

STONECASTLE ASSET MANAGEMENT LLC

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Form ADV Part 2A BROCHURE

This Brochure provides information about the qualifications and business practices of StoneCastle Asset Management LLC (“StoneCastle” or the “Firm”). If you have any questions about the contents of this Brochure, please contact us at **212-354-6500**. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

Additional information about StoneCastle also is available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 – Material Changes

Please note the following material change from our most recent annual Form ADV Part 2A Brochure, dated March 1, 2013:

Rachel N. Schatten is the Firm’s Chief Compliance Officer (“CCO”).

At any time, you may view the current Disclosure Brochure on-line at the SEC’s Investment Adviser Public Disclosure website at www.adviserinfo.sec.gov. You may also request a copy of this Disclosure Brochure, by contacting our CCO, Rachel Schatten at (212) 354-6500 or rschatten@stonecastle.com. The Brochure is available free of charge.

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Item 4 – Advisory Business

StoneCastle Asset Management LLC was formed in November 2012 and is a wholly-owned subsidiary of StoneCastle Partners, LLC (“StoneCastle Partners”).

Currently, StoneCastle provides investment management services to StoneCastle Financial Corp., a closed-end management investment company registered with the SEC under the Investment Company Act of 1940 (“SCFC”).

StoneCastle may also offer advice on fixed income securities (including, without limitation, trust preferred securities, subordinated debt securities and structured finance securities) issued by financial institutions (including, without limitation, banks, thrifts, credit unions or similar financial institutions or holding companies thereof) or special purpose vehicles or corporations, and to a lesser extent, equity securities.

StoneCastle will tailor its advisory services according to the individual needs and requests of clients. Additionally, clients may impose restrictions on investing in certain securities or types of securities. All such features and restrictions would be set forth in a client’s written advisory agreement with StoneCastle.

StoneCastle does not participate in wrap fee programs.

As of December 31, 2013, StoneCastle had discretionary assets under management of approximately \$110,276,669.

Item 5 – Fees and Compensation

StoneCastle Financial Corp.

The specific manner in which fees are charged by StoneCastle is established in SCFC’s most recent Prospectus. StoneCastle’s base management fee and administrative fee are payable periodically. The management fee is not negotiable.

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

StoneCastle does not accept performance based fees.

Item 7 – Types of Clients

Currently, StoneCastle provides investment management services to one closed end investment management company registered under the Investment Company Act of 1940.

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

Analysis:

As part of its focus on fundamental analysis, StoneCastle selects its investments through rigorous initial and ongoing issuer screening and manages its portfolios using a conservative credit discipline, as evidenced by the high underlying credit quality of its investments.

After such detailed analysis of the investment is conducted by StoneCastle, the Investment Committee meets to discuss the merits of the investment (which may include the relative value of the investment, the asset quality, the structural features, and how the investment contributes to the diversification of the investment portfolio for which the investment is being considered). This process is highly iterative between the committee members, where decisions can swing between buy/don't buy based upon ideas and perspectives that arise as each member discusses the target investment from his particular perspective.

Upon the conclusion of the due diligence process, our investment professionals present a detailed investment proposal to the Investment Committee. All decisions to invest in a company must be approved by the unanimous decision of the Investment Committee.

Investment Strategies:

The investment strategies used to implement any investment advice given to clients include long term purchases (securities held at least a year).

StoneCastle Financial Corp.

SCFC pursues its investment objective by investing principally in public and privately-held community banks located throughout the United States.

StoneCastle manages SCFC in accordance with the investment objectives, policies and restrictions set forth in the current Prospectus and governing documents.

In addition, StoneCastle uses the following as main sources of information: financial newspapers and magazines, inspections of corporate activities, research materials prepared by others, corporate rating services, annual reports, prospectuses, filings with the SEC, and company press releases.

StoneCastle also uses other public data bases (such as those available through FDIC, OCC and the Federal Reserve) to conduct its analysis.

Risk of Loss:

All of SCFC's Investments are subject to liquidity risk: SCFC may invest in debt obligations that are unrated and issued by banks that have no corporate rating, equity and hybrid securities issued by private banks, and other thinly traded securities. In such cases, there may not be an active market for these securities and our investments will be subject to significant liquidity risk in the event SCFC is required to sell such investments.

In addition, because SCFC is focused on the banking sector, its investments may present more risk than if they were broadly diversified among other sectors of the economy. A downturn in the banking sector may have a larger negative impact on the valuation of the investment than might otherwise be the case if SCFC was diversified in other sectors of the economy. At times, the performance of securities issued by companies in the banking sector may lag the performance of securities issued by companies in other sectors of the economy.

Hedging transactions may limit SCFC's income or result in losses: SCFC may engage in hedging transactions to limit its exposure to changes in interest rates, currency exchange rates and other financial market changes and therefore may expose itself to risks associated with such transactions.

Legal and regulatory changes could occur that may adversely affect investments: The regulatory environment for businesses such as SCFC is evolving, and changes in the regulation or interpretations thereof may adversely affect our ability to invest in the manner consistent with our current strategy.

Please refer to SCFC's current Prospectus for a more detailed description of the various risks associated with SCFC's investment strategies.

General

Investing in securities involves risk of loss that clients should be prepared to bear. Stock markets and bond markets fluctuate substantially over time. In addition, as recent global and domestic economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss on the assets we manage that will be out of our control. We cannot guarantee any level of performance or that you will not experience a loss of your account assets.

Item 9 – Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of StoneCastle or the integrity of StoneCastle management. StoneCastle has no information to disclose applicable to this item.

Item 10 – Other Financial Industry Activities and Affiliations

StoneCastle is part of a group of affiliated companies engaged in the financial services business. In certain situations, StoneCastle may have business arrangements with its related companies that are material to StoneCastle’s advisory business or to its clients. These arrangements may cause StoneCastle or a related person’s interests to diverge from the best interests of a client. We refer to advisory affiliates and any person or company that is under common control with StoneCastle as “related persons”.

StoneCastle is a related person of the following:

- StoneCastle Partners, LLC
- StoneCastle Investment Management, LLC
- StoneCastle Advisors, LLC
- StoneCastle Cash Management, LLC
- StoneCastle Loan Management, LLC

Stone Castle is a related person of the following broker dealer:

- StoneCastle Securities, LLC

StoneCastle has entered into a staffing agreement (the “Staffing Agreement”) with StoneCastlePartners and several of its affiliates. Under the Staffing Agreement, StoneCastle Partners provides experienced investment professionals to StoneCastle and provides access to their senior investment personnel. StoneCastle capitalizes on the significant deal origination, credit underwriting, due diligence, investment structuring, execution, portfolio management and monitoring experience of StoneCastle Partners’ investment professionals.

StoneCastle Securities, LLC (“StoneCastle Securities”), a FINRA registered broker-dealer and an affiliate of StoneCastle, may, as part of the selling syndicate of the securities of a fund for which StoneCastle acts as investment advisor, receive compensation from such fund client. In addition, our affiliate StoneCastle Cash Management, LLC provides various cash management products to its clients which involve depositary relationships with community banks and services to community banks with respect to their cash management products. StoneCastle Cash Management, LLC receives fees from these clients and/or community banks in connection with these cash management services, which may include community banks in which SCFC invests.

The following officers of StoneCastle are registered representatives of StoneCastle Securities: Erik Minor, Joshua Siegel and Rachel Schatten.

StoneCastle's Code of Ethics described in Item 11 below addresses these potential conflicts of interest.

Item 11 – Code of Ethics

All employees subject to the Staffing Agreement between the Firm and StoneCastle Partners, must abide by the Firm's Code of Ethics.

StoneCastle has adopted a Code of Ethics for all supervised persons describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, restrictions on the acceptance of significant gifts and business entertainment items, and personal securities trading procedures, among other things. Each officer, director and employee at StoneCastle must acknowledge the terms of the Code of Ethics at least annually, or as amended.

The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of Access Persons of StoneCastle will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts.

To supervise compliance with its Code of Ethics, StoneCastle requires that its access persons provide copies of their personal securities holdings and transaction reports to the Firm's CCO for review. Any individual not in observance of the above may be subject to disciplinary action.

Failure to comply with the Firm's Code of Ethics may result in disciplinary action, up to and including termination of employment.

Clients and prospective clients may request a complete copy of StoneCastle's Code of Ethics by contacting StoneCastle, at the address or telephone number on the cover page.

Conflicts of Interest

StoneCastle is subject to certain conflicts of interest in management. These conflicts will arise primarily from the involvement of StoneCastle and its affiliates in other activities that may conflict with StoneCastle activities. StoneCastle and its affiliates engage in a broad spectrum of activities. In the ordinary course of their business activities, they may engage in activities where their interests or the interests of their clients may

conflict with our interests and the interests of SCFC. Other present and future activities of StoneCastle and its affiliates may give rise to additional conflicts of interest which may have a negative impact on StoneCastle.

Such potential conflicts include those relating to allocation of investment opportunities. For example, it is possible that an investment opportunity may be suitable for more than one account managed by StoneCastle, but may not be available in sufficient quantities for all accounts to participate fully. Similarly, there may be limited opportunity to sell an investment held by multiple accounts. A conflict arises where the portfolio manager has an incentive to treat an account preferentially because the account pays StoneCastle or its affiliates a performance-based fee or the portfolio manager, StoneCastle or an affiliate has an ownership or other economic interest in the account. To address these conflicts of interest associated with the allocation of trading and investment opportunities, StoneCastle has adopted an investment allocation policy and trade allocation procedures that govern the allocation of portfolio transactions and investment opportunities across multiple advisory accounts, including affiliated accounts. StoneCastle allocates across accounts fairly and equitably over time based upon its policies and procedures.

As a result of StoneCastle's allocation policies, it may not be able to invest in all opportunities that are appropriate and this may have the effect of reducing potential earnings. Although StoneCastle has agreed that it will allocate opportunities among its clients pursuant to its written policies and procedures, there is no assurance that these policies and procedures will work as intended.

For more information regarding SCFC's conflicts of interest, please see its most recent Prospectus on file with the SEC.

Item 12 – Brokerage Practices

Selection of Broker-Dealers

Because most of the assets that we hold are illiquid, StoneCastle generally acquires and disposes of investments in privately negotiated transactions, and may use brokers in the course of business. StoneCastle does not expect to execute transactions or source opportunities through any particular broker or dealer.

StoneCastle generally has the authority to determine, without obtaining specific client consent, securities to be bought and sold, including the type, amount and price of the securities, the specific brokers used for the trades and the commission rates paid. As an investment adviser, StoneCastle has a fiduciary relationship to its clients. One of the specific duties that flow from this relationship is a duty to seek the best price and execution of client securities transactions when the adviser is in a position to direct

brokerage transactions. It is StoneCastle's policy to always seek best execution for client securities transactions. While we generally seek reasonably competitive trade execution costs, we will not necessarily pay the lowest spread or commission available.

When StoneCastle is directing the purchase of a security for a client and such purchase is going to be made from a broker (as opposed to directly from an institutional investor), StoneCastle may or may not pay a commission or a "mark up" to the selling broker. The amount of the mark-up is not disclosed to investors. The factors that StoneCastle considers in purchasing a security from a broker are the availability of the security (if any) from other sources and the price.

Aggregation and Allocation of Orders

StoneCastle may combine orders on behalf of an account with orders for other accounts for which it or it has trading authority, or in which it has an economic interest. When it does, StoneCastle will allocate the securities across accounts, considering account size, diversification, cash availability, and other factors, including, where appropriate, the value of having a round lot in the portfolio. StoneCastle believes combining orders in this way will be advantageous to all participants over time. However, the average price could be less advantageous to an account than if an account had been the only account effecting the transaction or had completed its transaction before the other participants. When a trade is to be executed for an individual account and the trade is not in the best interests of other accounts, then the trade will only be performed for that account. This is true even if StoneCastle believes that a larger size block trade would lead to best overall price for the security being transacted.

Soft Dollars / Directed Brokerage

StoneCastle does not participate in any soft dollars or directed brokerage arrangements.

Item 13 – Review of Accounts

Reviews

StoneCastle's investments are evaluated and reviewed on an ongoing basis by the Investment Committee. The Investment Committee is currently comprised of Joshua Siegel, Managing Partner and CEO, StoneCastle Partners, George Shilowitz, Managing Partner and Senior Portfolio Manager, StoneCastle Partners, Erik Eisenstein, Senior Bank Analyst and Director, StoneCastle Partners and Robert McPherson, Managing Director, StoneCastle Partners.

Day-to-day management of SCFC is the responsibility of StoneCastle's Investment

Committee, with assistance from the portfolio managers who may also be members of the Investment Committee. There are generally no specific events that automatically trigger reviews of the portfolio on a basis other than periodically.

Reporting

StoneCastle provides quarterly reports to SCFC's Board of Directors. Information provided includes, but is not limited to, investment management updates, risk management reports, and general updates regarding compliance and market conditions for SCFC.

Item 14 – Client Referrals and Other Compensation

SCFC has entered into an exclusive investment referral and endorsement relationship with a third party service provider. Such compensation is paid as an annual fee and paid quarterly in arrears. For a more detailed discussion of this arrangement please refer to SCFC's most recent Prospectus on file with the SEC.

On a case-by-case basis, StoneCastle may provide compensation for a client referral. Such compensation may take the form of a one-time fee, or may take the form of a portion of StoneCastle's fees on the vehicle or account.

Item 15 – Custody

StoneCastle does not maintain custody of clients' funds and/or securities.

Cash and securities are maintained by the SCFC's Custodian, which has been approved by SCFC's Board of Directors.

Item 16 – Investment Discretion

In regards to portfolio management, StoneCastle receives discretionary authority pursuant to the investment management agreement with SCFC. In all cases, discretion is exercised in a manner consistent with SCFC's stated investment objectives and policies as stated in its Prospectus.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

StoneCastle shall vote proxies relating to portfolio voting securities in what StoneCastle perceives to be the best interests of its clients. StoneCastle shall review on a case-by-case basis each proposal submitted to a shareholder vote to determine its impact on portfolio voting securities held by its clients. Although StoneCastle will generally vote against proposals that may have a negative impact, StoneCastle may vote for such a proposal if there is a compelling long-term reason to do so.

StoneCastle's proxy voting policies are designed to identify and monitor potential conflicts of interest that could affect the proxy voting process, including (i) significant client relationships, (ii) other potential material business relationships and (iii) material personal and family relationships. All decisions regarding proxy voting will be determined by our Investment Committee and will be executed by our chief executive officer. Every effort will be made to consult with the portfolio manager and/or analyst covering the security. We may determine not to vote a particular proxy if the costs and burdens exceed the benefits of voting (e.g., when securities are subject to loan or to share blocking restrictions).

Conflicts based on a business relationship with StoneCastle or any affiliate will be considered only to the extent that StoneCastle has actual knowledge of such relationships. If StoneCastle determines that voting a particular proxy would create a material conflict of interest between StoneCastle's interests and the interests of clients, StoneCastle may: (i) disclose the potential conflict to SCFC's Board of Directors and obtain consent or (ii) establish an ethical wall or other informational barrier between the persons involved in the conflict and the persons making the voting decisions.

Item 18 – Financial Information

Registered investment advisers are required in this Item to provide you with certain financial information or disclosures about StoneCastle's financial condition. StoneCastle has no financial condition that impairs its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy petition.

StoneCastle does not require prepayment of advisory fees; therefore the Firm is not required to provide an audited financial statement.

Item 19 – Requirements for State-Registered Advisers

Not Applicable.