

**Palladium Capital Advisors, LLC**  
**Business Continuity Plan (BCP)**  
**Updated April 2, 2017**

**INTRODUCTION**

Under FINRA Rules 4370 and 3520, Palladium Capital Advisors, LLC (“Palladium”) is required to create and maintain a Business Continuity Plan (BCP) and Emergency Contact Person List. The Emergency Contact Person List exists electronically on FINRA’s Web Access system. Our firm will update this whenever we have a material change to our operations, structure, business or location. In addition, our firm will review this quarterly, within 17 business days of the end of the quarter, and modify it for any changes in our operations, structure, business, or location. The top emergency contacts are also located in this BCP document under “Emergency Contact Persons” two paragraphs below.

Palladium is a private-placement agency brokerage specializing in Private Investments in Public Equities (PIPEs), late-stage private equity, reverse mergers, and mergers and acquisitions of microcap public companies. It never takes custody of client funds or assets, and acts only as an agent/advisor, earning a commission on transactions it brokers/advises, directly from corporate issuers, which are the only entities to accept client funds. As such, Palladium does not use the services of any clearing broker dealer or other similar entity.

**CRITICAL ELEMENTS**

**Emergency Contact Persons**

Our firm’s emergency contact persons are:

Joel Padowitz	(646) 485-7297	JP@PalladiumCapital.com
Michael Hartstein	(917) 658-8260	MH@PalladiumCapital.com

These names will be updated in the event of a material change, and our Chief Compliance Officer will review them within 17 business days of the end of each quarter.

*Rule: FINRA Rule 3520.*

**Firm Policy**

Our firm’s policy is to respond to a Significant Business Disruption (SBD) by safeguarding employees’ lives and firm property, making a financial and operational assessment, quickly recovering and resuming operations, protecting all of the firm’s books and records, and keeping all of our customers updated as to the state of our business. In the event that we determine we are unable to continue our business, we will notify all customers immediately.

**Significant Business Disruptions (SBDs)**

Our plan anticipates two kinds of SBDs, internal and external. Internal SBDs affect only our firm's ability to communicate and do business, such as a fire in our building. External SBDs prevent the operation of the securities markets or a number of firms, such as a terrorist attack, a city flood, or a wide-scale regional disruption. Our response to an external SBD relies more heavily on other organizations and systems.

#### Approval and Execution Authority

Joel Padowitz is the firm's Chief Compliance Officer and registered principal. He is responsible for approving the BCP and for conducting the required annual review. Joel Padowitz has the authority to execute this BCP.

#### Plan Location and Access

Our firm will maintain copies of its BCP plan and the annual reviews, and the changes that have been made to it for inspection. An electronic copy of our plan is located at the Firm's computer server and on the Firm's website.

#### **Business Description**

Our firm conducts private-placement business in hedge-fund units, private equity, and PIPE transactions. We also provide M&A consulting services. Our firm is an agency private placement firm and does not perform any type of clearing function for itself or others. Furthermore, we do not hold customer funds or securities. All funds are sent to various issuers directly by the clients themselves. The issuers accept and allocate them. These issuers also maintain our customers' accounts, can grant customers access to them, and deliver funds and securities.

#### **Office Locations**

##### Main Branch (OSJ)

Our firm has one branch office which serves as our Main Branch and is located at 10 Rockefeller Plaza, Suite 909, New York, NY 10020. The Chief Compliance Officer's direct dial number is (646) 485-7297. Our employees may travel to that office by means of foot, car, subway, train, bus and plane.

##### **Alternative Physical Location(s) of Employees**

In the event of an SBD, we will essentially move any staff from the main or other office to their homes. Possibly we will ask staff to temporarily share use of their home locations with other staff. All of our staff personnel are well wired at home which allows them to continue correspondence with our clients.

*Rule: FINRA Rule 4370(c)(6).*

### **Customers' Access to Funds and Securities**

Our firm does not maintain custody of client's funds or securities, which are placed by them directly to various issuers. In the event of an internal or external SBD, if telephone service is available, our registered persons will help clients contact these issuers.

SIPC regulations do not really help the clients of a private placement firm like ours, but if SIPC determines that we are unable to meet our obligations to our customers or if our liabilities exceed our assets in violation of Securities Exchange Act Rule 15c3-1, SIPC may seek to appoint a trustee to disburse our assets to customers.

*Rules: FINRA Rule 4370(a); Securities Exchange Act Rule 15c3-1; 15 U.S.C. 78e (2003).*

### **Data Back-Up and Recovery**

Our firm maintains its books and records at its Main Branch, (our only branch) 10 Rockefeller Plaza, Suite 909, New York, NY 10020. Joel Padowitz, CEO, (646) 485-7297 is responsible for the maintenance of these books and records. All important documents are scanned and saved on our server. Our firm maintains its financials and supporting statements as well as client agreements and client information at its Main Branch.

Our firm maintains its back-up of all documents stored on our server at Joel Padowitz's personal residence on his computer which is regularly synced with the server's files. These records are electronic copies of the financials, and customer information/agreements, as well as electronic backups of our office server files.

The firm backs up its records by (1) remotely syncing the contents of the relevant folders on the server with a folder on the computer at Joel Padowitz's residence and (2) a redundant backup is sent to a remote location using Dropbox, a leading web-based provider of data storage and protection solutions.

In the event of an internal or external SBD that causes the loss of our records, we will either physically recover the storage media or electronically recover data from our back-up site, or, if our primary site is inoperable, continue operations from our back-up site or an alternate location.

### **Email**

Our firm uses Rackspace Inc. an external email hosting company to host and archive our electronic emails. We believe Rackspace's servers and security meets or exceeds all reasonable expectations to protect from SBD. Rackspace represents the following.

Rackspace® Hosting services are supported by nine (9) data centers located in the U.S., the UK and Hong Kong — to serve global customer needs.

### **Physical Security**

- Keycard protocols, biometric scanning protocols and round-the-clock interior and exterior surveillance monitor access to every one of our data centers.
- Only authorized data center personnel are granted access credentials to our data centers. No one else can enter the production area of the datacenter without prior clearance and an appropriate escort.
- Every data center employee undergoes multiple and thorough background security checks before they're hired.

### Precision Environment

- Every data center's HVAC (Heating Ventilation Air Conditioning) system is N+1 redundant. This ensures that a duplicate system immediately comes online should there be an HVAC system failure.
- Every 90 seconds, all the air in our data centers are circulated and filtered to remove dust and contaminants.
- Our advanced fire suppression systems are designed to stop fires from spreading in the unlikely event one should occur.

### Conditioned Power

- Should a total utility power outage ever occur, all of our data centers' power systems are designed to run uninterrupted, with every server receiving conditioned UPS (Uninterruptible Power Supply) power.
- Our UPS power subsystem is N+1 redundant, with instantaneous failover if the primary UPS fails.
- If an extended utility power outage occurs, our routinely tested, on-site diesel generators can run indefinitely.

### Core Routing Equipment

- Only fully redundant, enterprise-class routing equipment is used in Rackspace data centers.
- Fiber carriers enter our data centers at disparate points to guard against service failure.

### Network Technicians

- We require that the networking and security teams working in our data centers be certified. We also require that they be thoroughly experienced in managing and monitoring enterprise level networks.
- Our Certified Network Technicians are trained to the highest industry standards.

### Backup

- Automatically back up entire Windows or Linux servers. Rackspace Server Backup is optimized for large file sizes and file systems. Your data is encrypted, compressed, and transferred based on your schedule, your file set, and your retention policy. Save time and money with backup efficiency; storage costs and data transfer time are reduced by up to

90% with compression and block-level de-duplication, which only uploads files that have changed since the last backup.

#### Remote Management

- Manage multiple servers from your Mac, Windows, or Linux desktop. Receive status updates via the desktop client, web, email, and RSS.

#### Security

- Trust in data security with robust AES-256 encryption and a user-controlled key. Data is encrypted before it leaves your server and stays encrypted while stored.

#### Restore

- Restore fields as they existed during a particular backup with easy point and click.

#### File System Support

- Store and restore extended file systems with support for Windows and Linux security attributes and ACLs, junction points, symlinks, hardlinks, and device nodes. Rackspace Server Backup supports alternate data streams, xattrs, and directory metadata. There are no maximum file or backup set sizes.

Rule: *FINRA Rule 4370(c)(1).*

### **Financial and Operational Assessments**

#### Operational Risk

In the event of an SBD, we will immediately identify what means will permit us to communicate with our clients, employees, critical business constituents, critical banks, and regulators. Although the effects of an SBD will determine the means of alternative communication, the communication options we will employ will include personal home and cell phones and personal home email systems. In addition, as appropriate, we will retrieve our key activity records as described in the section above, Data Back-Up and Recovery.

Rules: *FINRA Rules 4370(c)(3) & (f)(2).*

#### Financial and Credit Risk

We are required to maintain only the greater of (a) the minimum \$5,000 in Net Capital as defined by FINRA and (b) 1/15<sup>th</sup> of our aggregate indebtedness. In the event of an SBD, we should not suffer liquidity constraints, and we should be able to continue to fund our operations and remain in capital compliance. In such an event, we will contact our banks, and investors to apprise them of our financial status, should such action be deemed appropriate. If we determine that we may be unable to meet our financial obligations or otherwise continue to fund our operations, the principals of Palladium hope to provide bridge financing to fulfill our obligations to our clients. If we cannot remedy a capital deficiency, we will file appropriate notices with our regulators and immediately

take appropriate steps, including desisting from expanding our business – thus conserving capital to service current obligations.

Rules: *FINRA Rules 4370(c)(3), (c)(8) & (f)(2).*

### **Mission Critical Systems**

Our firm’s “mission critical systems” are those that ensure prompt and accurate processing of transactions, including new client and investment approval.

We have primary responsibility for establishing and maintaining our business relationships with our clients and do not rely on any clearing firm. Since we are only a private-placement and M&A consulting firm, one or more of our representatives have a personal relationship with each of our clients. Our main control, is for our Chief Compliance Officer, or for another Designated Principal, to review the suitability of any new client or investment. This is done for each investment. This “mission critical function” can reasonably be assured to continue in case of an SBD. If it cannot be implemented due to the incapacity of key Principals, no new business transactions can occur and our business cannot be expanded. Our procedures do not allow for non-Principal representatives to approve any transaction.

### **Alternate Communications Between the Firm and Customers, Employees, and Regulators**

#### **A. Customers**

We communicate with our customers using the telephone, e-mail, fax, U.S. mail, via courier service such as FedEx and in person visits at our firm or at the other party’s location. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. For example, if we have communicated with a party by e-mail but the Internet is unavailable, we will call them on the telephone and follow up where a record is needed with paper copy in the U.S. mail.

Rule: *FINRA Rule 4370(c)(4).*

#### **B. Employees**

We communicate with our employees using the telephone, e-mail and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party. If necessary, we also have the ability to reach all employees at their personal telephone numbers and email addresses using our personal telephones and email addresses.

Rule: *FINRA Rule 4370(c)(5).*

### C. Regulators

We are currently members of FINRA. We communicate with our regulators using the telephone, e-mail, fax, U.S. mail, Internet and in person. In the event of an SBD, we will assess which means of communication are still available to us, and use the means closest in speed and form (written or oral) to the means that we have used in the past to communicate with the other party.

*Rule: FINRA Rule 4370(c)(9).*

### **Critical Business Constituents, Banks, and Counter-Parties**

#### Business constituents

We will quickly establish alternative arrangements if a business constituent can no longer provide the needed goods or services because of an SBD. Besides Rackspace, our email-hosting provider whose SBD recovery procedures are mentioned above under the “Data Backup and Recovery” section, our only critical business constituents is our bank, Citibank, a leading national bank with satisfactory emergency procedures.

*Rules: FINRA Rule 4370(c)(7).*

#### **Regulatory Reporting**

Our firm is subject to regulation by FINRA. We file our required financial and compliance reports with our regulators using FINRA’s electronic FOCUS filing system and WEBCRD system over the internet. In the event of an SBD, we will fax FINRA, and other regulators any reports that are required, or we will deliver the documents via courier to their offices.

*Rule: FINRA Rule 4370c(8).*

#### **Disclosure of Business Continuity Plan**

We will provide a hardcopy of this BCP document to those clients that request it. Our BCP is also available to all on our website ([www.PalladiumCapital.com](http://www.PalladiumCapital.com)).

#### **Updates and Quarterly Review**

Our firm will update this BCP whenever we have a material change to our operations, structure, business or location. In addition, our firm will review this quarterly, within 17 business days of the end of the quarter, and modify it for any changes in our operations, structure, business, or location.

*Rule: FINRA Rule 4370(b).*

**Senior Manager Approval**

I have approved this Business Continuity Plan as reasonably designed to enable our firm to meet its obligations to customers in the event of an SBD.

*Rule: FINRA Rule 4370 (d).*

Signed: *Joel Padowitz*

Title: Chief Compliance Officer

Date: April 2, 2017