

Item 1:  
Castle Asset Management, LLC  
Part 2A of Form ADV  
The Brochure

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Updated: March 2013

This brochure provides information about the qualifications and business practices of Castle Asset Management, LLC (“CAM”). If you have any questions about the contents of this brochure, please contact us at 631-952-3700. 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.

Additional information about CAM is also available on the SEC’s website at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

**Registration as an investment adviser, or any reference to the firm being or the use of the term “registered”, “registration” or “registered investment adviser” does not imply a certain level of skill or training.**

## Item 2: Material Changes

CAM's most recent update to Part 2 of Form ADV was made in March 2012. This brochure is a revision of the disclosure submitted in March 2012. Changes reflected are; amount of assets under management and number of clients.

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## Item 4: Advisory Business

CAM primarily provides customized investment management services to high-net-worth individuals and associated trusts, estates, pension and profit sharing plans, and other legal entities. CAM generally invests client assets in domestic and international stocks, bonds, mutual funds, and exchange traded funds ("ETFs").

CAM works with each client to establish an appropriate investment profile. Clients choose from growth, balanced, and conservative strategies, and can impose reasonable restrictions on CAM's management of their accounts.

CAM was founded in 2004 and is owned by John D. Caffrey. As of December 31, 2012 CAM managed \$164,000,000 on a discretionary basis on behalf of approximately 485 clients.

As of November 21, 2011 financial planning is also a service that Castle Asset Management, LLC provides. In general, a financial plan will address the following areas:

**Financial Organization:** Aid a client in the organization of their important financial documents and determining their personal financial objectives. The purpose is to provide the client with a clear understanding of their current financial position and pointing out specific areas of concern.

**Risk Management:** Identify the concerns as it relates to safeguarding a client's assets and other personal property from adverse risk or liability. Taking steps to protect the financial interest of a family in the event of a death or a debilitating illness or injury of a family member.

**Income Tax & Cash Flow Analysis:** Review the ongoing expenses needed by a client to run their household. Identify expense items that can be redirected to savings and investment. Investigating income tax savings measures or debt restructure techniques to improve cash flow.

**College Funding:** Project the future college costs and review programs that help a client provide the needed capital to meet this future (or current) expense.

**Investment Analysis:** Evaluate if the current investments owned by a client meet their stated investment objectives. If necessary, suggest investment alternatives that may be appropriate and consistent with the client's financial plan.

**Retirement Planning:** Review the client's personal and employer sponsored retirement programs. Consider new strategies that could be introduced that better help a client meet their retirement goals. Identify the qualified plan options that are available and determine the viability of these plans for clients who are business owners.

**Distribution Planning:** Determine a methodology for a client to access their wealth in retirement in a way that is consistent with their cash flow needs and income tax concerns. This methodology may also serve to protect the interests of a surviving spouse.

**Estate Planning:** Coordinate asset titling, beneficiary designations and other ownership arrangements with the estate plan executed by a qualified attorney selected by the client.

Our financial planning professional gathers the required information to draft a financial plan through in-depth personal interviews with clients. Information gathered includes the client's current financial status, current and future goals and attitudes toward risk. The client is asked to provide various documents to support the information gathered during these interviews. CAM suggests that a client who chooses to implement the recommendations contained in the financial plan work closely with their other professional advisors. The implementation of the planning recommendations is solely at the client's discretion. The client may implement the planning recommended through CAM and their professional associations.

In connection with providing advisory services to client, CAM tailors its advisory services to the individual needs of clients. We have an individually tailored planning and meeting process for each client using, in many instances, an Investment Strategy Questionnaire to determining the client's goals, objectives and risk tolerance. Nonetheless, clients may request in writing to impose reasonable restrictions on CAM's services, including restrictions on investing in certain securities or types of securities.

## Item 5: Fees and Compensation

CAM charges most of its clients an annual investment management fee based on the following schedule:

### Wealth Builder Program:

Castle Asset Management, LLC, (the “Advisor”) provides investment supervisory services on a discretionary basis through a proprietary program called Wealth Builder (“WB”). WB is a strategic asset allocation investment management program using no-load mutual funds.

Through personal discussions and use of an Investment Strategy Questionnaire the Advisor or client’s solicitor will assist the client in determining the client’s goals, objectives and risk tolerance. Advisor will use this information to establish an asset allocation policy for the client, selecting the mutual funds to implement the policy and reporting to the Client on the performance of the mutual funds. With respect to the mutual fund asset allocation plan, not the following:

1. Each client's account in the program is managed on the basis of the client's financial situation and investment objectives and in accordance with any reasonable restrictions imposed by the client on the management of the account.
2. At the opening of the client’s account, the adviser obtains information from the client regarding the client's financial situation and investment objectives, and gives the client the opportunity to impose reasonable restrictions on the management of the account.
3. At least annually, the adviser contacts the client to determine whether there have been any changes in the client's financial situation or investment objectives, and whether the client wishes to impose any reasonable restrictions on the management of the account or reasonably modify existing restrictions.
4. The adviser periodically notifies the client in writing to contact the adviser if there have been any changes in the client's financial situation or investment objectives, or if the client wishes to impose any reasonable restrictions on the management of the client's account or reasonably modify existing restrictions, and provides the client with a means through which such contact may be made.
5. The adviser and adviser’s personnel who are knowledgeable about the client’s account and its management are reasonably available to the client for consultation.
6. Each client has the ability to impose reasonable restrictions on the management of the client's account, including the designation of particular securities or types of securities that should not be purchased for the account, or that should be sold if held in the account.
7. The adviser provides each client with a statement, at least quarterly, containing a description of all activity in the client's account during the preceding period, including all transactions made on behalf of the account, all contributions and

withdrawals made by the client, all fees and expenses charged to the account, and the value of the account at the beginning and end of the period.

8. Each client retains, with respect to all securities and funds in the account, to the same extent as if the client held the securities and funds outside the program, the right to: (a) withdrawal securities or cash; (b) vote securities, or delegate the authority to vote securities to another person; (c) be provided in a timely manner with a written confirmation or other notification of each securities transaction, and all other documents required by law to be provided to security holder; and (d) proceed directly as a security holder against the issuer of any security in the client's account and not be obligated to join any of Adviser's personnel, or any other client of the program, as a condition precedent to initiating such proceeding.

For investment supervisory services compensation is derived as fee income based upon the percentage of assets under management. The compensation method is explained and agreed with the clients in advance before any services are rendered. The Advisor has adopted the following fee schedule for all portfolios:

Asset Tiers		Annual
From	To	Mgt. Fee
\$25,000	\$49,999	1.950%
\$50,000	\$99,999	1.700%
\$100,000	\$249,999	1.450%
\$250,000	\$499,999	1.325%
\$500,000	\$999,999	1.200%
\$1,000,000	\$2,000,000	1.075%
\$2,000,000	and above	0.950%

The fee charged to a client's account is all-inclusive. There are no additional transaction fees or commissions charged to a client's account by the Advisor; however, the account may incur such transaction fees and commission charges if they are imposed by the broker-dealer or custodian. Advisor's fees are generally paid quarterly, in advance, based on the value of the account(s) as of the close of the previous quarter, or unless otherwise negotiated with the client as provided for in the agreement. Advisor's fees will be deducted directly from the client's account. For new client accounts, the Advisor's fee will be pro-rated for the remaining calendar quarter. The Advisor's service may be terminated by either party upon written notification in accordance with the applicable contractual notice of termination. Upon termination, the fees charged for advisory services will be pro-rated and a refund for any unearned fees will be issued. Any prorated refund of unearned fees must be requested in writing by the client or their representative within 30 days after the account has been liquidated.

#### Managed Solutions Program:

Castle Asset Management, LLC, (the "Advisor") provides investment supervisory services on a discretionary basis through a proprietary program called Managed Solutions. Managed Solutions is a strategic and tactical asset allocation investment management program using Exchange Traded Funds.

Through personal discussions and use of an Investment Strategy Questionnaire the Advisor or client's solicitor will assist the client in determining the client's goals, objectives and risk tolerance. Advisor will use

this information to establish an asset allocation policy for the client, selecting the Exchange Traded Funds to implement the policy and reporting to the Client on the performance of the Exchange Traded Funds.

**Optimized Asset Allocation Platform:**

For investment supervisory services, advisory fee income is based upon the percentage of assets under management. The advisory fee method is explained and agreed with the clients in advance before any services are rendered. The advisor has adopted a blended fee structure; whereas certain asset tiers will be charged a specific rate regardless of account balance. All accounts at an asset level of \$1,000,000 will be charged no more than 90 bps. or \$9,000. The third asset tier is calculated at 80% of the second asset tier.

An example of the recommended fee structure is as follows:

Asset Tiers	Annual Mgt. Fee
\$500,000	1.10%
Next 1,000,000	0.70%
\$1,500,000 and above	0.56%

**Evolution Asset Allocation Platform:**

All Evolution Asset Allocation Managed accounts will be charged 2%.

There will be transaction fees charged to the client's account for the implementation, liquidation and rebalancing process. These fees will be charged by the custodian and disclosed on the client's monthly statements. The typical fee will be \$8.95 a trade. This is a negotiated discounted fee that is paid directly to the custodian. Castle Asset Management, LLC does not share or participate in this fee. In the future, if the fee is reduced by the custodian, this savings will be passed through to the client. There will be no additional transactions fees or commissions charged to a client's account by the advisor. Advisor's fees are generally paid quarterly, in advance, based on the value of the account(s) as of the close of the previous quarter, or unless otherwise negotiated with the client as provided for in the agreement. Advisor's fees will be deducted directly from the client's account. For new client accounts, the Advisor's fee will be pro-rated for the remaining calendar quarter. The Advisor's service may be terminated by either party upon written notification in accordance with the applicable contractual notice of termination. Upon termination, the fees charged for advisory services will be pro-rated and a refund for any unearned fees may be issued. Any prorated fee reimbursement, must be requested in writing, by the client or their representative within 30 days of the account termination.

Advisor also will serve as a solicitor for various unaffiliated investment managers that have agreed to pay an ongoing referral fee for any such client referrals made by Advisor. As a solicitor, any potential conflict of interest will be fully disclosed to any individual who may be referred. The amount of the on-going referral fee will be negotiated with each investment advisor. The typical on-going referral fee will range from 40% - 80% of the fee earned by the investment manager to whom the client has been referred. In the event a referred client terminates its arrangement with an advisor, any unearned fees will be refunded immediately. Advisor presently has a solicitation arrangement with Brinker Capital, Inc., and BNY Mellon's Private Wealth Group. They are both registered investment advisors. Advisor will continue to receive solicitor compensation as long as the client's funds remain under the management of the investment manager.

## Financial Planning Program:

CAM charges a fee when Financial Plans are prepared for clients and fees may be collected based upon the level of service provided. The fee for each plan is quoted in advance of all work being performed, but only after the client has met with a Castle Asset Management representative. Financial Planning Fees are negotiable and often the service is provided without a fee.

At the discretion of the advisor, Fixed Fees may be charged for financial planning services. The Fixed Fees charged to a client for the preparation of a financial plan typically may range from \$500 to \$5,000. All financial planning fees are quoted in advance, prior to the commencement of any work. One half of the fee is collected upon the financial planning engagement and the balance is due upon the completion of the written financial plan. Financial Plans are also prepared for a client referred to Castle Asset Management by such client's CPA firms and other Third Parties.

A client may terminate its agreement with CAM at any time if not satisfied with the services provided. If the agreement is terminated within five days of acceptance, such client will receive a full refund. Also, if we do not give a client a copy of our disclosure brochure at least 48 hours prior to execution of our agreement, such client shall have five days from the date of execution of our agreement to terminate our services for a full refund.

Therefore, after five days of acceptance, any fees that you have paid in advance will be charged for the time and effort we have devoted up to then, and the balance refunded.

Consulting services are also available through Castle Asset Management. A client is able to receive financial advice on a more limited basis. The advice can address all items that fall under Financial Planning or in some other area where the client has a financial concern. Fees for specific consulting services may be billed at a rate of \$150 to \$300 per hour, depending of the nature of the client's circumstance and the specific items to be addressed. The exact hourly rate will be mutually agreed upon with the client, and shall be due and payable as earned.

Certain representatives of Castle Asset Management are registered as representatives of separate broker dealers and are also insurance agents/brokers of various insurance companies. Castle Asset Management and its representatives will earn additional income in the form of commissions in the event a client chooses to purchase insurance products, investments products or investment advisory services from them. The earnings realized by Castle Asset Management or its representatives are not used to offset any fees billed for Financial Planning or Consulting Services.

John D. Caffrey earns additional compensation if a client purchases mutual funds or other investment products through Purshe Kaplan Sterling Investments. This compensation is in the form of commissions and 12b1 fees. Because John Caffrey may receive this economic benefit, CAM has a potential conflict of interest if it recommends to clients that they purchase mutual funds or other investment products through Purshe Kaplan Sterling Investments. This gives John Caffrey an incentive to recommend mutual funds and investment products based on the compensation he may receive, rather than on a client's need. Nonetheless, we believe that we have addressed this conflict of interest because clients are under no obligation to purchase mutual funds or investment products through Purshe Kaplan Sterling Investments or John Caffrey. Further, clients have the option to purchase mutual funds and investment products that John Caffrey recommends through other brokers or agents not affiliated with CAM. Any commission/fee that John Caffrey receives

from the sale of mutual funds or investment products is in addition to the advisory fee CAM charges, which advisory fee will not be reduced to offset the commission/fee he receives.

John D. Caffrey earns additional compensation from insurance companies in the form of renewal compensation for all life, disability, health or long-term care insurance in force after the first policy year. The principal officer of Advisor, John D. Caffrey is a licensed insurance agent with The Guardian Life Insurance Company of America, Schneider & Schulman Brokerage Services, Inc., Crump Life Insurance Services, Mass Mutual Financial Group and Security Mutual Life Insurance Co. of NY and may receive compensation for the sale of insurance products from advisory and non-advisory clients.

CAM's fees for services are negotiable and are deducted directly from client accounts. In the event that CAM's advisory services are terminated, a client may request a refund of any unearned portion of the prepaid advisory fee in writing. CAM will calculate the pro-rata unearned portion and promptly refund such amount, if any. Please see our discussion concerning brokerage in Item 12.

## **Item 6: Performance Based Fees and Side-by-Side Management**

CAM does not charge any performance fees. Some investment advisers experience conflicts of interest in connection with the side-by-side management of accounts with different fee structures. However, these conflicts of interest are not applicable to CAM.

## **Item 7: Types of Clients**

Advisor requires a minimum account size of \$100,000 for the Wealth Builder platform; however, the Advisor has discretion to waive the account minimum. Accounts that do not meet the account minimum may be set up when the client and Advisor anticipate the client will add additional funds to the accounts bringing the total up to \$100,000 within a reasonable time.

Advisor requires a minimum account size of \$500,000 for the Managed Solutions platform; however, the Advisor has discretion to waive the account minimum. Accounts that do not meet the account minimum may be set up when the client and Advisor anticipate the client will add additional funds to the accounts bringing the total up to \$500,000 within a reasonable time.

CAM primarily provides customized Financial Planning for individuals and associated trusts, estates, pension and profit sharing plans, Corporations or other legal entities.

CAM also requires each client to sign an Investment Advisory Agreement before CAM will open or maintain an account for that client.

## **Item 8: Methods of Analysis, Investment Strategies and Risk of Loss**

CAM's Owner, John D. Caffrey, and Research Analyst, Ryan F. Lampkin, work together to conduct fundamental and technical analysis on all securities recommended for client accounts. This analysis varies depending on the security in question. For equity securities, corporate debt securities, commercial paper, certificates of deposit, municipal securities, mutual fund shares, United States government securities:

- The issuer's management;
- The amount and volatility of past profits or losses;
- The issuer's assets and liabilities, as well as any material changes from historical norms;



- Prospects for the issuer's industry, as well as the issuer's competitive position within that industry; and
- Any other factors considered relevant.

For mutual funds and ETFs the analysis generally includes a review of:

- The fund's management team;
- The fund's historical risk and return characteristics;
- The fund's exposure to sectors and individual issuers;
- The fund's fee structure; and
- Any other factors considered relevant.

CAM's Investment Committee is led by John D. Caffrey, the Chief Investment Officer, and also includes Ryan F. Lampkin and Patricia Oseback. The Investment Committee generally meets monthly to discuss existing and prospective investments. Investments are evaluated independently, as well as in the context of clients' existing holdings and sector exposures.

CAM primarily invests for relatively long time horizons, often for a year or more. However, market developments could cause CAM to sell securities more quickly.

Depending on a client's investment objectives, CAM might engage in short selling or trading. The use of short selling and trading poses additional risks that are discussed in detail with any clients who are considering the use of these investment vehicles.

All investing involves a risk of loss that clients should be prepared to bear.

## **Item 9: Disciplinary Information**

CAM and its employees have not been involved in any legal or disciplinary events in the past that would be material to a client's evaluation of the company or its personnel.

## **Item 10: Other Financial Industry Activities and Affiliations**

CAM and its employees do not have any relationships or arrangements with other financial services companies that pose material conflicts of interest.

John D. Caffrey is also a registered representative for Purshe Kaplan Sterling Investments, member of FINRA, SIPC located at 18 Corporate Woods Blvd, Albany, NY 12211. The telephone number is 800-801-6851. Mr. Caffrey is able to implement recommended securities products with his clients for separate compensation from Purshe Kaplan Sterling Investments. Compensation is paid in the form of commissions directly to Mr. Caffrey from Purshe Kaplan Sterling Investments. Clients are not obligated to purchase their securities investments from John D. Caffrey. Clients are permitted to choose freely to effect securities transactions through any Broker/Dealer.

John Caffrey is on the Board of Directors for Empire National Bank. CAM or John Caffrey do not receive monetary compensation for referrals from Empire National Bank.

The principal officer of Advisor, John D. Caffrey is a licensed insurance agent with The Guardian Life Insurance Company of America, Schneider & Shulman Brokerage Services, Inc., Crump Life Insurance

Services, Mass Mutual Financial Group and Security Mutual Life Insurance Co. of NY and may receive compensation for the sale of insurance products from advisory and non-advisory clients. John D. Caffrey is also the sole owner of Castle Financial Advisors, LLC, which is an entity that maintains an insurance license.

For clients who purchase products causing commissions to be generated from such purchases, these commissions are paid to John D. Caffrey in his separate capacity as an insurance agent. This activity represents a conflict of interest and gives him an incentive to recommend the purchase of insurance products for a client account based on that person's ability to receive compensation from such a purchase, rather than based on a client's needs. However, CAM believes that it has addressed this conflict by (a) requiring that any such transaction will be on commercially reasonable terms that are generally consistent with industry standards, and (b) neither requiring nor expecting that a client will purchase any such insurance product from or through John D. Caffrey. In addition, John D. Caffrey must maintain compliance with applicable rules and regulations that govern the sale of such products.

Please also see the discussion in Item 5 of this Disclosure Brochure concerning CAM's solicitation arrangement with Brinker Capital, Inc., and BNY Mellon's Private Wealth Group. CAM may be viewed to have an incentive to recommend the services of those companies because CAM may become entitled to receive compensation as a result of those recommendations. Nonetheless, no client is obligated to utilize the services of Brinker Capital, Inc., or BNY Mellon's Private Wealth Group, and any recommendation CAM makes to those entities will be made where CAM determines that it is in the client's interests.

## **Item 11: Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

As a licensed Registered Representative with Purshe Kaplan Sterling Investments, Mr. Caffrey may, on a fully disclosed basis, effect securities transactions on behalf of advisory clients as well as non-advisory clients. Mr. Caffrey will typically receive securities related compensation for such transactions.

Advisor and its employees may also buy and sell the same securities that may be recommended to clients. This creates a potential conflict of interest in the sense that it is remotely possible that Advisor or its employees may benefit financially from a transaction effected for a client account, although the volume of such securities transactions have not and do not rise to the level where any transaction in the account of either of the firm or any firm personnel has any appreciable impact on the market value of a security. If the possibility of a conflict or interest occurs, the client's interest will prevail. It is the policy of Advisor that priority will always be given to the client's orders over the orders of an employee of the Advisor. Advisor and its employees shall not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of his/her employment unless the information is also available to the investing public upon reasonable inquiry. In order to minimize this conflict of interest, securities recommended by Advisor are widely held and publicly traded. We also require that all personnel act in accordance with all applicable federal and state regulations governing registered investment advisory practices. Any individual not in observance of the above may be subject to termination.

To avoid any potential conflicts of interest involving personal trades, Advisor has adopted written policies and procedures ("Code") for its Employees, which includes a formal code of ethics and insider trading policies and procedures. Advisor's Code requires, among other things, that Employees:

- Act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, colleagues in the investment profession, and other participants in the global capital markets;
- Place the integrity of the investment profession, the interests of clients, and the interests of Advisor above one's own personal interests;
- Adhere to the fundamental standard that you should not take inappropriate advantage of your position;
- Avoid any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with this policy;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, and engaging in other professional activities;
- Practice and encourage others to practice in a professional and ethical manner that will reflect credit on yourself and the profession;
- Promote the integrity of, and uphold the rules governing, capital markets;
- Maintain and improve your professional competence and strive to maintain and improve the competence of other investment professionals.
- Comply with applicable provisions of the federal securities laws.

Advisor's Code also requires Employees to: 1) pre-clear certain personal securities transactions, 2) report personal securities transactions on at least a quarterly basis, and 3) provide the Advisor with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such Employees have a direct or indirect beneficial interest.

A copy of Advisor's Code shall be provided to any client or prospective client upon request.

## **Item 12: Brokerage Practices**

When a client agrees to discretionary management, the Advisor will be responsible for selecting the amount of securities to be bought and sold. The only limitations on the investment authority will be those limitations imposed in writing by the client.

In the course of providing our services, we will execute trades for our clients through broker-dealers. When a client has given us broker discretion, there is no restriction on the brokers we may select to execute client transactions. Our general guiding principle is to trade through broker-dealers who offer the best overall execution under the particular circumstances. With respect to execution, we consider a number of factors, including if the broker has custody of client assets, the actual handling of the order, the ability of the broker-dealer to settle the trade promptly and accurately, the financial standing of the broker-dealer, the ability of the broker-dealer to position stock to facilitate execution, our past experience with similar trades, and other factors which may be unique to a particular order. Based on these judgmental factors, we may trade through broker-dealers that charge fees that are higher than the lowest available fees.

The Advisor will assist the client with developing a relationship with a broker with which that the Advisor has a relationship. The Advisor currently has relationships with Fidelity Investments Institutional Brokerage Group (Fidelity) and Charles Schwab Institutional (Schwab).

As part of the institutional programs offered by Fidelity and Schwab, the Advisor receives non-soft dollar benefits that it would not receive if it did not provide investment advice to clients or execute client transactions through Fidelity or Schwab. While there is no direct affiliation or fee sharing arrangement between Fidelity or Schwab and the Advisor, economic benefits are received by the Advisor which would not be received if the Advisor did not have an established relationship with these companies. These benefits do not depend on the amount of transactions directed by the Advisor to Fidelity or Schwab. These benefits may include: a dedicated trading desk that services the Advisor's clients, a dedicated service group and an account services manager dedicated to the Advisor's accounts, access to a real time order matching system, ability to block client trades, electronic download of trades, portfolio management software, access to an electronic interface, duplicate and batched client statements, confirmations and year-end summaries, the ability to have advisory fees directly debited from client accounts (in accordance with federal and state requirements), a quarterly newsletter, access to mutual funds, ability to have loads waived for the Advisor's clients who invest in certain loaded funds when certain conditions are met and maintained, and the ability to have custody fees waived.

The commission rates for certain customers may be higher or lower for identical or similar transactions, had they been executed at other broker/dealers, especially discount brokers. However, the commission schedule for Fidelity and Schwab is competitively priced when compared to other brokerage institutions.

#### Best Execution Reviews

On at least an annual basis CAM's Chief Compliance Officer and other senior executives evaluate the pricing and services offered by Fidelity and Schwab with those offered by other reputable firms. CAM has sought to make a good-faith determination that Fidelity and Schwab provide clients with good services at competitive prices. Historically CAM has concluded that Fidelity and Schwab is as good as, or better than, the other firms that have been considered. CAM would notify its clients if it were to determine that another firm offered better pricing and services than Fidelity and Schwab.

#### Aggregated Trades

CAM typically aggregates client trades in an effort to treat all clients fairly. Clients participating in a bunched order receive the same average price and incur trading costs that are the same as would be paid if they were trading individually. If an order is partially filled, clients will have their orders fully filled on a randomized basis; CAM will seek to complete any unfilled client orders on the next trading day. Employees are excluded from bunched trades whenever client orders are only partially filled.

CAM preferably uses block trading whenever possible. There are specific times when an individual client will request CAM to make trades on their account for specific service requirements. These trades will not be done in block form.

#### Client Referrals

CAM does not compensate Fidelity or Schwab or any other custodian or broker/dealer for referring client accounts.

## **Item 13: Review of Accounts**

The reviewing of accounts is a multi-stage process that occurs at varying intervals. Initially, upon becoming a client, account documentation is verified and authenticated for accuracy. This includes careful examination of all documents clients have signed.

The second stage of the process includes the regular maintenance required to keep accounts in good order. Monthly reports are generated that indicate the clients' variance from targeted model. Clients that are not within a specified tolerance from their target weight, are repositioned toward their model.

Interim transactions, such as deposits and withdrawals, will incur a modified review.

Accounts are reviewed and maintained in aggregate by:

John D. Caffrey, Member

Ryan F. Lampkin, Investment Strategist

Clients are kept fully informed about their portfolio activity by receiving copies of all transaction confirmations and monthly/quarterly statements directly from brokerage firms and/or custodians. Additionally, Advisor shall provide to each client correspondence directing the client to Morningstar performance reporting services through which the client may obtain a written report describing the performance, activity and holdings of the account on a monthly basis.

Client financial plans are reviewed by Advisor's representative as requested by the client. Other factors that may trigger more frequent reviews include changes in the client's financial, personal or business circumstances as well as changes in general market conditions. Clients may receive a written update of their financial plan as part of the review process described above.

## **Item 14: Client Referrals and Other Compensation**

CAM pays a portion of its advisory fees to another investment adviser in connection with that adviser's referral of a client to CAM. Advisor has arrangements with various CPA firms and other third parties whereby Advisor will compensate said firms for client referrals in accordance with Rule 206(4)-3 under the Advisers Act.

Other than the previously described products and services that CAM receives from Fidelity and Schwab, CAM does not receive any other economic benefits from non-clients in connection with the provision of investment advice to clients.

John D. Caffrey earns additional compensation from 145 Marcus Realty, LLC. 145 Marcus Realty, LLC is a real estate management company. John D. Caffrey is 25 percent owners of 145 Marcus Realty, LLC.

John D. Caffrey. may earn additional compensation from Mogul Men, 96 S. Ocean Ave., LLC, 82-16, LLC or Bark Hot Dogs, LLC.

## **Item 15: Custody**

All clients' accounts are held in custody by unaffiliated broker/dealers or banks, but CAM can access many clients' accounts though its ability to debit advisory fees. For this reason CAM is considered to have custody

of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Clients should carefully review these statements, and should compare these statements to any account information provided by CAM.

## **Item 16: Investment Discretion**

CAM has investment discretion over all Wealth Builder and Managed Solution's clients' accounts. Clients grant CAM trading discretion through the execution of a limited power of attorney included in CAM's advisory contract.

Clients can place reasonable restrictions on CAM's investment discretion. For example, some clients have asked CAM not to buy securities issued by companies in certain industries, or not to sell certain securities where the client has a particularly low tax basis.

## **Item 17: Voting Client Securities**

Notwithstanding Advisor's discretionary authority to make investment decisions on behalf of clients, Advisor will not exercise proxy voting authority over securities held in client accounts. The obligation to vote client proxies shall at all times rest with the client. Advisor shall not be deemed to have proxy voting authority solely as a result of providing advice or information about a particular proxy vote to a client.

Should Advisor inadvertently receive proxy information for a security held in a client's account, then Advisor will make a good faith effort to forward such information on to Client in a timely manner, but will not take any further action with respect to the voting of such proxy. Upon termination of its Investment Advisory Agreement with a client, Advisor shall make a good faith and reasonable attempt to forward proxy information inadvertently received by Advisor on behalf of the client to the forwarding address provided by the client to Advisor.

Client may contact Advisor with questions about a particular solicitation. Should client contact Advisor for advice on proxy information for a security held in a client's account, the Advisor will request the client to put such request in written form to CAM. All communications will be stored in client's file.

## **Financial Information**

CAM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.

Item 1:  
Castle Asset Management, LLC  
Part 2B of Form ADV  
The Brochure Supplement

145 Marcus Blvd, Suite 1, Hauppauge, NY 11788  
[www.castleasset.com](http://www.castleasset.com)

Updated: March 2013

This brochure supplement provides information about John D. Caffrey and Ryan F. Lampkin. It supplements CAM's accompanying Form ADV brochure. Please contact CAM's Chief Compliance Officer, John D. Caffrey at 631-952-3700 if you have any questions about the Form ADV brochure or this supplement, or if you would like to request additional or updated copies of either document.

Additional information about John D. Caffrey and Ryan F. Lampkin is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2: John Caffrey's Biographical Information

### Educational Background and Business Experience

John D. Caffrey was born in 1961. He received a Bachelor of Science degree from SUNY at Oswego in 1983 and a CFP from College of Financial Planning, Denver CO, in 1988.

Qualifications and Description for the CERTIFIED FINANCIAL PLANNER™, CFP® and federally registered CFP (with flame design) marks (collectively, the "CFP® marks") are professional certification marks granted in the United States by Certified Financial Planner Board of Standards, Inc. ("CFP Board").

The CFP® certification is a voluntary certification; no federal or state law or regulation requires financial planners to hold CFP® certification. It is recognized in the United States and a number of other countries for its (1) high standard of professional education; (2) stringent code of conduct and standards of practice; and (3) ethical requirements that govern professional engagements with clients. Currently, more than 62,000 individuals have obtained CFP® certification in the United States.

To attain the right to use the CFP® marks, an individual must satisfactorily fulfill the following requirements:

- Education – Complete an advanced college-level course of study addressing the financial planning subject areas that CFP Board's studies have determined as necessary for the competent and professional delivery of financial planning services, and attain a Bachelor's Degree from a regionally accredited United States college or university (or its equivalent from a foreign university). CFP Board's financial planning subject areas include insurance planning and risk management, employee benefits planning, investment planning, income tax planning, retirement planning, and estate planning;
- Examination – Pass the comprehensive CFP® Certification Examination. The examination, administered in 10 hours over a two-day period, includes case studies and client scenarios designed to test one's ability to correctly diagnose financial planning issues and apply one's knowledge of financial planning to real world circumstances;
- Experience – Complete at least three years of full-time financial planning-related experience (or the equivalent, measured as 2,000 hours per year); and
- Ethics – Agree to be bound by CFP Board's Standards of Professional Conduct, a set of documents outlining the ethical and practice standards for CFP® professionals.

Individuals who become certified must complete the following ongoing education and ethics requirements in order to maintain the right to continue to use the CFP® marks:

- Continuing Education – Complete 30 hours of continuing education hours every two years, including two hours on the Code of Ethics and other parts of the Standards of Professional Conduct, to maintain competence and keep up with developments in the financial planning field; and
- Ethics – Renew an agreement to be bound by the Standards of Professional Conduct. The Standards prominently require that CFP® professionals provide financial planning services at a fiduciary standard of



care. This means CFP® professionals must provide financial planning services in the best interests of their clients.

CFP® professionals who fail to comply with the above standards and requirements may be subject to CFP Board's enforcement process, which could result in suspension or permanent revocation of their CFP® certification.

Mr. Caffrey has served as CAM's Chief Executive Officer since 2004. Prior to founding CAM, Mr. Caffrey was a Partner of Castle Financial Advisors, LLC from 2001 to 2010. In 2011 Mr. Caffrey became sole owner of Castle Financial Advisors, LLC. He also served as a registered representative of Broker Dealer Purshe Kaplan Sterling Investments from 2005 to Present.

### Item 3: Disciplinary Information

Mr. Caffrey has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Caffrey or of CAM.

### Item 4: Other Business Activities

John Caffrey is on the Board of Directors for Empire National Bank. CAM or John Caffrey do not receive monetary compensation for referrals from Empire National Bank.

The principal officer of Advisor, John D. Caffrey is a licensed insurance agent with The Guardian Life Insurance Company of America, Schneider & Shulman Brokerage Services, Inc., Crump Life Insurance Services, Mass Mutual Financial Group and Security Mutual Life Insurance Co. of NY and may receive compensation for the sale of insurance products from advisory and non-advisory clients.

### Mr. Caffrey's Employment History

Castle Financial Advisors, LLC  
Member since 2001

Bark Hot Dogs, LLC  
Member since 2009

Castle Asset Management, LLC  
Member since 2004

96 S. Ocean Ave., LLC  
Member since 2009

145 Marcus Realty, LLC  
Member since 2005

Mogul Men  
General Partner Since 2002

GDC Funding, LLC  
Member since 2005

Empire National Bank  
Board member since 2007

82-16, LLC  
Member since 2004

The Guardian Life Insurance Co  
Field Representative Since 1995

Great American Advisors, Inc.  
Registered Representative 02/05 to 11/05

Purshe Kaplan Sterling Investments  
Registered Representative 11/05 to Present

Crescent Capital Group, LLC  
Member since 2009 - 2010

#### Item 5: Additional Compensation

John Caffrey is on the Board of Directors for Empire National Bank. CAM or John Caffrey do not receive monetary compensation for referrals from Empire National Bank.

As mentioned above, the principal officer of Advisor, John D. Caffrey is a licensed insurance agent with The Guardian Life Insurance Company of America, Schneider & Shulman Brokerage Services, Inc., Crump Life Insurance Services, Mass Mutual Financial Group and Security Mutual Life Insurance Co. of NY and may receive compensation for the sale of insurance products form advisory and non-advisory clients.

As a licensed Registered Representative with Purshe Kaplan Sterling Investments, Mr. Caffrey may, on a fully disclosed basis, effect securities transactions on behalf of advisory clients as well as non-advisory clients. Mr. Caffrey will typically receive securities related compensation for such transactions.

#### Item 6: Supervision

As CAM's founder and Chief Executive Officer, Mr. Caffrey maintains ultimate responsibility for the company's operations. Mr. Caffrey discusses investment decisions with the other Investment Committee member, CAM's Chief Investment Strategist Ryan F. Lampkin. Operational and Compliance decisions are discussed with CAM's Director of Operations Patricia Oseback. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.

## **Item 2: Ryan F. Lampkin's Biographical Information**

### Educational Background and Business Experience

Ryan F. Lampkin was born in 1984. He received a Bachelor of Science degree in Finance from Bentley University of Waltham, MA in 2006.

Mr. Lampkin has served as CAM's Financial Strategist since 2007. From 2007 through 2009 Mr. Lampkin was CAM's Financial Strategist. From 2008 to Present Mr. Lampkin was CAM's Investment Strategist.

### Item 3: Disciplinary Information

Mr. Lampkin has not been involved in any legal or disciplinary events that would be material to a client's evaluation of Mr. Lampkin or of CAM.

### Item 4: Other Business Activities

Mr. Lampkin is not engaged in any other investment related business, and does not receive compensation in connection with any business activity outside of CAM.

### Item 5: Additional Compensation

Mr. Lampkin does not receive economic benefits from any person or entity other than CAM in connection with the provision of investment advice to clients.

### Item 6: Supervision

Mr. Lampkin investment recommendations are supervised by CAM's CEO, John D. Caffrey. Mr. Lampkin's activities are also overseen by the Chief Operating and Compliance Officer, John D. Caffrey. Any of these individuals can be reached directly by calling the telephone number on the cover of this brochure supplement.