

**SECONDRÉ MARKETS LLC**  
**ATS RULEBOOK**  
EFFECTIVE January 4, 2023

## **CHAPTER 1 GENERAL**

### **101    Rulebook**

- (a) This Rulebook sets out the rules and regulations governing the use of the alternative trading system (the “ATS”) operated by SecondRE Markets LLC (the “Firm”).
- (b) The ATS is a matching service for buyers and sellers in the secondary market for securities which are interests in real estate holdings held by SPVs, traded pursuant to one or more applicable federal and/or state resale exemptions from registrations, such as Section 4(a)(1) or Section 4(a)(7) of the Securities Act, Rule 144 or Rule 144S under the Securities Act, or the “Section 4(a)(1½) exemption” developed through case law and interpretations (together, the “Exemptions”).
- (c) Currently, the Firm is the sole subscriber (the Firm, as the sole subscriber, the “Subscriber”) to the ATS. Upon request, ATS may in the future permit access to other subscribers that are U.S. broker-dealers registered with a self-regulatory organization. No additional subscribers will be granted access to the ATS until after the filing of an effective amendment to Firm’s Form ATS and this ATS rulebook (the “Rulebook”).

### **102    Firm Qualifications**

The Firm must at all times when it operates the ATS:

- (a) be a broker-dealer registered with the SEC under Section 15(b) of the Exchange Act, pursuant to the rules and regulations promulgated thereunder, and a member of FINRA; and
- (b) have its “Form ATS” on file with the SEC.

### **103    Subscriber and Subscriber Customer Qualifications**

The Subscriber must at all times:

- (a) be a broker-dealer registered with the SEC under Section 15(b) of the Exchange Act, pursuant to the rules and regulations promulgated thereunder, and a member of FINRA; and
- (b) take reasonable measures to ensure that each of its customers on whose behalf it submits a Buy Order or Sell Order to the ATS (“Subscriber Customers”) is:
  - (i) (1) an “accredited investor,” as defined in Rule 501 of Regulation D under the Securities Act, or (2) a “qualified institutional buyer” as defined in Rule 144A of the Securities Act;

- (ii) organized, resident or domiciled in the United States, or in another jurisdiction in which the Firm is authorized to provide services; and
- (c) be in compliance with the Rulebook and Applicable Law in all material respects.

#### **104**    Access to the ATS

- (a) Only the Subscriber may have access to the ATS. The Subscriber shall access the ATS by using a dedicated IP network connection. Upon completion of an initial validation process enabling the Subscriber to send orders to the ATS in a secure manner, the Subscriber shall be permitted to place orders on the ATS via such dedicated IP network connection, with each such order being verified by the ATS based on the Subscriber's unique identification number obtained as part of the initial validation process.
- (b) The Subscriber will operate an online platform (the "Online Platform") that will allow for Subscriber Customers to view Buy Orders and Sell Orders on the ATS and submit Orders in the Active Securities (as defined in Rule 105 below) to the Subscriber which the Subscriber will in turn post on the ATS.
- (c) Representatives of the Subscriber Customer ("Subscriber Customer Representatives") can access the Online Platform through the Firm on behalf of a Subscriber Customer, but only upon appointment by that Subscriber Customer and approval by the Subscriber in its sole discretion. A Subscriber Customer who appoints a Subscriber Customer Representative is responsible for all actions taken by this Subscriber Customer Representative on the Online Platform.

#### **105**    Active Securities and Security Specialists

- (a) The Firm will determine in its sole discretion which securities may be traded on the ATS at any given time (the "Active Securities"). All Active Securities the Firm selects will be interests in real estate holdings held by special purpose vehicles ("SPVs"). The Firm may add Active Securities to the ATS at any time.
- (b) The Firm may remove an Active Security from the ATS at any time and for any reason determined by the Firm in its sole discretion, and in the event that there are any pending Orders on the Active Security, these Orders will continue to be active until such time as they, by their own terms, expire.
- (c) The Subscriber may from time to time designate security specialists ("Security Specialists"). Each Security Specialist will be a FINRA registered representative of the Subscriber.
- (d) Security Specialists may from time-to-time reach out to Subscriber Customers in cases where the limit price of a Subscriber Customer's Order is close to a counter Order but not an actual match to work with the Subscriber Customer to obtain a match. The Subscriber can then accordingly, per instructions received from a Subscriber Customer or Subscriber Customers, amend the limit price of an order or

orders to effect a match on the ATS based on the limit price that is agreed to by the Subscriber Customers.

**106**    Matching on the ATS

The ATS will match buy and sell order flow based on time priority, with the orders filled in time-stamp order.

**107**    Order Types

- (a)    All Orders will be limit orders that are “good ‘til canceled” (*i.e.*, will remain posted until executed or canceled by the Subscriber).
- (b)    Sale Order
  - (i)    An order to sell (a “Sale Order”) must include all pertinent details about the relevant Active Securities (the “Subject Securities”), including at a minimum, the limit price and quantity.
  - (ii)   By submitting a Sale Order on the Online Platform for the Subscriber to post on the ATS, the Subscriber Customer, or the Subscriber Customer Representative on behalf of the Subscriber Customer, will be required to represent to the Subscriber that (i) the Subscriber Customer owns or has the right to own or purchase the Subject Securities for re-sale, (ii) the Subscriber Customer is permitted to rely upon the Exemptions, or one of them, to sell the Subject Securities, (iii) the Sale Order is true and accurate in all respects, and (iv) upon the matching of the Sale Order, the Subscriber Customer stands ready to enter into an agreement for the transfer of the Subject Securities in exchange for the price.
- (c)    Buy Order
  - (i)    An order to buy (a “Buy Order”) must include all pertinent details about the relevant Subject Securities, including at a minimum, the limit price and quantity.
  - (ii)   By submitting a Buy Order on the Online Platform for the Subscriber to post on the ATS, the Subscriber Customer, or the Subscriber Customer Representative on behalf of the Subscriber Customer, will be required to represent to the Subscriber that (i) the Subscriber Customer is permitted to rely upon the Exemptions, or one of them, to purchase the Subject Securities, (ii) the Buy Order is true and accurate in all respects, and (iii) upon the matching of the Buy Order, the Subscriber Customer stands ready to enter into an agreement for the transfer of the Subject Securities in exchange for the price.

**108**    Trade Notices; Escrow Agreement; Settlement

- (a)    Once an Order is matched by the Firm on the ATS, the ATS will send a trade notice (“Trade Notice”) to the Subscriber detailing the terms of the matched trade.
- (b)    Once the Subscriber receives such Trade Notice it will send messages to (i) each buying and selling Subscriber Customer and (ii) to the Issuer to give notice of the transaction.
- (c)    North Capital Private Securities Corporation (CRD#: 154559; SEC#: 8-68648), a U.S. registered broker-dealer and clearing and carrying firm (“Escrow Servicer”), serves as the facilitator of escrow through its bank (currently TriState Capital Bank, member FDIC) for transactions that are effected on the ATS.
- (d)    For each transaction that is matched on the ATS, the buyer Subscriber Customer, the seller Subscriber Customer, the parent of the Firm, SecondRE, Inc., and the Firm (collectively, the “Escrow Parties”) will enter into an escrow agreement with Escrow Servicer pursuant to which an escrow account will be established at the escrow bank (the “Escrow Account”) and the Escrow Parties will appoint the Escrow Servicer as facilitator of escrow with respect to the transaction. Pursuant to the terms of the escrow agreement, the Escrow Servicer will receive and deposit the buyer Subscriber Customer’s funds in the Escrow Account.
- (e)    A closing date will be set for each transaction. If the buyer Subscriber Customer’s funds are not received in the Escrow Account or the escrow agreement is not executed and provided to the Escrow Servicer by the set closing date, then the transaction shall be canceled and any funds of the buyer Subscriber Customer in the Escrow Account shall be promptly returned to the buyer Subscriber Customer. Closing will take place pursuant to a purchase agreement between buyer Subscriber Customer and seller Subscriber Customer that is also acknowledged by the issuer. On the day of the closing, the Firm will confirm with the issuer that it is updating the stock record for the relevant securities to reflect the transfer to the buyer Subscriber Customer. As part of closing, the Escrow Parties will send a joint written instruction to the Escrow Servicer instructing the prompt disbursement from the Escrow Account of the buyer Subscriber Customer’s funds to (i) the Firm, in an amount to cover the agreed commission, (ii) the Escrow Servicer, in an amount of its fees and (iii) to the seller Subscriber Customer, in amount equal to the remaining balance.

## **CHAPTER 2**

### **BUSINESS CONDUCT OF SUBSCRIBERS AND SUBSCRIBER REPRESENTATIVES**

#### **201    Business Conduct of Subscriber Customers and Subscriber Customer Representatives**

In connection with its use of the ATS and with respect to each transaction (“Transaction”) effected through the ATS, the Subscriber shall take reasonable measures to ensure that the Subscriber Customers and Subscriber Customer Representatives each:

- (a)    Observe high standards of fair dealing and just and equitable principles of trade;
- (b)    Not manipulate or attempt to manipulate the market;
- (c)    Not knowingly cause to be made Orders on the ATS, or engage in any communication through the ATS, other than in good faith for the purpose of executing bona fide Transactions and to convey accurate and complete information regarding such Orders, or the securities that are the subject thereof; and
- (d)    Not make any fraudulent or misleading communications, or knowing misstatement of a material fact or engage in any fraudulent act or any scheme to defraud, deceive, trick or mislead.

#### **202    License Restrictions**

The Subscriber shall take reasonable measures to ensure that that the Subscribers Customers and Subscriber Customer Representatives do not directly or indirectly:

- (a)    Use the ATS or the Software for any purposes other than in connection with the execution of Transactions;
- (b)    Copy any portion of the ATS or the Software;
- (c)    Resell or otherwise distribute the Subscriber Customer’s or Subscriber Customer Representative’s Credentials;
- (d)    Reverse engineer, decompile, disassemble or otherwise attempt to discern the source code, algorithms, software design or architecture of the ATS or the Software in whole or in part;
- (e)    Modify, adapt, translate or reproduce the Software, merge any part of the Software with or into other software, or create derivative works based upon the Software;
- (f)    Use the ATS or the Software in any manner or for any purpose that infringes, misappropriates, or otherwise violates any intellectual property right of any Person, or that violates Applicable Law;
- (g)    Use the ATS or the Software other than for viewing Transaction information, placing Orders, communicating through the ATS, and initiating Transactions

through the ATS, or in any manner or for any purpose or application not expressly permitted by this Rulebook; or

- (h) Take or authorize any action that could detrimentally interfere with the operation of the ATS.

**203**    Extension or Waiver of Rules

The Firm may, in its sole discretion, waive or extend the time period for performing any act or acts designated by these Rules, but only to the extent that such waiver or extension is not inconsistent with Applicable Law.

## **CHAPTER 3**

### **ATS OPERATIONS**

#### **301    Modifications to the ATS**

The Firm, in association with its Affiliates, has sole discretion and control over, and the right to modify at any time, the functionality, configuration, appearance and content of the ATS, including without limitation: (i) the selection of Active Securities available on the ATS; (ii) the parameters and protocols by which Orders are placed or otherwise processed by the ATS; and (iii) the availability of the ATS with respect to particular transactions at any particular times or locations.

#### **302    Connectivity Choices**

The Subscriber is responsible for choosing its telecommunications provider and arranging for connections to the ATS data center.

#### **303    Data Centers**

The ATS platform is housed in data centers located offsite in a physically secure site operated by a third-party vendor, AWS. Access to the site is restricted to AWS technicians and authorized personnel through the use of biometric security devices. In addition, security cameras monitor each data center and staff is onsite 24/7 to prevent unauthorized entry. AWS (including its technicians and personnel) does not have access to the information stored in its data centers related to the Firm, in its capacity as Subscriber or ATS, Subscriber Customers or Subscriber Customer Representatives.

#### **304    Trading Hours**

The ATS is available for trading 24 hours per day, 7 days a week. Orders are eligible for execution immediately upon acceptance and will be matched based on time and priority.

#### **305    ATS Procedures for Reviewing System Capacity, Security, and Contingency Planning Procedures**

The Firm has a robust Business Continuity Plan that outlines procedures that would be utilized in the case of natural disasters, terrorist attacks, cyberattacks, and third party vendor failure. The Firm uses third party vendors for its phone systems, internet access, email and record retention. Although failure of any of these systems could be harmful, Firm's vendors were chosen in part for their robust back-up systems and redundancies. The Firm also has redundancies and back-up systems in place in the event of a vendor failure. For communications, the Firm has backup email systems, internet access and an independent phone system. For record retention, the Firm keeps its own independent records in addition to its third party vendor.

The following discussion provides additional information on Firm's capacity, security and contingency planning procedures in connection with the ATS.



(a) System Capacity:

The Firm will constantly monitor and review traffic levels and capacity, CPU/database load and error rates; creating reports, data and trend analyses based on this monitoring; and then resource planning based on results, in order to manage and expand capacity as needed, and to anticipate capacity pressure before it occurs.

The Firm will also rely on the elastic scaling capabilities of the host (AWS) to provide on-demand capacity increases in real-time.

When the Firm makes significant releases or changes to the ATS, it will stress test the systems to ensure capacity and speed are not compromised.

(b) Security Management:

The Firm uses industry-leading hosting and security technology, provided by AWS. The Firm will be regularly reviewing its security technology and protocols for the ATS. Security mechanisms and policies will be subject to the scrutiny of regular audits, and once the ATS is operational, ad hoc “Penetration Tests” will be carried out by third parties, in particular following major system changes.

(c) Contingency Planning

(i) Outages:

The Firm’s contingency planning procedures anticipate both internal and external business disruptions. Internal business disruptions affect only the Firm’s ability to communicate and do business, such as a fire in the Firm’s building. External business disruptions prevent the operation of the securities markets or a number of firms, such as a terrorist attack, an earthquake or a wide-scale, regional disruption or a disruption of a critical vendor or service provider.

(ii) Testing of Contingency Planning and System Capacity:

The Firm conducts testing of its contingency procedures on a regular basis. Past emergencies affecting the securities industry have shown that preparedness and cooperation are key to maximizing the safety of employees and minimizing business interruptions. It is important for all employees to follow instructions from senior management and other authorized key personnel during any drill or when an actual emergency occurs.

The Firm’s policy is to respond to a significant business disruption 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 allowing customers to transact business.

(iii) Communications with Customers:

In the event of an emergency, the Firm may route customer calls to the Firm's support help desk located in the Firm's headquarters to registered employees' respective cell phone numbers.

(iv) *Communications and Logistics for the Firm Personnel:*

If, due to the nature of the emergency, transportation systems (i.e. bridges, tunnels, trains and subways) are unavailable, The Firm's employees may not be able to report to their office location. In these cases, The Firm provides remote access to e-mail and other essential services so that The Firm's employees can work from home until transportation system services have been restored.

The Operations and IT department will coordinate with the Firm's CEO to determine what facilities can be made available and in what timeframe and how arrangements will be made to accommodate the Firm employees.

(v) *Recovery or Resumption of Services:*

The Firm will constantly monitor the operation of the systems of the ATS to ensure the highest degree of availability and reliability for its customers. In addition, all connectivity is designed to be diverse and redundant. In the event of a severe disruption in services, servers and other critical systems will be routed over to alternate data centers. As for the loss of electronic records, the Firm will either physically recover the storage media or electronically recover data from the Firm's back-up site, or, if its primary site is inoperable, continue operations from its back-up site or an alternate location. The significant business disruption recovery and resumption time objective of the ATS is 3 hours and 24 hours, respectively, subject to various external factors, including the scope of the disruption and the damage to any critical infrastructure.

Software system artifacts, including, but not limited to, code, logs, test scripts and results are maintained in a secure location and backed up regularly.

The Firm has established an Emergency Contact List that includes the names, phone numbers (cell and land lines), e-mail addresses, and other contact information for individuals critical to the ATS, including key employees, key vendors or service providers, regulators, insurance carriers, banks and attorneys. A copy of this list is provided to each member of the Firm's Emergency Response Team and other key personnel.

(vi) *Communications between the Firm and Regulators:*

In accordance with Regulation ATS, the Firm will inform FINRA regarding any major business disruption and plans for continuing business.

(vii) *System Security:*

The ATS system is run on a virtual private local area network that is accessible by the Firm's IT personnel via virtual private network client software. Access to the ATS operations are currently limited to the Firm's Chief Compliance Officer and Chief Executive Officer, who will be required to adhere to the Firm's security protocol and registration process. This list of designated employees with access to the ATS operations is subject to change at the discretion of the Firm's CTO, and any such change will be recorded in the Firm's books and records. Access to the Firm's system is managed in a centralized database and subject to periodic review. Key-based authentication is the predominant mechanism used to authorize access and secure communication across systems. The Firm's system security will be reviewed annually for overall efficacy and specifically to ensure that it adequately protects the ATS from internal and external threats.

In addition, The Firm uses several steps to ensure the confidentiality of Subscriber Customer and Subscriber Customer Representative information:

- *No Vendor Access to Order Flow Information* - No third-party vendor has access to customer orders routed to the ATS.
- *Non-Disclosure Agreements* - All employees and consultants with access to customer confidential information are required to sign a non-disclosure agreement. Third-party vendors only have access to customer confidential information in connection with the Firm's record-keeping and back-office systems. Any such third-party vendors are similarly required to sign a non-disclosure agreement.
- *Controls Limiting Access to Information Systems / Physical Security* - The Firm limits access to information systems by way of (1) its software and operating systems, and (2) physical access controls. From a software/operating system perspective, the Firm places access control lists on the file systems of its workstations and servers and has the ability to control access to files on a file-by-file basis. From a physical access perspective, the data centers are located offsite in a physically secure site operated by the vendor, AWS. Access to the site is restricted to AWS technicians and authorized personnel through the use of biometric security devices. In addition, security cameras monitor each data center and staff is onsite 24/7 to prevent unauthorized entry. AWS (including its technicians and personnel) does not have access to the information stored in its data centers related to the Firm, the ATS and the Firm's customers.
- *Anti-Hacking Measures* - The Firm regularly audits all assets (workstations, servers, routers, switches and so forth) and constantly updates these assets when new firmware, service packs and hot fixes are released. The Firm also has tiered-architectures for sensitive assets and information, such as the Firm's exchange servers, which is the industry standard for protecting data transmitted over a non-secure medium (i.e., the internet). The technology system also

incorporates comprehensive firewalls and antivirus measures to safeguard all workstations, servers and email.

- *Security Measures on the Customer Level* - The Firm assigns one user ID and password to each Subscriber Customers and Subscriber Customer Representative, and the same user ID and password cannot be used on more than one computer terminal simultaneously. In order to access the Firm's order entry system for Subscribers Customers and Subscriber Customer Representatives, a valid user ID and password must be entered.

## **CHAPTER 4 MISCELLANEOUS**

### **401    Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to its conflicts of laws principles.

### **402    Force Majeure**

Notwithstanding any other provision of the Rules, the Firm shall not be liable for any failure or delay in the performance of any of its obligations or obligated to compensate any Person for Losses occasioned by any delay or failure of performance, to the extent such delay or failure is due to causes beyond the Firm's reasonable control (as determined by the Firm in its sole discretion), including but not limited to the following events (each, a "Force Majeure Event"): industrial disputes of any nature, work stoppages, civil disobedience, riots, rebellions, accidents, explosions, acts of God, bomb threats, war, acts of a public enemy, embargo or other action of a Regulatory Authority, interruptions or imperfections of telecommunications, electrical failures, sabotage, terrorism, pestilence, pandemic, lightning or electromagnetic disturbances, brown-outs or black-outs, earthquakes, storms, floods, fires or other casualty, or the imposition of any new Applicable Law or the change of any Applicable Law (including the manner in which such laws are applied). In the event of a Force Majeure Event, the Firm shall give notice to Subscriber Customers, and the Firm shall take commercially reasonable measures in order to mitigate the impact of such Force Majeure Event.