverages. Castle Financial's Advisor routinely compares order execution disclosure information of Cadaret, Grant, Pershing, and TD Ameritrade to other broker dealers to ensure that Cadaret, Grant, Pershing, and TD Ameritrade remain competitive in providing best execution for their clients.

While these broker-dealers may charge commissions higher than those obtainable from other broker/dealers, Castle Financial will only cause its clients to pay brokerage commissions which it has determined, in good faith, to be reasonable in relation to the value of the brokerage and other services provided by such securities broker-dealers. Castle Financial will base its decision upon the particular transactions involved and its overall responsibilities with respect to all clients' investment management accounts.

#### ***Research and Other Soft Dollar Benefits***

Castle Financial receives other products and services from Cadaret, Grant and TD Ameritrade that benefits Castle Financial but not client accounts. Some of these other products and services assist Castle Financial in managing and administering client accounts. These include software and other technology that provide access to client account data (such as trade confirmations and account statements), facilitate trade execution (and allocation of aggregated trade orders for multiple client accounts), facilitate payment of Castle Financial's fees from its client's accounts, and assist with back office functions, record keeping and client reporting. These services may be used to service all or a substantial number of client accounts, including accounts not maintained at Cadaret, Grant or TD Ameritrade.

Castle Financial may also receive services from Cadaret, Grant or TD Ameritrade that are intended to help Castle Financial manage and further develop its business. These services may include information technology, regulatory compliance and marketing. In addition, Cadaret, Grant or TD Ameritrade may make available, arrange and/or pay for these types of services rendered to Castle Financial by independent third parties. Cadaret, Grant or TD Ameritrade may discount or waive fees it would otherwise charge for some of these services. Cadaret, Grant and/or TD Ameritrade also have arrangements with various product vendors, which enable Registered Representatives of Cadaret, Grant or Advisors of TD Ameritrade to purchase their products at a discount. These products may include such items as:

- Financial planning software;
- Client reporting and consolidated statement software;
- Client communication software;
- Client relationship management software;
- Coaching; and

- Investment research

Castle Financial currently purchases AdvantageOne, through Cadaret, Grant's discount pricing program. AdvantageOne provides Castle Financial with client reporting and consolidated statements for client accounts.

Cadaret, Grant and TDAmeritrade provide Castle Financial's Advisors with research reports concerning the purchase and sales of the securities it offers. The commissions charged by Cadaret, Grant and/or TDAmeritrade are competitive with similarly situated full-service retail broker-dealers offering the same variety of securities to clients. Clients are advised, however, that they may be able to effect transactions in securities through other securities broker-dealers at lower commission rates, particularly with respect to securities listed on a national securities exchange or in the over-the-counter market.

Clients should be aware that research reports obtained through Cadaret, Grant and, in fact, all other sources, is used to service all of Castle Financial's clients, regardless of whether they pay for financial planning advice by the hour or by paying commissions on transactions in securities effected by an Advisor in his capacity as a registered representative of Cadaret, Grant & Co., Inc.

As previously noted, Mr. Procaccino receives commissions from Cadaret, Grant & Co., Inc. in connection with the purchase and sale of securities. In addition, Mr. Procaccino is licensed as an insurance agent and receives commissions based on sales of insurance products to his clients.

When Castle Financial or its Advisors use client brokerage commissions to obtain research or services, Castle Financial is receiving a benefit because it does not have to produce or pay for the research.

As a fiduciary, Castle Financial endeavors to act in the best interest of its clients, and Castle Financial or its Advisors may make recommendations that clients maintain their assets in accounts at Cadaret, Grant or TDAmeritrade. These recommendations may be based in part on the benefits to Castle Financial, such as the availability of some of the foregoing products and services and not solely on the nature, cost, or quality of custody and brokerage services provided by Cadaret, Grant or TDAmeritrade, which may create a conflict of interest.

To alleviate this conflict of interest, Castle Financial uses hard dollars (their own money) to purchase Casey Research and John Mauldin's, Kiplinger's, The Dailey Bell, Gluskin Sheff, and First Trust newsletters, and attends money manager meetings and conferences. The information culled from these sources is used in conjunction with screening tools and research reports from the internet, due diligent conference calls with analysts, portfolio managers and strategists of money management firms, and independent analysis performed by Castle Financial to determine and formulate client investment recommendations.

Clients and prospective clients should also refer to the "Potential Conflicts of Interest Resulting from Commissions" section of this document for further disclosure regarding conflicts of interest.

### ***Brokerage for Client Referrals***

It is the practice of some broker/dealers to give client referrals to investment advisors as an incentive for directing business through them. Castle Financial's broker/dealer and custodian do not participate in this business philosophy. Nor does Castle Financial seek broker/dealers with this business philosophy to recommend to their clients as this would create a conflict of interest.

### ***Directed Brokerage***

Castle Financial may utilize other broker/dealers and custodians when requested by the client or when the client's retirement plan is maintained and the custodian is selected by the Plan's sponsor. Castle Financial's clients must be aware that if they direct Castle Financial or its Advisors to use a particular broker/dealer that it may limit Castle Financial or its Advisors the ability to achieve best execution, negotiate commissions with other brokers on behalf of the client, or limit the client's participation in block trading. As a result, clients may pay higher commissions, have higher transaction cost, or receive less favorable prices.

### ***Best Execution***

As stated earlier, the Advisor routinely compare order execution disclosure information of Cadaret, Grant and Pershing to other broker dealers to ensure that Cadaret, Grant and Pershing remain competitive with other broker/dealers in providing best execution for their client's security transactions. The commissions and/or transaction fees charged by Cadaret, Grant and Pershing may be higher or lower than those charged by other broker-dealers. The commissions paid by Castle Financial's clients shall comply with Castle Financial's duty to obtain "best execution." However, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Castle Financial determines, in good faith, that the commission is reasonable in relation to the value of the brokerage and services received. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of broker-dealer services, including among others, the value of research provided, execution capability, commission rates, and responsiveness. Consistent with the foregoing, while Castle Financial and/or its Advisor will seek competitive rates; they may not necessarily obtain the lowest possible commission rates for their client's transactions.

### **REVIEW OF ACCOUNTS**

For those clients to whom Castle Financial provides investment supervisory services, account reviews are conducted on an ongoing basis by Castle Financial's Principal and owner, Mr. Alphonse A. Procaccino. Castle Financial's Principal reviews economic and market conditions, performs due diligence, and reviews extreme gains/losses in the portfolios, all of which may trigger account reviews. A change in the client's personal and financial situation will also trigger an account review.

All investment supervisory and financial planning clients are advised that it remains their responsibility to advise Castle Financial of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to comprehensively review financial planning issues, investment objectives and account performance with Castle Financial at a minimum on an annual basis, or when personal and financial events occur that would change their financial goals and investment objectives.

Castle Financial's Principal and owner, Mr. Alphonse A. Procaccino reviews all client accounts at a minimum on an annual basis, or as changing events warrant a review.

Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker/dealer, custodian, independent managers, and or program sponsors for the client's accounts. Those clients to whom Castle Financial provides investment advisory services receive a quarterly report from Castle Financial summarizing their account and performance. Clients are urged to compare the custodial account statements they receive to the written consolidated account statement from Castle Financial. Any client that does not receive an account statement from the custodian should call Castle Financial immediately so that they can correct the problem.

#### **CLIENT REFERRALS AND OTHER COMPENSATION**

Although Castle Financial markets its business via a news letter to potential clients; it predominantly relies on client referrals to introduce new clients to their business. It is Castle Financial's policy not to compensate clients for referring potential clients to their business, because the client would be considered a solicitor and would have to satisfy requirements under Rule 206(4)-3 of the Advisers Act before a cash referral fee could be paid to them.

Castle Financial's Vice President, Korey M. Bauer, assumes the role of a solicitor as a secondary source of obtaining new clients.

#### **CUSTODY**

Due to increased regulatory concerns over advisors with custody, it is Castle Financial's intention to have custody over client assets only to the extent that it requests the client's custodian to deduct advisory fees directly from the client's account(s). Castle Financial's Advisor is not permitted to exercise custody in any form over client assets or accounts.

#### ***Account Custodian***

Castle Financial will not act as custodian for any client accounts. All clients are required to open an account with Castle Financial's broker/dealer, Registered Investment Company or other qualified custodian where the client's assets will be held. Castle Financial's personnel will assist the client in preparing paperwork to open a new custodial account, but only the client is permitted to authorize, by their signature, the opening of the account.

Once the account is established, it is the custodian's responsibility to send client account statements, transaction confirmations, proxy material, and any other information related to their account. Castle Financial will not route original custodial statements to its clients on behalf of a custodian. Castle Financial and its Advisors are responsible, within reason, to ensure that clients receive custodial statements directly from the custodian. To meet this responsibility, the Advisors will receive duplicate copies of its clients' statements. Clients should carefully review statements received from the custodian(s). Clients will also receive a quarterly written consolidated account summary from Castle Financial, which they are urged to compare with the



custodian's account statement that they receive. Any client that does not receive an account statement from the custodian should call Castle Financial immediately so that the Advisors can correct the problem.

### ***Handling Client Assets***

Due to custody regulations, Castle Financial's Advisors can only handle or forward checks clearly made payable to a third party, such as the client's independent custodian. The Advisor may not handle or forward any other client check or security certificate received by the Firm. All such instruments must be returned to the client within three (3) business days and may not be forwarded to any other party other than the client or the client's representative.

Clients must be aware that if they personally deliver securities certificates to Castle Financial's office, the Advisors are not allowed to physically handle the securities certificates. The Advisors may provide direction to a client in completing the transfer and shipping paperwork to help ensure that the securities certificates are properly deposited with the client's custodian. However, it is the client's responsibility to deposit overnight pouches with the respective carriers for forwarding of securities certificates to their designated custodian. Securities certificates inadvertently received in the mail will be returned to the client within three (3) business days.

### ***Other Custody Related Issues***

Castle Financial has invoked the following restrictions on its access persons to ensure that custody is not inadvertently obtained:

- Advisors may not serve as trustee over a client's account, unless the client is an immediate family member of the Advisor.
- Advisors will not accept signatory power over any client's checking or custodial account(s).
- Advisors will not hold client securities in Castle Financial's name or in bearer form.
- Proceeds from sales or redemptions of client securities will not be directed to the custody of Castle Financial except to pay for advisory fees (as noted above).
- Advisors will not require clients to prepay more than \$500 in fees six months or more in advance.

### **INVESTMENT DISCRETION**

Castle Financial's Advisor is granted limited discretionary authority in writing by the client when the client signs Castle Financial's Investment Advisory Agreement. This limited discretionary authorization gives Castle Financial's Advisor the authority to buy, sell, hold, exchange, invest, and otherwise deal with the client's investment assets at his sole discretion and without consulting with the client in advance. This authorization is perpetual and will remain in full force and effect until the Advisor receives a written termination notice from the client.

Castle Financial does not have discretionary authority to determine what broker/dealer to use or the amount of commissions that are charged by the broker/dealer or custodian.

## **VOTING CLIENT SECURITIES**

Castle Financial and its Advisor are expressly precluded from taking any action on behalf of the client, will not take any action on behalf of the client, and are not obligated to render any advice to the client, with respect to:

- The voting of proxies solicited by, or with respect to, the issuers of any securities held in the portfolio or,
- The legal proceedings involving securities or other investments presently or formerly held in the portfolio, or the issuers thereof, including bankruptcies.

The Custodian will send all such proxy and legal proceedings information and documents it receives to the client so that the client may take whatever action the client deems appropriate. Castle Financial does not offer any consulting assistance regarding proxy issues to clients.

## **FINANCIAL INFORMATION**

As previously discussed in this brochure, Castle Financial provides financial planning and investment management services on a discretionary basis for which the clients are billed quarterly in advance. Clients are never required to prepay planning or management fees to Castle Financial or its Advisor more than three months in advance, and prior to 2009 clients were billed in arrears. However, due to regulations imposed by the Federal Trade Commission, which deemed Castle Financial to be a creditor, Castle Financial converted all clients to prepaying advisory fees in advance.

Neither Castle Financial nor its Advisor have ever petitioned or been subject to bankruptcy proceedings, and there are no financial conditions that would prevent Castle Financial or its Advisor from meeting any contractual commitment to its clients.

## **REQUIREMENTS FOR STATE-REGISTERED ADVISERS**

Neither Castle Financial nor its Advisors have ever been found liable in an arbitration claim alleging damages in excess of \$2500 dollars for any of the following:

- An investment or investment related business;
- Fraud, false statements, or omissions;
- Theft, embezzlement, or wrongful taking of property;
- Bribery, forgery, counterfeiting, or extortion; or
- Dishonest, unfair, or unethical practices.

Neither Castle Financial nor its Advisors have ever been found liable in a civil, self-regulatory organization or arbitration proceeding involving any of the following:

- An investment or investment related business;
- Fraud, false statements, or omissions;
- Theft, embezzlement, or wrongful taking of property;
- Bribery, forgery, counterfeiting, or extortion; or
- Dishonest, unfair, or unethical practices.

Neither Castle Financial nor its Advisors have ever has never filed or been subject to a bankruptcy petition, nor do they have any arrangements with any issuers of securities.