Castle Brands Inc
Form 10-K/A
July 29, 2008

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K /A
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended March 31, 2008
Commission file number 001-32849

Castle Brands Inc.
(Exact name of registrant as specified in its charter)

Delaware	**41-2103550**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
570 Lexington Avenue, 29th Floor New York, New York	**10022**
(Address of principal executive offices)	(Zip Code)

Registrant s telephone number, including area code (646) 356-0200
Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common stock, $0.01 par value	American Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

o Large accelerated filer	o Accelerated filer	o Non-accelerated filer (Do not check if a smaller reporting company)	þ Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No þ

The aggregate market value of registrant s common stock held by non-affiliates, based upon the closing price of the common stock on March 31, 2008, as reported by the American Stock Exchange, was approximately $10,910,710. Shares of common stock held by each executive officer and director and by each person who owns 5% or more of the outstanding common stock, based on Schedule 13G filings, have been excluded since such persons may be deemed affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 15,629,776 shares of $0.01 par value common stock outstanding at July 24, 2008.

TABLE OF CONTENTS

EXPLANATORY NOTE
ITEM 9A(T). CONTROLS AND PROCEDURES
PART III
ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE
EXECUTIVE OFFICERS
REPORT OF THE AUDIT COMMITTEE
ITEM 11. EXECUTIVE COMPENSATION
EXECUTIVE COMPENSATION
EMPLOYMENT AGREEMENTS
ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS
ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS
ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES
PART IV
ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES
SIGNATURES
EX-31.1: CERTIFICATION
EX-31.2: CERTIFICATION
EX-32.1: CERTIFICATION

Table of Contents

Amendment No. 1 to the Annual Report on Form 10-K
for the Year Ended March 31, 2008
EXPLANATORY NOTE

Castle Brands Inc. (the Company) is filing this Amendment No. 1 on Form 10-K/A (this Amendment) to its Annual Report on Form 10-K for the fiscal year ended March 31, 2008, which was filed on June 30, 2008 (the Original Filing) (i) to amend Part II Item 9A of the Original Filing to clarify the evaluations of the Company s disclosure controls and procedures and internal controls over financial reporting previously made by the Company with respect to the fiscal year ended March 31, 2008 and amend the certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 in the Original Filing and (ii) because we have determined that we will not file our Proxy Statement prior to the July 29, 2008 deadline for incorporation by reference of Part III information into our Annual Report Form 10-K, we are providing the information required by Part III (Items 10, 11, 12, 13 and 14) of Form 10-K by this Amendment in accordance with General Instruction G(3) of Form 10-K.

I. Part II Item 9A of the Original Filing is amended in its entirety to read as follows:

Item 9A(T). Controls and Procedures

(a) *Evaluation of Disclosure Controls and Procedures*.

We maintain disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Security Exchange Act of 1934, as amended (the Exchange Act)) that are designed to ensure that information that would be required to be disclosed in Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Security Exchange Commission s rules and forms, and that such information is accumulated and communicated to our management, including the President and Chief Operating Officer and Senior Vice President and Chief Financial Officer (our Principal Executive Officer and Principal Financial Officer, respectively), as appropriate, to allow timely decisions regarding required disclosure.

As of March 31, 2008, we carried out an evaluation, under the supervision and with the participation of our management, including the Principal Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on the foregoing, our Principal Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Annual Report.

(b) *Management s Report on Internal Control over Financial Reporting*

We are responsible for establishing and maintaining adequate internal control over financial reporting. As defined in the securities laws, internal control over financial reporting is a process designed by, or under the supervision of, our Principal Executive and Principal Financial Officers and effected by our Board of Directors, management, and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

The Company s internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management conducted an evaluation of the effectiveness of the internal controls over financial reporting (as defined in Rule 13a-15(f) promulgated under the Exchange Act) as of March 31, 2008, based on the framework in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management, including the Principal Executive and Principal Financial Officers, based on their evaluation of the Company s internal control over financial reporting, have concluded that the Company s internal control over Financial Reporting was effective as of March 31, 2008.

Management s internal control report was not subject to attestation by the Company s independent registered public accounting firm pursuant to the temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report.

This Annual Report does not include an attestation report of the Company s independent registered public accounting firm regarding internal control over financial reporting. Management s report was not subject to attestation by the Company s independent registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management s report in this Annual Report.

(c) *Changes in Internal Control over Financial Reporting*

There have been no changes in the Company s internal control over financial reporting that occurred in the fourth fiscal quarter that has

Table of Contents

materially affected, or is reasonably likely to materially affect, the Company s internal control over financial reporting.

In addition, Section 302 Certificates in the Original Filing are hereby amended to read as set forth in Exhibit A hereto.

II. Part III of the Original Filing is amended in its entirety to read as follows:

ITEM 10. *DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE*

Directors

The Company s directors names, ages as of the date of this Form 10-K and certain information about them are set forth below:

Name of Nominee	Age	Principal Occupation
Mark Andrews (3)	58	Chairman of the Board of Directors of the Company
John F. Beaudette (1)	51	President of MHW, Ltd.
Keith A. Bellinger	50	Former President of the Company
Robert J. Flanagan (2)(4)	52	Executive Vice President, Clark Enterprises, Inc. and Manager of CNF Investment LLC
Gill Jefferson	66	Former Managing Director of Old Bushmills Distillery Company Limited
Colm Leen(4)	44	Group Financial Director and Company Secretary of the Carberry Group
Richard C. Morrison (1)(2)	68	Former Officer of Massachusetts Mutual Life Insurance Co.
Frederick M. R. Smith (2)(4)	66	Consultant, Credit Suisse
Kevin P. Tighe (1)	64	Partner of Tighe Patton Armstrong Teasdale PLLC

(1) Member of the Nominating and Corporate Governance Committee

(2) Member of the Compensation Committee

(3) Chairman of the Board

(4) Member of the Audit Committee

Mark Andrews, 58, our chairman of the board, founded our predecessor company, Great Spirits Company LLC, in 1998 and served as its chairman of the board of directors, president and chief executive officer from its inception until December 2003. Mr. Andrews has served as our chairman of the board of directors since December 2003 and served as our president from December 2003 until November 2005 and our chief executive officer from December 2003 until November 2007. Prior to founding our predecessor, Mr. Andrews founded American Exploration Company, a company engaged in the exploration and production of oil and natural gas, in 1980. He oversaw that company becoming publicly traded in 1983 and served as its chairman and chief executive officer until its merger with Louis Dreyfus Natural Gas Corp. in October 1997. He also serves as a life trustee of The New York Presbyterian Hospital in New York City. Mr. Andrews received a bachelor of arts from Harvard College in 1972 and a masters of business administration from Harvard Business School in 1975.

John F. Beaudette, 51, has served as a director of our company since January 2004. Since 1995, Mr. Beaudette has been the president of MHW, Ltd. (formerly named Monsieur Henri Wines Ltd.), a national alcoholic beverage importer, distributor and service company. From 1985 to 1994, Mr. Beaudette worked with PepsiCo Inc. and its affiliate company Monsieur Henri Wines in the distribution of Stolichnaya Vodka and other imported wine and spirit brands. During this period, Mr. Beaudette held positions such as director of planning for PepsiCo Wines & Spirits International and vice president of finance and chief financial officer of Monsieur Henri Wines. Mr. Beaudette currently sits on the board of directors of The National Association of

Beverage Importers Inc. (NABI) and serves on its executive committee. Mr. Beaudette received a bachelor of science degree in accounting from Villanova University in 1979.

Keith A. Bellinger, 50, has served as a director of our company since September 2007. Mr. Bellinger served as executive vice president of our company until November 2005, at which time he was appointed president and chief operating officer, positions which he held until November 2007. He has over 20 years of experience in the spirits industry, including eight years with Allied Domecq PLC, a company in the business of spirits, wines and quick service restaurants. While at Allied Domecq, Mr. Bellinger served as chief financial officer of the U.S. Spirits Division from September 1996 to August 2000. From September 2000 to August 2002, Mr. Bellinger served as the general manager and executive vice president of the Advantage Brands division of Allied Domecq, a division focused on emerging brands. From September 2002 to December 2004, he served as president of the Northern Business Unit of Allied Domecq U.S., one of the largest divisions of that company, where he oversaw all operations. Mr. Bellinger began his career in public accounting. Mr. Bellinger received a bachelor of business administration from the University of Texas at Austin in 1980.

Robert J. Flanagan, 52, has served as a director of our company since January 2004. Since 1989, Mr. Flanagan has served as the executive vice president of Clark Enterprises Inc., a Bethesda, Maryland-based investment holding company and as the manager of CNF Investments LLC, an affiliate of Clark Enterprises Inc. CNF Investments LLC is one of our principal stockholders. Mr. Flanagan oversees the acquisition, management and development of new investment opportunities for Clark and is a member of the board of directors of Martek BioSciences Corporation. Prior to joining Clark, Mr. Flanagan was the treasurer, secretary and member of the board of directors of the Baltimore Orioles, Inc. and began his career in public accounting. Certified as a public accountant in Washington, D.C., Mr. Flanagan received a bachelor of science in business administration from Georgetown University in 1978 and a master of science degree in taxation from the American University School of Business in 1985.

Gill Jefferson, 66, has served as a director of our company since 2006 and served as Managing Director of the Old Bushmills Distillery Company Limited, a subsidiary of Irish Distillers Group Ltd., a producer of Irish spirits, from 1996 until his retirement in 2006. Over the course of his 23 year career at Irish Distillers, Mr. Jefferson also served as project manager for Bulk Contract Sales and was appointed as general manager of Middleton Distilleries from 1986-1995. Mr. Jefferson began his career working in the oil and gas industry for 10 years. Mr. Jefferson received a Higher National Certificate in Mechanical Engineering from the Ashby Institute, Belfast and is a Fellow of the Institute of Energy.

Colm Leen, 44, has served as a director of our company since January 2004. Mr. Leen also serves as a director of our subsidiaries, Castle Brands Spirits Group Limited and Castle Brands Marketing and Sales Company Limited. Since 1995, Mr. Leen has been the group finance director and company secretary of the Carbery Group, a supplier to our company. The Carbery Group is involved in the dairy, food ingredients and beverage alcohol industries, with established markets in Ireland, the United Kingdom, mainland Europe, the Far East and North America. Mr. Leen has been with the Carbery Group since 1988, initially joining it as company accountant and subsequently assuming the role of its financial controller in 1992 and his present role of group finance director in 1995. Mr. Leen is also the executive director of Carbery Milk Products Limited. Prior to joining Carbery, Mr. Leen worked with KPMG LLP from 1984 to 1988. He qualified as a chartered accountant in 1987, became an associate of the Institute of Chartered Accountants in Ireland in 1987 and a fellow of the Institute in 1997. Mr. Leen received a bachelor of commerce degree from University College Cork in 1984.

Richard C. Morrison, 68, has served as a director of our company since September 2005. Mr. Morrison worked at Massachusetts Mutual Life Insurance Co. from 1964 until his retirement in 2004. Most recently, Mr. Morrison served as the managing director of Babson Capital Management, the investment subsidiary of Massachusetts Mutual. Massachusetts Mutual is a more than 5% stockholder of our company. He also serves as a director of Cains Foods, L.P., Nyloncraft, Inc., Tubular Textile Machinery, Inc. and is an advisory director of Hammond, Kennedy, Whitney and Co., Inc. Mr. Morrison received a bachelor of arts from West Virginia Wesleyan College in 1962 and a master of science in finance from the University of Arizona in 1964.

Table of Contents

Frederick M. R. Smith, 66, has served as a director of our company since January 2004. Mr. Smith also serves as a director of our subsidiary, Gosling-Castle Partners Inc. Since January 2002, Mr. Smith has been a financial consultant through his wholly owned company, Kirkwood Lane Associates LLC. From 1967 to January 2002, he worked at Credit Suisse First Boston, most recently as co-head of Credit Suisse First Boston s international private equity activities. Mr. Smith currently acts as a consultant to Credit Suisse. Mr. Smith, an investor in our company, joined Credit Suisse First Boston s private equity group in 1995 after playing a senior role in Credit Suisse First Boston s investment banking division and founding its media and telecom group. He has over 30 years of private equity and investment banking experience with Credit Suisse First Boston. Mr. Smith also serves as a director of Cia. Brasileira de Contact Center S.A. and Slager Radio Hungary. Mr. Smith received a bachelor of arts degree from Yale University in 1963 and attended Johns Hopkins School of Advanced International Studies in Washington, DC.

Kevin P. Tighe, 64, has served as a director of our company since September 2005. Mr. Tighe also serves as a director of our subsidiary, Gosling-Castle Partners Inc. Since 1995, Mr. Tighe has been a partner at, and is a founding partner of the law firm of, Tighe Patton Armstrong Teasdale, PLLC. For over 36 years, Mr. Tighe has represented the automobile industry and its trade associations before the U.S. Congress and other federal agencies. He also maintains a real estate practice at the firm. Mr. Tighe received a bachelor of arts degree from St. Anselm s College in 1966 and received a doctor of jurisprudence from Catholic University School of Law in 1969. Mr. Tighe is a member of the bar of the District of Columbia and the U.S. Supreme Court.

Table of Contents

EXECUTIVE OFFICERS

The following table sets forth certain information regarding our executive officers:

Name	Age	Position
Mark Andrews	58	Chairman of the Board and former Chief Executive Officer
Donald L. Marsh, Jr.	62	President and Chief Operating Officer
Keith A. Bellinger	50	Former President and Chief Operating Officer
T. Kelley Spillane	44	Senior Vice President U.S. Sales
Seth B. Weinberg	34	Senior Vice President, General Counsel and Secretary
Alfred J. Small	39	Senior Vice President and Chief Financial Officer
John Soden	43	Senior Vice President and Managing Director - International Operations

Mark Andrews and Keith A. Bellinger See additional information on Messrs. Andrews and Bellinger under Directors, above.

Donald L. Marsh, Jr., our President and Chief Operating Officer, joined us on November 14, 2007. Prior to his engagement with our company, he had been serving as a consultant to our company since March 2007. Prior to his engagement with our company, Mr. Marsh was Chief Financial Officer and head of corporate development for Commonwealth Industries Inc. (aluminum rolling mills) from July 1996 until December 2005. Mr. Marsh is also a director of TensorComm Inc.

T. Kelley Spillane, our Senior Vice President U.S. sales, joined us in April 1, 2000. From April 1, 2000 to December 2003, Mr. Spillane served as vice president-sales of Great Spirits Company, and was appointed senior vice president U.S. sales in December 2003. Prior to joining us, Mr. Spillane worked at Carillon Importers Limited, a division of Grand Metropolitan PLC. Carillon developed and launched Absolut Vodka and Bombay Sapphire Gin. At Carillon, Mr. Spillane served as assistant manager for its control states and duty free divisions and was promoted to director of special accounts, focusing on expanding sales in national accounts. Mr. Spillane received a bachelor of science in business administration from Ramapo College in 1985.

Seth B. Weinberg, our Senior Vice President, General Counsel and Secretary, joined us in March 2006. From July 2002 to March 2006, Mr. Weinberg was an attorney in the corporate department of the law firm of Kramer Levin Naftalis & Frankel LLP. From October 1998 to June 2002, Mr. Weinberg was an attorney at the law firm of Dewey Ballantine LLP. Mr. Weinberg received a bachelor of arts degree from the University of Pennsylvania in 1995 and a juris doctor degree from Columbia University School of Law in 1998.

Alfred J. Small, our Senior Vice President Chief Financial Officer, had served as Castle Brands Vice President-Controller since March 2007 and as its Principal Accounting Officer since October 2006. Mr. Small joined Castle Brands in October 2004. Prior to joining Castle Brands, from February 1999 until October 2004, Mr. Small served in various accounting roles, including Senior Accountant at Grodsky Caporrino & Kaufman, CPA PC. Mr. Small received a bachelor or sciences from the State University of New York in 1997 and is a certified public accountant.

John Soden, our Senior Vice President and Managing Director International Operations, joined us in March 2006. From July 2004 to March 2006, Mr. Soden served as the general manager of Woodford Bourne and Direct Wine Shipments Wholesale, both wine and spirit importers that are subsidiaries of DCC Group

PLC. Prior to that, Mr. Soden worked at Cantrell & Cochrane International (now C&C Group PLC), a manufacturer, marketer and distributor of alcoholic and non-alcoholic beverages and snacks. Mr. Soden worked primarily in Cantrell & Cochrane International s alcohol division and served as vice president and division manager from 1996 to June 2004, as regional director from 1994 to 1996 and as area manager from 1991 to 1994. Mr. Soden received a bachelor of science degree and a master of arts degree from Trinity College Dublin. Mr. Soden also received a masters of business administration from The Anderson School at UCLA in 2003.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 (the Exchange Act) requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities (collectively, Section 16 reporting persons), to file with the Securities and Exchange Commission (SEC) initial reports of ownership and reports of changes in ownership of Common Stock and other equity securities of Castle Brands. Section 16 reporting persons are required by SEC regulations to furnish us with copies of all Section 16(a) forms they file. To our knowledge, based solely on a review of the copies of such reports furnished to us and on written representations that no other reports were required, during the fiscal year ended March 31, 2008, the Section 16 reporting persons complied with all Section 16(a) filing requirements applicable to them.

Board of Directors

Our Board of Directors currently consists of nine directors. Our Board of Directors believes that there should be a majority of independent directors on the Board of Directors. Our Board of Directors also believes that it is useful and appropriate to have members of management as directors. The current board members include seven independent directors, one non-independent non-management director and one employee.

The Board of Directors has determined that each of Mr. John Beaudette, Mr. Robert J. Flanagan, Mr. Colm Leen, Mr. Richard C. Morrison, Mr. Fredrick M. R. Smith, Mr. Kevin P. Tighe and Mr. Gill Jefferson qualify as independent in accordance with the rules of the American Stock Exchange (AMEX). The AMEX independence definitions include a series of objective tests, including that the director is not an employee of the company and has not been engaged in various types of business relationships with the company. In addition, as also required by the AMEX rules, the Board of Directors has made a subjective determination with respect to each independent director that no relationships exist which, in the opinion of the Board of Directors, would interfere with the exercise of independent judgment by such director in carrying out the responsibilities of a director.

The Board of Directors has three standing committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. During fiscal year ended March 31, 2008, the Audit Committee met six times, the Compensation Committee met five times and the Nominating and Corporate Governance Committee met twice.

Audit Committee

The Audit Committee is responsible for, among other things:

- appointing, replacing overseeing and compensating the work of the independent registered public accounting firm;

- reviewing and discussing with management and our independent registered accounting firm our quarterly financial statements and discuss with management our earnings releases;

- pre-approving all auditing services and permissible non-audit services provided by our independent registered public accounting firm;

- engaging in a dialogue with the independent registered public accounting firm regarding relationships that may adversely affect the independence of the independent registered public accounting firm and, based on such review assess the independence of the independent registered public accounting firm;

Table of Contents

providing the Audit Committee report to be filed with the SEC in our annual proxy statement;

reviewing with the outside auditor the adequacy and effectiveness of the internal controls over our financial reporting;

establishing procedures for the receipt, retention and treatment of complaints regarding accounting, internal accounting controls or auditing matters, including the confidential anonymous submission by our employees of anonymous concerns regarding questionable accounting or auditing matters;

reviewing and pre-approving related-party transactions;

reviewing and discussing with management and our independent registered accounting firm management s annual assessment of the effectiveness of the internal controls and our independent registered accounting firm s attestation and report about management s assessment as required by the SEC, when applicable;

reviewing and discussing with management and our independent registered accounting firm the adequacy and effectiveness of our internal controls including any significant deficiencies in the design or operation of our internal controls or material weaknesses and any fraud, whether or not material, that involves our management or other employees who have a significant role in our internal controls and the adequacy and effectiveness of our disclosure controls and procedures; and

reviewing and assessing annually the adequacy of the Audit Committee Charter.

A copy of the charter of the Audit Committee is posted on our Investor Relations website at *http://investor.castlebrandsinc.com*. The members of our Audit Committee for the year ending March 31, 2008 were Messrs. Flanagan (Chair), Leen and Smith. Each member of the Audit Committee is independent under the standards established by the SEC and Section 803 of the AMEX Company Guide for members of audit committees. The Audit Committee also includes a member who has been determined by our Board of Directors to meet the qualifications of an audit committee financial expert in accordance with SEC rules, including that the person meets the relevant definition of an independent director. The Board of Directors has determined that Mr. Flanagan is an audit committee financial expert. The designation as audit committee financial expert is a disclosure requirement of the SEC related to Mr. Flanagan s experience and understanding of certain accounting and auditing matters. The designation does not impose upon Mr. Flanagan any duties, obligations or liability that are greater than are generally imposed on him as a member of the Audit Committee, and his designation as audit committee financial expert does not affect the duties, obligations or liability of any other member of the Audit Committee.

Compensation Committee

The principal responsibilities of the Compensation Committee are, among others:

reviewing and determining annually the compensation of our chief executive officer and the other executive officers;

providing the annual report on executive compensation to be filed with the SEC in our annual proxy statement;

approving the form of employment contracts, severance arrangements, change in control provisions and other compensatory arrangements with executive officers;

approving compensation programs and grants involving the use of our Common Stock and other equity securities; and

reviewing and assessing annually the Compensation Committee s performance.

The members of our Compensation Committee are Messrs. Smith (Chair), Flanagan and Morrison. Each member of the Compensation Committee is independent under the relevant standards established by the SEC and AMEX. The

Compensation Committee does not have a charter. See *Compensation Discussion and Analysis*, in Item 11, below, for additional information regarding our processes and procedures for the consideration and determination of compensation of our named executive officers.

Table of Contents

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee has the authority and responsibility to identify, research and recommend to the Board of Directors qualified candidates to serve as directors on our Board of Directors.

The Nominating and Corporate Governance Committee is responsible for, among other things:

- recommending to the Board of Directors the slate of nominees of directors to be proposed for election by the stockholders and individuals to be considered by the Board of Directors to fill vacancies;

- establishing criteria for selecting new directors; and

- reviewing and assessing annually the performance of the Nominating and Corporate Governance Committee and the adequacy of the Nominating and Corporate Governance Committee charter.

In addition to considering candidates suggested by stockholders, the Nominating and Corporate Governance Committee also accepts recommendations from our directors, members of management and others familiar with and experienced in the beverage alcohol industry. The Nominating and Corporate Governance Committee establishes criteria for the selection of nominees and reviews the appropriate skills and characteristics required of board members. In evaluating candidates, the Nominating and Corporate Governance Committee considers issues of independence, diversity and expertise in numerous areas, including experience in the premium branded spirits industry, finance, marketing, international experience and culture. The Nominating and Corporate Governance Committee selects individuals of the highest personal and professional integrity who have demonstrated exceptional ability and judgment in their field and who would work effectively with the other directors and nominees to the Board of Directors. The Nominating and Corporate Governance Committee also monitors and reviews the committee structure of the Board of Directors, and each year it recommends to the Board of Directors for its approval directors to serve as members of each committee. The Nominating and Corporate Governance Committee conducts an annual review of the adequacy of the Nominating and Corporate Governance Charter (described below) and recommends proposed changes. The members of our Nominating and Corporate Governance Committee are Messrs. Morrison (Chair), Beaudette and Tighe. Each member of the Nominating and Corporate Governance Committee is independent under the relevant standards established by the SEC and AMEX.

Attendance at Board, Committee and Annual Stockholders Meetings

The Board of Directors met nine times during the Company s 2008 fiscal year. Each of our directors is expected to attend each meeting of the Board of Directors and the committees on which he serves. In the Company s 2008 fiscal year, each of our directors attended at least 75% of the meetings of the Board of Directors and of the committees on which he or she served, except Colm Leen. We do not currently have a policy requiring attendance of our directors at our annual meetings of stockholders. All of our directors, except Messrs. Morrison and Tighe, attended the 2007 Annual Meeting of Stockholders.

Communications from Stockholders to Board members

Our Board of Directors believes that it is important to offer stockholders the opportunity to communicate with our directors. Stockholders who wish to communicate with the Board of Directors may do so by sending written communications addressed to the Corporate Secretary, Castle Brands Inc., 570 Lexington Avenue, 29th Floor, New York, NY 10022 or by email to *Board@castlebrandsinc.com*. Communications emailed to this address are automatically forwarded to all of members of the Board of Directors. Written communications received by the Corporate Secretary, currently Mr. Seth Weinberg, are reviewed for appropriateness. Mr. Weinberg, in accordance with Company policy, at his discretion may elect not to forward items that are deemed commercial, frivolous or otherwise inappropriate for consideration by the Board of Directors. In such cases, correspondence may be forwarded elsewhere for review and possible response.

Corporate Governance Guidelines

On November 10, 2005, the Board of Directors adopted a Nominating and Governance Charter that sets forth (i) corporate governance principles intended to promote efficient, effective and transparent governance,

Table of Contents

and (ii) procedures for the identification and selection of individuals qualified to become directors. At the same time, the Board of Directors also adopted a Code of Business Conduct, which applies to all of our directors, executive officers and employees. The Code of Business Conduct sets forth our commitment to conduct our business in accordance with the highest standards of business ethics and to promote the highest standards of honesty and ethical conduct by our directors, executive officers and employees.

Among other matters, our Nominating and Governance Charter and Code of Business Conduct set forth the following governing principles:

A majority of the directors on the Board of Directors should be independent as defined in the rules adopted by the SEC and AMEX.

In order to facilitate critical discussion, the independent directors are required to meet apart from other board members and management representatives.

Compensation of our non-employee directors should be a combination of cash and equity-based compensation. Employee directors are not paid for their board service in addition to their regular employee compensation.

Directors, executive officers and all employees must act at all times in accordance with the requirements of our Code of Business Conduct. This obligation includes adherence to our policies with respect to conflicts of interest; full, accurate and timely disclosure; compliance with securities laws; confidentiality of our information; protection and proper use of our assets; ethical conduct in business dealings; and respect for and compliance with applicable law. Any change to, or waiver of the requirements of, the Code of Business Conduct with respect to any director, principal financial officer, principal accounting officer or persons performing similar functions may be granted only by the Board of Directors. Any such change or waiver will be promptly disclosed as required by law or AMEX regulations.

Our Nominating and Corporate Governance Charter and Code of Business Conduct are posted on our Investor Relations web site at *http:/investors.castlebrandsinc.com*.

Table of Contents

REPORT OF THE AUDIT COMMITTEE

The information contained in this report shall not be deemed to be soliciting material or filed or incorporated by reference in future filings with the SEC, or subject to the liabilities of Section 18 of the Exchange Act, except to the extent that we specifically incorporate it by reference into a document filed under the Securities Act of 1933, as amended (the Securities Act), or the Exchange Act.

The Audit Committee has, among other activities, (i) reviewed and discussed with management our audited annual financial statements for the fiscal year ended March 31, 2008 and interim quarterly results, (ii) discussed with Eisner LLP, our independent registered public accounting firm, the matters required to be discussed by American Institute of Certified Public Accountants Auditing Standards Board on Auditing Standards No. 61 Communications with Audit Committees, (iii) considered the independence of Eisner LLP, by having discussions with representatives of Eisner LLP, and received a letter from them including disclosures required by the Independence Standards Board Standard No. 1 Independence Discussions with Audit Committees, and (iv) discussed with Eisner LLP, with and without management present, the results of their audit of the financial statements. On the basis of the above, the Audit Committee has recommended to the Board of Directors that our audited financial statements for the fiscal year ended March 31, 2008 be included in our Annual Report on Form 10-K for the year ended March 31, 2008.

Submitted by the Audit Committee of the Board of Directors

Robert J. Flanagan, Chairman
Colm Leen
Fredrick M. R. Smith

ITEM 11. EXECUTIVE COMPENSATION

Compensation Discussion and Analysis

Our Compensation Committee has the sole authority and responsibility to review and determine, or recommend to our Board of Directors for determination, the compensation package of our President and Chief Operating Officer and each of our other named executive officers, each of whom is identified in the *Summary Compensation Table*, below. Our Compensation Committee also considers the design and effectiveness of the compensation program for our other executive officers and approves the final compensation package, employment agreements and stock option grants for all of our executive officers. Our Compensation Committee is composed entirely of independent directors who have never served as officers of our company. Other information concerning the structure, roles and responsibilities of our Compensation Committee is set forth in Item 10, above.

A discussion of the policies and decisions that shape our executive compensation program, including the specific objectives and elements, is set forth below.

Executive Compensation Objectives And Philosophy

The objective of our executive compensation program is to attract, retain and motivate talented executives who are critical for the continued growth and success of the company and to align the interests of these executives with those of our stockholders. In order to achieve this objective, in addition to annual base salaries, our executive compensation program utilizes a combination of annual incentives through cash bonuses and long-term incentives through equity-based compensation. In establishing overall executive compensation levels, our Compensation Committee considers a number of criteria, including the executive s scope of responsibilities, prior and current period performance, compensation levels for similar positions at companies in our industry and attainment of individual and overall company performance objectives and retention concerns. Our President and our Compensation Committee believe that substantial portions of executive compensation should be linked to the overall performance of the company and its brand-building activities, and that the contribution of individuals over the course of the relevant period to the goal of building long-term brand and shareholder value will be considered in the determination of each executive s compensation. We do not target a specific competitive position, but rather consider the compensation that is earned by executives and professionals in similar positions, our business performance and the challenges we are currently facing as we establish the various elements of our compensation program each year.

Generally, our Compensation Committee reviews and, as appropriate, modifies compensation arrangements for executive officers in the first quarter of each fiscal year, subject to the terms of existing employment agreements with our named executive officers, as discussed below. Other than with respect to the compensation of Mr. Marsh, our Compensation Committee also takes into consideration the recommendations for executive compensation made by Mr. Marsh, which recommendations are generally presented at the time of our Compensation Committee s annual review of executive performance and compensation arrangements. In making such recommendations, Mr. Marsh considers the overall performance of each executive and their contribution to the growth of our company and its products as well as overall company performance through personal and corporate achievements. As our company is not yet cash-flow positive, the contributions of each executive officer to brand growth, cost management and long-term value creation for our shareholders are considered in Mr. Marsh s recommendations and the review of the Compensation Committee, as well as the retention of our executive officers.

Elements of Compensation

Compensation for our named executive officers consists of the following components, each of which is more fully described below:

- Base salary
- Annual Incentives
- Long-Term Equity-Based Incentive Awards

Severance and Change in Control Benefits

Perquisites and Other Benefits

The Compensation Committee has the flexibility to use these primary components, along with certain other benefits, in a manner that will effectively implement its stated objectives with respect to the compensation arrangements for each of our named executive officers. Each of the primary components is discussed in more detail below.

Base Salary

In establishing base salaries, the Compensation Committee primarily considers prior and current period performance, scope of responsibilities and compensation levels for similar positions at companies similar to Castle Brands. Base salaries are generally specified under employment agreements with our named executive officers, providing for increases at the sole discretion of the Compensation Committee on an individual basis after consideration of the responsibilities of the executive s position, the scope of the operations managed, the performance of such operations, the performance of the executive in the position and increases in the cost of living.

The Compensation Committee reviews recommendations made by Mr. Marsh each year with respect to compensation increases. In recent years, Messrs. Andrews, Spillane and Bellinger have received increases to account for adjustments to cost of living and the termination of our payment of car allowances for U.S. employees. In addition, Mr. Spillane s base salary was raised by the Compensation Committee upon the recommendation of Mr. Marsh, following consideration of the competitiveness of the market for qualified spirits executives and the U.S. case sales growth of our brands during recent years and the duration of his service to the company. With respect to the 2008 fiscal year, each of our named executive officers received a three percent cost-of-living increase in his base salary, and Mr. Weinberg s base salary was increased by an additional $10,000.

Annual Incentives

In addition to base salaries, our named executive officers are eligible to receive annual cash bonuses, which are considered a key component of the executive compensation program s objective to align the interests of management and our stockholders and motivate participants to achieve company growth and enhanced shareholder value. Cash bonuses payable to executives are based primarily upon achievement of individual and company performance objectives. Annual bonus eligibility is generally set forth in the executive s employment agreement and is expressed as a percentage of base salary (as described below in the section *Employment Agreements Certain Material Terms of Employment Agreements with Named Executive Officers*). Each of our named executive officers was eligible for a cash bonus for the 2008 fiscal year.

Bonuses are determined by our Compensation Committee after an evaluation of the level of the personal achievement and contribution to the company and its brand development of each executive officer as well as the attainment of individual and company performance goals. The relative performance of individual named executive officers for the 2008 fiscal year was reported by Mr. Marsh to the Compensation Committee. The determination of overall company performance was determined by the Compensation Committee based on our draft audited financial statements for fiscal year 2008, and discussions with Mr. Marsh.

Due to the company s limited liquidity, the compensation committee recommended to the Board of Directors that each of the officers receive a promissory note in lieu of a cash bonus payment. The bonuses received in fiscal year 2008 by our named executive officers with contract-specified maximum bonus amounts, with the exception of Mr. Small, were approximately one-half of such maximum amounts, reflecting the view of Mr. Marsh and the Compensation Committee that full cash incentive compensation cannot and should not be offered until the company is cash-flow positive. Our Chairman, Mr. Mark Andrews, who left the position of Chief Executive Officer in November 2007, was eligible for a bonus of up to $100,000 in respect of the 2008 fiscal year. The Compensation Committee subsequently determined that Mr. Andrews would not be paid a bonus for the 2008 fiscal year. In determining the personal achievement of each of the executive officers of the company, individual and team contributions to corporate structure, financing activities, brand growth and potential significant transactions were considered.

In light of the Company s negative cash flow, Messrs. Soden, Spillane, Weinberg and Small have agreed to defer their annual bonuses and have received promissory notes providing for the payment of the deferred bonuses by December 31, 2008. In certain circumstances, these notes, which terminate if the executive is terminated for cause or terminates his employment without good reason, may be accelerated, such as a Change of Control, a financing raising more than $10 million, a termination of the executive s employment by the company without cause , a termination of the excutive s employment by the executive without good reason or the death or disability of the executive. See *Summary Compensation Table* , below.

Long-Term Equity-Based Incentive Awards

Long-term equity-based incentives are provided by the company to executive officers through the granting of stock options. Stock option grants are designed to align the executive s interests with those of the stockholders and provide each executive officer with a significant incentive to manage the company in a manner which maximizes stockholder value. Stock options are granted pursuant to our 2003 Stock Incentive Plan, which also authorizes grants of restricted and deferred stock awards. Our Compensation Committee believes that these long-term, equity based compensation awards are an effective incentive for our named executive officers to increase the long-term value of the company s Common Stock as well as aiding us in attracting and retaining qualified individuals. Our Compensation Committee determines the size of the stock option grants according to each executive s position with, and contribution to, the company and sets a level it considers appropriate to create a meaningful opportunity for stock ownership. In addition, our Compensation Committee takes into account each individual s potential for future responsibility and promotion, the levels of equity ownership of executives in similar positions at comparable companies and the number of options held by that individual at the time of the new grant. As with the other elements of executive compensation, Mr. Marsh makes an initial recommendation to the Compensation Committee as to appropriate levels of long-term equity based compensation grants.

Historically, our Compensation Committee has used stock options exclusively for purposes of awarding long-term equity based compensation to executive officers. Stock option grants are designed to align the executive s interests with those of the stockholders and provide each named executive officer with a significant incentive to manage the company in a manner which maximizes stockholder value, based on the executive s contribution to the company and its brands during the prior fiscal year and consideration of the desire of the company to retain the individual executive in the coming years. Stock option grants are generally subject to a four-year or five-year vesting period, vesting in annual installments beginning one year from the date of the initial award.

The number of stock options granted to the named executive officers in fiscal year 2008 are set forth in the *Grants of Plan-Based Awards in Fiscal 2008* and *Outstanding Equity Awards at 2008 Fiscal Year-End* tables set forth below. No long-term equity based incentive awards for the 2007 fiscal year were awarded to our executives.

Timing of Equity Grants

For all of our employees, including our named executive officers, grants of equity-based compensation are effective on the date that they are approved by our Compensation Committee. All stock option grants to employees, including named executive officers, are made with an exercise price equal to the fair market value of the underlying stock on the date of grant. Our Compensation Committee does not grant equity compensation awards in anticipation of the release of material nonpublic information. Similarly, we do not time the release of material nonpublic information based on equity award grant dates.

Severance and Change in Control Benefits

We provide certain severance and change in control benefits to our named executive officers. You can find detailed information about these benefits in the *Executive Compensation Potential Payments Upon Termination or Change in Control,* below.

Table of Contents

Perquisites and Other Benefits

We generally provide the same health and welfare benefits to all of our full-time employees, including our named executive officers, including health and dental coverage, disability insurance, and paid holidays and other paid time off.

We maintain a 401(k) retirement savings plan for the benefit of all of our full-time employees, including our named executive officers.

In addition, we provide a limited number of perquisites to our named executive officers.

Former Chief Executive Officer and Current President and Chief Operating Officer

The principal factors considered by our Compensation Committee for Mr. Andrew s compensation package are generally the same as those considered by our Compensation Committee in relation to the compensation of the other executive officers. Mr. Andrew s base salary for the 2008 fiscal year was $298,267. The material terms of Mr. Andrew s employment agreement are described under *Employment Agreements*, below.

The principal factors considered by our Compensation Committee for Mr. Marsh s compensation package are generally the same as those considered by our Compensation Committee in relation to the compensation of the other executive officers. Mr. Marsh s pro rated base salary for the 2008 fiscal year of Castle Brands was $121,231. The material terms of Mr. Marsh s employment agreement are described under *Employment Agreements*, below.

Material Tax Implications of Our Compensation Policy

Section 162(m) of the Internal Revenue Code of 1986, as amended, limits the deductibility on our tax return of compensation over $1 million to any of the named executive officers unless, in general, the compensation is paid pursuant to a plan which is performance-related, non-discretionary and has been approved by our stockholders. Our Compensation Committee s policy with respect to section 162(m) is to make every reasonable effort to ensure that compensation is deductible to the extent permitted while simultaneously providing our executives with appropriate compensation for their performance. We did not pay any compensation during our 2008 fiscal year that would be subject to the limitations set forth in section 162(m).

See also Footnote 15 to the Company s Consolidated Financial Statements for the impact of equity based compensation under SFAS 123, Accounting for Stock Based Compensation.

Table of Contents

EXECUTIVE COMPENSATION

The following table sets forth summary compensation information for our named executive officers in our 2006, 2007 and 2008 fiscal years.

Summary Compensation Table

Name and Principal Position	Year	Salary	Bonus	Option Awards (1)	All Other Compensation	Total
Mark Andrews	2008	$298,267	$	$121,448	$	$419,715
Chairman and Chief	2007	278,646	150,000	107,950		536,596
Executive Officer	2006	266,250	125,000		9,000(2)	400,250
Donald L. Marsh Jr.	2008	121,231	292,000(3)	20,808	184,500(4)	618,539
President and Chief	2007				12,500(5)	
Operating Officer	2006					
(Principal Executive Officer)						
Keith A. Bellinger	2008	177,863		148,444		326,307
Former President and Chief	2007	273,645		411,539		685,184
Operating Officer	2006	247,500	100,000		2,700(2)	350,200
Alfred J. Small	2008	156,025	52,500(6)	12,149		220,674
Senior Vice President Finance	2007	127,381	35,000	11,484		173,865
(Chief Financial Officer)	2006	120,000	15,000		5,400(2)	140,400
John Soden	2008(7)	255,443	70,858(6)	132,252	22,108(8)	480,660
Senior Vice President	2007(9)	224,494	102,626	131,890	20,012(8)	479,022
Managing Director - International	2006					
Seth Weinberg	2008	243,033	74,160(6)	100,289		417,482
Senior Vice President,	2007	230,000	70,000	100,015		400,015
General Counsel and Secretary	2006	10,844				10,844
T. Kelley Spillane	2008	225,485	98,073(6)	39,604	1,415(10)	364,577
Senior Vice President -	2007	203,443	75,000	46,118	1,415(10)	325,976
U.S. Sales	2006	166,667	50,000		9,515(10)(11)	226,182

(1) This column represents the dollar amount recognized for financial statement reporting purposes with respect to the 2006, 2007 and 2008 fiscal

years for the fair
value of stock
options granted
in fiscal 2008 as
well as prior
fiscal years, in
accordance with
SFAS 123R.
Pursuant to SEC
rules, the
amounts shown
exclude the
impact of
estimated
forfeitures
relating to
service-based
vesting
conditions. See
Note 15 to the

Table of Contents

Company s Consolidated Financial Statements regarding the assumptions underlying the valuation of these option grants. See the *Grants of Plan-Based Awards in Fiscal 2008* table for information on options granted in fiscal 2008.

(2) Car allowance.

(3) Includes $100,000 signing bonus.

(4) Prior to joining our company as its President and Chief Operating Officer, Mr. Marsh was paid $184,500 as a consultant during the company s 2008 fiscal year.

(5) Mr. Marsh was paid $12,500 as a consultant during the company s 2007 fiscal year.

(6) Paid in the form of a promissory note. See *Compensation Disclosure and*

Analysis Annual Incentives .

(7) Payments to Mr. Soden are made in Euros and converted to U.S. dollars at a conversion rate of 1.00=U.S. $1.41316 (the average Euro to dollar conversion rate for the period from April 1, 2007 to March 31, 2008 as listed on Oanda.com).

(8) Mr. Soden receives a car allowance of 15,600, converted to U.S. dollars as per footnotes 7 and 9 of this table, as applicable.

(9) Payments to Mr. Soden are made in Euros and converted to U.S. dollars at a conversion rate of 1.00=U.S. $1.28282 (the average Euro to dollar conversion rate for the period from April 1, 2006 to March 31, 2007 as listed on Oanda.com).

(10) Represents the amount of life insurance premiums ($1,415 per year) paid by us for the benefit of Mr. Spillane.

(11) Includes car allowance of $9,100.

The following table provides information regarding equity-based awards granted to our named executive officers during fiscal 2008.

Grants of Plan-Based Awards in Fiscal 2008

Name	All Other Option Awards: Number of Securities Underlying Options	Exercise or Base Price of Option Awards	Grant Date Fair Value Of Option Awards