

IN THE UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF PENNSYLVANIA

IN RE RAIT FINANCIAL TRUST SECURITIES
LITIGATION

Master File No. 2:07-cv-03148-LDD

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED
SETTLEMENT, SETTLEMENT FAIRNESS HEARING AND MOTION
FOR ATTORNEYS' FEES AND REIMBURSEMENT OF LITIGATION EXPENSES**

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

NOTICE OF PENDENCY OF CLASS ACTION: Please be advised that your rights may be affected by a class action lawsuit pending in this Court (the "Consolidated Action") if, during the period from June 8, 2006 through August 3, 2007, inclusive, you acquired the securities of RAIT Financial Trust ("RAIT" or the "Company"), including securities purchased in the January 2007 Common Stock Offering, the July 2007 Preferred Stock Offering, and the April 2007 Note Offering, and suffered damages as a result.

NOTICE OF SETTLEMENT: Please also be advised that the Court-appointed Lead Plaintiff, on behalf of the Class (as defined in ¶25 below), has reached a proposed settlement of the Consolidated Action for a total of \$32 million in cash that will resolve all claims in the Consolidated Action.

This Notice explains important rights you may have, including your possible receipt of cash from the Settlement. Your legal rights will be affected whether or not you act. Please read this Notice carefully!

1. Description of the Consolidated Action and Class: This Notice relates to a proposed Settlement of a class action lawsuit pending against defendants RAIT; Betsy Z. Cohen, Daniel G. Cohen, Ellen J. DiStefano, Jack E. Salmon, Edward S. Brown, Frank A. Farnesi, S. Kristin Kim, Arthur Makadon, Daniel Promislo, John F. Quigley III, and Murray Stempel III (the "Individual Defendants"); and Friedman, Billings, Ramsey Group, Inc., FBR Capital Markets Corp., Bear, Stearns & Co. Inc., UBS Securities LLC, RBC Capital Markets Corporation, KeyBanc Capital Markets, Stifel, Nicolaus & Company, Inc., BMO Capital Markets Corp., Piper Jaffray & Co., and RBC Dain Rauscher (n/k/a RBC Capital Markets Corporation) (the "Underwriter Defendants," and together with RAIT and the Individual Defendants, the "Settling Defendants"). The proposed Settlement, if approved by the Court, will provide relief to all persons and entities that acquired the securities of RAIT during the period from June 8, 2006 through August 3, 2007, inclusive (the "Class Period"), including securities purchased in the January 2007 Common Stock Offering, the July 2007 Preferred Stock Offering, and the April 2007 Note Offering, and suffered damages as a result (the "Class").

2. Statement of Class's Recovery: Subject to Court approval, and as described more fully in ¶¶ 26-29 below, Lead Plaintiff, on behalf of the Class, has agreed to settle all claims based on the acquisition of RAIT securities that were or could have been asserted against the Settling Defendants in the Consolidated Action in exchange for a settlement payment of \$32,000,000 in cash (the "Settlement Amount") to be deposited into an interest-bearing escrow account (the "Settlement Fund"). Lead Plaintiff's damages expert estimates that approximately 62.9 million shares of RAIT common stock, 3.5 million shares of RAIT preferred stock, and \$425 million RAIT Convertible Senior Notes purchased by Class Members may have been affected by the conduct at issue in the Consolidated Action. If all Class Members elect to participate in the Settlement, the average per-share recovery from the Settlement Fund is estimated to be approximately \$0.45 per affected share of RAIT common stock, \$0.23 per affected share of RAIT preferred stock, and \$6.16 per affected \$1,000 face amount Convertible Senior Note before the deduction of attorneys' fees, costs and expenses, as approved by the Court. Class Members should note, however, that these are only estimates based on the overall number of potentially damaged shares and notes in the Class. Some Class Members may recover more or less than these estimated amounts depending on, among other factors, when and the prices at which their shares and/or notes were purchased or sold. The Net Settlement Fund (the Settlement Fund less taxes, notice and administration costs, and attorneys' fees and litigation expenses awarded to counsel representing Lead Plaintiff and the Class) will be distributed in accordance with a plan of allocation (the "Plan of Allocation") that will be approved by the Court and will determine how the Net Settlement Fund shall be allocated to the members of the Class. The proposed Plan of Allocation is included in this Notice.

3. Statement of Average Amount of Damages Per Share or Note: The settling parties do not agree on the average amount of damages per share or note that would be recoverable if Lead Plaintiff were to prevail. The Settling Defendants deny that any RAIT securities were damaged as Lead Plaintiff has alleged. The Settling Defendants assert that they were prepared to establish that the prices of RAIT securities were not inflated as the result of any allegedly false

or misleading public statements by the Settling Defendants, and that the decline in the prices of RAIT securities alleged in the Consolidated Action did not result from the disclosure of any information that Lead Plaintiff alleges was wrongfully withheld.

4. Statement of Attorneys’ Fees and Expenses Sought: Lead Counsel (as defined in ¶7 below) will apply to the Court for an award of attorneys’ fees from the Settlement Fund in the amount of 20% of the Settlement Fund. In addition, Lead Counsel also will apply for the reimbursement of litigation expenses paid or incurred in connection with the prosecution and resolution of the Consolidated Action (which may include the reasonable costs and expenses of Lead Plaintiff directly related to its representation of the Class), in an amount not to exceed \$250,000. If the Court approves Lead Counsel’s fee and expense application, the average cost per affected share of common stock, per affected share of preferred stock, and per affected \$1,000 face amount Convertible Senior Note will be approximately \$0.09, \$0.05 and \$1.29, respectively.

5. Identification of Attorneys’ Representatives: Lead Plaintiff and the Class are being represented by Chad Johnson, Esq., of Bernstein Litowitz Berger & Grossmann LLP, the Court-appointed Lead Counsel. Any questions regarding the Settlement should be directed to Mr. Johnson at Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, NY 10019, (800) 380-8496, blbg@blbglaw.com.

YOUR LEGAL RIGHTS AND OPTIONS IN THE SETTLEMENT:	
REMAIN A MEMBER OF THE CLASS.	This is the only way to get a payment. If you wish to be eligible to obtain a payment as a Class Member, you will need to file a Proof of Claim form (which is included with this Notice) postmarked no later than January 25, 2010.
EXCLUDE YOURSELF FROM THE CLASS BY SUBMITTING A WRITTEN REQUEST FOR EXCLUSION SO THAT IT IS RECEIVED NO LATER THAN NOVEMBER 17, 2009.	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against any of the Settling Defendants or other Released Parties concerning the claims that were, or could have been, asserted in this case.
OBJECT TO THE SETTLEMENT BY SUBMITTING WRITTEN OBJECTIONS SO THAT THEY ARE RECEIVED NO LATER THAN NOVEMBER 17, 2009.	Write to the Court and explain why you do not like the proposed Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and reimbursement of expenses. You cannot object to the Settlement unless you are a Class Member and do not exclude yourself.
GO TO THE HEARING ON DECEMBER 10, 2009 AT 10:00 A.M., AND FILE A NOTICE OF INTENTION TO APPEAR SO THAT IT IS RECEIVED NO LATER THAN NOVEMBER 17, 2009.	Ask to speak in Court about the fairness of the Settlement, the proposed Plan of Allocation, or the request for attorneys’ fees and reimbursement of expenses.
DO NOTHING	Get no payment. Remain a Class Member. Give up your rights.

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WHY DID I GET THIS NOTICE?

6. This Notice is being sent to you pursuant to an Order of the United States District Court for the Eastern District of Pennsylvania (the “Court”) because you or someone in your family may have purchased or otherwise acquired RAIT securities during the Class Period. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options before the Court rules on the proposed Settlement of this case.

Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights. If the Court approves the Settlement a claims administrator selected by Lead Plaintiff and approved by the Court will make payments pursuant to the Settlement after any objections and appeals are resolved.

7. In a class action lawsuit, the Court selects one or more people, known as class representatives, to sue on behalf of all people with similar claims, commonly known as the class or the class members. In this Consolidated Action, the Court has appointed Brahman Capital Corp. to serve as “Lead Plaintiff” under a federal law governing lawsuits such as this one, and has approved Lead Plaintiff’s selection of the law firm of Bernstein Litowitz Berger & Grossmann LLP (“Lead Counsel”) to serve as Lead Counsel in the Consolidated Action. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. Once the class is certified, the Court must resolve all issues on behalf of the class members, except for any persons who choose to exclude themselves from the class. (For more information on excluding yourself from the Class, please read “What If I Do Not Want To Be A Part Of The Settlement? How Do I Exclude Myself?,” located below.)

8. The Court in charge of this case is the United States District Court for the Eastern District of Pennsylvania, and the case is known as *In re RAIT Financial Trust Securities Litigation*. The Judge presiding over this case is the Honorable Legrome D. Davis, United States District Judge. The people who are suing are called plaintiffs, and those who are being sued are called defendants. In this case, the plaintiff is referred to as the Lead Plaintiff, on behalf of itself and the Class, and Defendants are RAIT, the Individual Defendants, the Underwriter Defendants, and RAIT’s outside auditor during the Class Period, Grant Thornton LLP.¹

9. This Notice explains the lawsuit, the Settlement, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected, and how to exclude yourself from the Settlement if you wish to do so. It also is being sent to inform you of the terms of the proposed Settlement, and of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlement, the fairness and reasonableness of the proposed Plan of Allocation, and the application by Lead Counsel for attorneys’ fees and reimbursement of expenses (the “Settlement Hearing”).

10. The Settlement Hearing will be held on December 10, 2009, at 10:00 a.m., before the Honorable Legrome D. Davis, at the United States District Court for the Eastern District of Pennsylvania, 601 Market Street, Courtroom 6A, Philadelphia, Pennsylvania 19106, to determine:

- (i) whether this Consolidated Action should be finally certified, for settlement purposes only, as a class action under Rules 23(a) and (b) of the Federal Rules of Civil Procedure;
- (ii) whether the proposed Settlement is fair, reasonable, and adequate and should be approved by the Court;
- (iii) whether the Settled Claims against Settling Defendants and the other Released Parties should be dismissed with prejudice as set forth in the Stipulation and Settlement Agreement (the “Stipulation”);
- (iv) whether the proposed Plan of Allocation is fair and reasonable and should be approved by the Court; and
- (v) whether Lead Counsel’s request for an award of attorneys’ fees and reimbursement of litigation expenses should be approved by the Court.

11. This Notice does not express any opinion by the Court concerning the merits of any claim in the Consolidated Action, and the Court still has to decide whether to approve the Settlement. If the Court approves the Settlement, payments to Authorized Claimants will be made after any appeals are resolved, and after the completion of all claims processing. Please be patient.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

12. RAIT is a real estate investment trust located in Philadelphia, Pennsylvania that provides financing for home builders, mortgage lenders, and other companies involved in the real estate industry. During the Class Period, RAIT financed its investment portfolio in large part by securitizing its investments through collateralized debt obligations, and selling those securities to qualified institutional buyers through private offerings.

¹ As discussed in ¶17 below, the Court has dismissed all claims asserted against Grant Thornton LLP and Underwriter Defendant Piper Jaffray & Co.

13. Beginning on August 1, 2007, class action complaints alleging violations of the federal securities laws on behalf of purchasers of RAIT securities were filed against certain Defendants in the United States District Court for the Eastern District of Pennsylvania. These actions were consolidated pursuant to an October 25, 2007 Order of the Court and are referred to in this Notice as the "Consolidated Action."

14. Pursuant to the October 25, 2007 Order, the Court appointed Lead Plaintiff and approved its choice of Lead Counsel for the Class.

15. The Consolidated Amended Class Action Complaint (the "Complaint"), filed by Lead Plaintiff on January 4, 2008, asserted claims arising under Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 (the "Securities Act") and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") and Rule 10b-5 promulgated thereunder. The Complaint alleges that, during the Class Period, Defendants violated these federal securities laws through, among other things, material misstatements or omissions regarding (i) RAIT's exposure to hundreds of millions of dollars of troubled and impaired debt issued by companies involved in the real estate market, including the subprime sector of the real estate market, (ii) the quality of RAIT's credit underwriting and monitoring processes, and (iii) RAIT's purported compliance with Generally Accepted Accounting Principles. The alleged false and misleading statements allegedly made by Defendants were set forth in earnings releases, SEC filings (including the registration statements filed in connection with the January 2007 Common Stock Offering and the July 2007 Preferred Stock Offering), conference calls, and other public statements. The Complaint alleges that, as a result of Defendants' dissemination of the allegedly false and misleading statements during the Class Period, the market prices of RAIT securities were artificially inflated, thereby causing damages to Class Members.

16. On March 10, 2008, Defendants filed four separate motions to dismiss the Complaint. On May 15, 2008, Lead Plaintiff filed its opposition brief to Defendants' motions to dismiss, and reply papers were filed by Defendants on June 5, 2008. Following the submission of supplemental authorities regarding the motions to dismiss, briefing on the motions was completed on December 12, 2008.

17. On December 22, 2008, the Court issued a Memorandum and Order granting in part and denying in part Defendants' motions to dismiss the Complaint (the "December 22, 2008 Order"). In connection with its December 22, 2008 Order, the Court (i) dismissed the Securities Act claims arising out of the July 2007 Preferred Stock Offering, and (ii) dismissed the claim under Section 11 of the Securities Act arising out of the January 2007 Common Stock Offering to the extent that it alleged a duty to update or correct statements made in the registration statement issued in connection with the Offering, but otherwise sustained that claim. The Court upheld the other aspects of the Securities Act claims and the claims brought under the Exchange Act and Rule 10b-5. Pursuant to the December 22, 2008 Order, all claims asserted against Defendants Grant Thornton LLP and Piper Jaffray & Co. were dismissed by the Court.

18. On January 26, 2009, certain Defendants moved for a certificate of appealability pursuant to 28 U.S.C. § 1292(b) on the ground that the Court's December 22, 2008 Order involved a controlling question of law as to which there was a substantial ground for difference of opinion. On February 12, 2009, Lead Plaintiff filed a brief in opposition, and on March 16, 2009, the Court denied the motion.

19. On February 26, 2009, Grant Thornton LLP filed a motion for entry of a partial final judgment under Rule 54(b), and on March 4, 2009, Piper Jaffray & Co. also moved for a partial judgment under Rule 54(b). On March 16, 2009, Lead Plaintiff opposed those motions, and on June 29, 2009, the Court denied those motions in light of the impending settlement but ruled that in the event that the settlement were not approved in a timely fashion, Defendants Grant Thornton and Piper Jaffray & Co. could renew their motions.

20. On March 16, 2009, Defendants, with the exception of Grant Thornton LLP and Piper Jaffray & Co., against which all claims had been dismissed, filed their answers to the Complaint.

21. Between February 27, 2009 and April 21, 2009, the parties engaged in discovery.

22. The parties, recognizing the risks of continued litigation, engaged in a formal mediation session on April 27, 2009 before the Hon. Layn R. Phillips, a former federal district court judge experienced in mediating complex actions. The mediation session was followed by weeks of continued negotiations under the supervision of Judge Phillips which culminated in an agreement in principle to settle the Consolidated Action that was memorialized in a Term Sheet executed on May 26, 2009.

23. In connection with the prosecution of the Consolidated Action, Lead Counsel has conducted an extensive factual and legal investigation relating to the claims and the underlying events and transactions alleged in the Complaint, including reviewing and analyzing Defendants' public disclosures; contacting and interviewing witnesses with knowledge of the facts in this case; consulting with experts on accounting and damage issues; researching the applicable law with

respect to the claims asserted against Defendants and the potential defenses thereto; and extensively reviewing the Company's financial condition and likely ability to pay any judgment that could be achieved after trial. In addition, pursuant to the terms of the Term Sheet, RAIT and certain other Defendants have produced, and Lead Counsel has reviewed, approximately 1.15 million pages of documents relevant to the claims asserted in the Consolidated Action. Lead Counsel has also reviewed the August 20, 2008 confidential report of RAIT's Special Litigation Committee (the "SLC Report") concerning the events giving rise to this litigation, as well as the 153 exhibits submitted with the SLC Report. Based upon their investigation and discovery, Lead Plaintiff and Lead Counsel agree that the proposed Settlement is fair, reasonable, and adequate, and in the best interests of the Class.

24. On September 4, 2009, the Court preliminarily approved the Settlement, authorized this Notice to be sent to potential Class Members, and scheduled the Settlement Hearing to consider whether to grant final approval to the Settlement.

HOW DO I KNOW IF I AM AFFECTED BY THE SETTLEMENT?

25. If you are a member of the Class, you are subject to the Settlement unless you timely request to be excluded. The Class consists of all persons and entities that acquired the securities of RAIT during the period from June 8, 2006 through August 3, 2007, inclusive, including securities purchased in the January 2007 Common Stock Offering, the July 2007 Preferred Stock Offering, and the April 2007 Note Offering, and suffered damages as a result (the "Class"). Excluded from the Class are (i) Defendants; (ii) members of the immediate families of the Individual Defendants; (iii) the subsidiaries and affiliates of the Defendants; (iv) any person or entity who is a partner, executive officer, director, trustee, or controlling person of RAIT or Taberna or of any other Defendant (including any of their subsidiaries or affiliates); (v) any entity in which any Defendant has a controlling interest; (vi) the Defendants' liability insurance carriers, and any affiliates or subsidiaries thereof; and (vii) the legal representatives, heirs, successors and assigns of any such excluded party. The Class also does not include those persons and entities who timely request exclusion from the Class pursuant to this Notice (see "What If I Do Not Want To Participate In The Class And The Settlement? How Do I Exclude Myself?," below).

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR THAT YOU ARE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENT. IF YOU WISH TO BE ELIGIBLE TO PARTICIPATE IN THE SETTLEMENT, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM POSTMARKED NO LATER THAN JANUARY 25, 2010.

WHAT ARE THE LEAD PLAINTIFF'S REASONS FOR THE SETTLEMENT?

26. Lead Plaintiff and Lead Counsel believe that the claims asserted against the Settling Defendants have merit. Lead Plaintiff and Lead Counsel recognize, however, the expense and length of continued proceedings necessary to pursue their claims against the Settling Defendants through trial and appeals, as well as the difficulties in establishing liability for allegations of fraud. Lead Plaintiff and Lead Counsel have taken into account the possibility that the claims asserted in the Complaint might have been dismissed in response to the Settling Defendants' anticipated motions for summary judgment, and have considered issues that would have been decided by a jury in the event of a trial of the Consolidated Action, including whether certain of the Settling Defendants acted with an intent to mislead investors, whether the alleged misrepresentations or omissions were material to investors, whether all of Class Members' losses were caused by the alleged misrepresentations or omissions, and the amount of damages. Lead Plaintiff and Lead Counsel have considered the uncertain outcome and trial risk in complex lawsuits like this one, and that, even if they were successful, after the resolution of appeals that were certain to be taken (which could take years to resolve), certain of the Settling Defendants may not have been able to pay an amount significantly larger than the Settlement Amount or even as much as the Settlement Amount. Because RAIT is a company in relative financial distress with limited cash resources to fund any settlement, RAIT's ability to pay was a significant factor that Lead Plaintiff had to take into account. Moreover, the insurance coverage provided by the directors' and officers' policies was a "wasting asset" that would be seriously depleted, if not exhausted, by the continuing costs of litigation.

27. In light of the amount of the Settlement and the immediacy of recovery to the Class, Lead Plaintiff and Lead Counsel believe that the proposed Settlement is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiff and Lead Counsel believe that the Settlement provides a substantial benefit now, namely \$32,000,000 in cash (less the various deductions described in this Notice), as compared to the risk that the claims in the Consolidated Action – some of which have been dismissed against certain Defendants – would produce a similar, smaller, or no recovery after summary judgment, trial and appeals, possibly years in the future.

28. The Settling Defendants have denied the claims asserted against them in the Consolidated Action and deny having engaged in any wrongdoing or violation of law of any kind whatsoever. The Settling Defendants have agreed to the Settlement solely to eliminate the burden and expense of continued litigation. Accordingly, the Settlement may not be construed as an admission of the Settling Defendants' wrongdoing.

WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENT?

29. If there were no Settlement and Lead Plaintiff failed to establish any essential legal or factual element of its claims, neither Lead Plaintiff nor the Class would recover anything from the Settling Defendants. Also, if the Settling Defendants were successful in proving any of their defenses, the Class likely would recover substantially less than the amount provided in the Settlement, or nothing at all.

HOW MUCH WILL MY PAYMENT BE?

THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

30. RAIT and the Individual Defendants have agreed to cause their insurers to pay Thirty-Two Million Dollars (\$32,000,000) in cash into escrow for the benefit of the Class. At this time, it is not possible to make any determination as to how much a Class Member may receive from the Settlement.

31. After approval of the Settlement by the Court and upon satisfaction of the other conditions to the Settlement, the Net Settlement Fund will be distributed to Authorized Claimants in accordance with the Plan of Allocation. If any funds remain in the Net Settlement Fund because of uncashed distributions or other reasons, then, after the Claims Administrator has made reasonable and diligent efforts to have Authorized Claimants cash their distribution checks, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be redistributed to Class Members who have cashed their initial distribution and who would receive at least \$10.00 from such redistribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such redistribution. If any funds shall remain in the Net Settlement Fund six (6) months after such redistribution, then such balance shall be contributed to non-sectarian, not-for-profit 501(c)(3) organizations recommended by Lead Counsel and approved by the Court.

32. The Settlement Fund will be distributed as follows:

- (i) to pay all federal, state and local taxes on any income earned by the Settlement Fund and to pay the reasonable costs incurred in connection with determining the amount of, and paying, taxes owed by the Settlement Fund (including reasonable expenses of tax attorneys and accountants);
- (ii) to pay costs and expenses in connection with providing Notice to Class Members and administering the Settlement on behalf of Class Members;
- (iii) to reimburse Lead Counsel for the costs and expenses that Lead Counsel incurred in commencing and prosecuting the Consolidated Action, with interest thereon, if and to the extent allowed by the Court;
- (iv) to pay Lead Counsel's attorneys' fees, to the extent allowed by the Court; and
- (v) to compensate Authorized Claimants with the balance of the Net Settlement Fund in accordance with the Plan of Allocation, subject to an Order of the Court approving the Settlement and the Plan of Allocation (or such other allocation plan as the Court may approve).

33. The Net Settlement Fund will not be distributed until the Court has approved a plan of allocation, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.

34. Neither RAIT, the Individual Defendants nor their insurers are entitled to get back any portion of the Settlement Fund once the Court's Order approving the Settlement becomes final. None of the Settling Defendants shall have any liability, obligation or responsibility for the administration of the Settlement or disbursement of the Net Settlement Fund or the Plan of Allocation.

35. Approval of the Settlement is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlement, if approved.

36. Only those Class Members who acquired RAIT securities during the Class Period **AND WERE DAMAGED AS A RESULT OF SUCH ACQUISITIONS**, will be eligible to share in the distribution of the Net Settlement Fund. Each person wishing to participate in the distribution must timely submit a valid Claim Form establishing membership in the Class, and including all required documentation, postmarked no later than January 25, 2010 to the address set forth in the Claim Form that accompanies this Notice. Unless the Court otherwise orders, any Class Member who fails to submit a Claim Form postmarked no later than January 25, 2010 shall be forever barred from receiving

payments pursuant to the Settlement set forth in the Stipulation but will in all other respects remain a Class Member and be subject to the provisions of the Stipulation, including the terms of any Judgment entered and releases given. This means that each Class Member releases the Settled Claims (as defined in paragraph 69 below) against the Released Parties (as defined in paragraph 70 below) and is enjoined and prohibited from filing, prosecuting, or pursuing any of the Settled Claims against any of the Released Parties regardless of whether or not such Class Member submits a Claim Form.

37. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the Claim of any Class Member.

38. The Court has also reserved the right to modify the Plan of Allocation without further notice to Class Members. All Orders regarding a modification of the Plan of Allocation will be posted on the settlement website, www.raitsecuritieslitigation.com.

39. Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiff, Lead Counsel, Settling Defendants, Settling Defendants' Counsel, the other Released Parties or their counsel, or the Claims Administrator or other agent designated by Lead Counsel arising from distributions made substantially in accordance with the Stipulation, the Plan of Allocation, or further orders of the Court. Lead Plaintiff, the Settling Defendants, their respective counsel, and all other Released Parties shall have no responsibility or liability whatsoever for the investment or distribution of the Settlement Fund, the Net Settlement Fund, the Plan of Allocation, or the determination, administration, calculation, or payment of any Claim Form or nonperformance of the Claims Administrator, the payment or withholding of taxes owed by the Settlement Fund, or any losses incurred in connection therewith.

40. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Eastern District of Pennsylvania with respect to his, her or its Proof of Claim.

41. Persons and entities that exclude themselves from the Class will not be eligible to receive a distribution from the Net Settlement Fund and should not submit Proof of Claim forms.

42. **Information Required on the Claim Form:** Each Claim Form must state and provide sufficient documentation for each Authorized Claimant's position in RAIT securities as of the close of trading on June 7, 2006, the day before the first day of the Class Period, and the closing position in RAIT securities as of the close of trading on August 3, 2007, the last day of the Class Period. Each Claim Form also must list and provide sufficient documentation for all transactions in RAIT securities, including all purchases or other acquisitions and sales, made during the Class Period.

43. All transaction amounts for purchases and sales of Company securities should be net of commissions, taxes, and fees. All transaction amounts for purchases and sales of RAIT Notes should exclude the amount, if any, of accrued interest paid or received.

44. The objective of the Plan of Allocation is to equitably distribute the settlement proceeds to those Class Members who suffered economic losses as a result of the alleged fraud, as opposed to losses caused by market or industry factors or other non-fraud-related, Company-specific factors. The Plan of Allocation reflects Lead Plaintiff's damages expert's analysis undertaken to that end, including a review of publicly available information regarding RAIT. Lead Plaintiff and Lead Counsel, in consultation with Lead Plaintiff's damages expert, have estimated the artificial inflation in Eligible Securities during the Class Period. Defendants have not participated in the drafting of and take no positions with respect to the Plan of Allocation.

45. The Claims Administrator shall determine each Authorized Claimant's *pro rata* share of the Net Settlement Fund based upon each Authorized Claimant's "Recognized Loss Amount." The Recognized Loss Amount formula is not intended to be an estimate of the amount of what a Class Member might have been able to recover after a trial; nor is it an estimate of the amount that will be paid to Authorized Claimants pursuant to the Settlement. The Recognized Loss Amount formula is the basis upon which the Net Settlement Fund will be proportionately allocated to the Authorized Claimants. This computation is only a method to weigh Class Members' claims against one another. Each Authorized Claimant will receive a *pro rata* share of the Net Settlement Fund based on his, her or its Recognized Loss Amount. The proposed Plan of Allocation generally measures the amount of loss that a Class Member may claim under the Settlement for the purpose of making *pro rata* allocations of the Net Settlement Fund to Class Members who submit acceptable Proofs of Claim.

46. Securities for which an Authorized Claimant may be entitled to receive a distribution from the Net Settlement Fund are RAIT securities purchased or acquired during the Class Period ("Eligible Securities"). Lead Plaintiff asserted two different sets of claims against Defendants: (1) claims for violation of §10(b) of the Securities Exchange Act

of 1934 (the "Exchange Act"); and (2) claims for violation of §11 and §12(a)(2) of the Securities Act of 1933 (the "Securities Act").

47. Securities with claims for violations of §10(b) of the Exchange Act ("§10(b) Securities") are as follows:
- (i) RAIT common stock. RAIT shares were listed on the New York Stock Exchange ("NYSE") and traded under the ticker "RAS."
 - (ii) RAIT Notes. \$425 million 6.875% Convertible Senior Notes issued on April 18, 2007 in a private offer to qualified institutional buyers ("QIBs") (the "April 2007 Note Offering") with a maturity date of April 15, 2027. Each \$1,000 face value of RAIT Notes was convertible into 28.6874 shares of RAIT common stock. (CUSIP 74923MAA8, ISIN US74923MAA80, Bloomberg Number EG3617438)
 - (iii) RAIT Series A Preferred Stock. 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series A Preferred Stock"). The Series A Preferred Stock was issued in first and second quarter of 2004, and listed on the NYSE and traded under the symbol "RAS PrA." (CUSIP 749227203, ISIN US7492272031)
 - (iv) RAIT Series B Preferred Stock. 8.375% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series B Preferred Stock"). The Series B Preferred Stock was issued in the fourth quarter of 2004, and listed on the NYSE and traded under the symbol "RAS PrB." (CUSIP 749227302, ISIN US7492273021)
 - (v) RAIT Series C Preferred Stock. 8.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series C Preferred Stock"). The Series C Preferred Stock was issued in July 2007 (the "July 2007 Preferred Stock Offering"), and listed on the NYSE and traded under the symbol "RAS PrC." (CUSIP 749227500, ISIN US7492275000)
48. Securities with claims for violations of §11 and §12(a)(2) of the Securities Act of 1933 are as follows:
- (i) Common Stock. Shares of RAIT common stock purchased pursuant and/or traceable to RAIT's January 2007 Registration Statement. Those shares of RAIT common stock were offered at \$34 per share.
 - (ii) Series C Preferred Stock. Series C Preferred Stock purchased pursuant and/or traceable to the July 2007 Registration Statement. The Series C Preferred Stock was offered at \$25 per share.

Basis for Recognized Loss Calculation

49. The objective of the Plan of Allocation is to equitably distribute the settlement proceeds to those Class Members who suffered economic losses as a result of the alleged fraud. The Class Period begins on June 8, 2006, when RAIT announced an agreement to merge with Taberna Realty Finance Trust, a company that specialized in long-term subordinated debt and trust preferred security financing to REITs and REOCs, issuing billions of dollars of collateralized debt obligations. Lead Plaintiff alleged that, throughout the Class Period, RAIT misrepresented its true exposure to hundreds of millions of dollars of troubled and impaired debt due to worsening conditions in the real estate market. In order to have recoverable damages, disclosures correcting the prior alleged misrepresentations about RAIT's financial problems must be the cause of the decline in the price of the security. Lead Plaintiff alleges that disclosures that at least partially corrected prior misrepresentations and omissions regarding the RAIT's financial condition began on July 31, 2007.

50. On Tuesday, July 31, 2007, RAIT announced that a large U.S. mortgage provider, American Home Mortgage Investment Corp. ("AHM"), had not made payments on trust preferred securities due on July 30, and that RAIT had net equity exposure of about \$95 million, or \$1.56 per share of book value, to AHM. Following the announcement, analysts downgraded their ratings for RAIT stock and/or lowered their earnings forecasts based on the Company's exposure to AHM and liquidity issues within the CDO market.

51. After the market closed on Wednesday, August 1, 2007, RAIT released its second quarter 2007 earnings results. The Company reported an adjusted quarterly EPS of \$0.87, \$0.02 below the First Call consensus of \$0.89. The Company held a conference call at 9:00 a.m. on August 2 to discuss its second quarter 2007 earnings and exposure to impaired debt and CDO securities, during which it assured investors of its financial solvency, and estimated that the "worst, beyond Armageddon scenario" would result in losses of \$278 million—the exposure to AHM plus an additional \$182 million exposure to other mortgage lenders and home builders.

52. Lead Plaintiff alleges that, on Friday, August 3, 2007, there were continued concerns over rising delinquency and default rates that overwhelmed RAIT's reassurances of financial solvency, including an *Associated Press* article quoting analyst David Fick of Stifel Nicolaus & Co. saying RAIT's (unlikely) worst case scenario would require the Company to write off \$537.5 million in investments. Also that day, JP Morgan issued an analyst report in which it lowered EPS estimates for RAIT based on assumptions of more pervasive asset impairment over the next 18 months.

53. The Recognized Loss Amounts utilized in this Plan of Allocation are based on the decline in the prices of RAIT securities upon the series of corrective disclosures related to the alleged fraud beginning July 31, 2007. The following table provides the prices of the Eligible Securities on July 30, 2007, the day prior to the first corrective disclosure of the alleged misrepresentations, and the average price during the 90 days following the Class Period.

RAIT Security	7/30/07 Closing Price	90-Day Average Price	7/30/07 Closing Price Minus the 90-Day Average Price
Common Stock	\$16.08	\$8.75	\$7.33
Notes ²	\$756.20	\$652.90	\$103.30
Series A Preferred Stock	\$15.14	\$13.55	\$1.51
Series B Preferred Stock	\$16.92	\$14.24	\$2.68
Series C Preferred Stock	\$21.50	\$15.21	\$6.29

54. The 90-day look-back provision of the Private Securities Litigation Reform Act of 1995 (the "PSLRA") is incorporated into the calculation of Recognized Loss Amounts. The limitations on calculation of Recognized Loss Amounts imposed by the PSLRA are applied such that losses on securities purchased during the Class Period and held as of the end of the PSLRA 90-day look-back period cannot exceed the difference between the purchase price paid and the average price during the PSLRA 90-day look-back period. Losses on securities purchased during the Class Period and sold during the PSLRA 90-day look-back period cannot exceed the difference between the purchase price paid during the Class Period and the rolling average of the closing stock prices during PSLRA 90-day look-back period as of the date of sale. Table A sets forth the rolling PSLRA 90-day look-back prices for each Eligible Security.

Calculation of Recognized Loss Amounts

55. To share in the distribution of the Net Settlement Fund, an Authorized Claimant must have purchased or otherwise acquired an Eligible Security during the Class Period and must have suffered a loss resulting from the alleged fraud on his/her/its investments in that security. A "Recognized Loss Amount" will be calculated for each purchase or acquisition of an Eligible Security. The calculation of the Recognized Loss Amount will depend upon several factors, including when and at what price the Eligible Security was purchased or otherwise acquired, and when and at what price such security was sold or redeemed.

§10(b) Claims

56. For claims arising under §10(b), the Recognized Loss Amount for each Eligible Security shall be calculated as follows:

- i. For Eligible Securities purchased or otherwise acquired and sold within the same trading day (intraday trades) the Recognized Loss Amount is \$0.
- ii. For Eligible Securities purchased or otherwise acquired during the period from June 8, 2006 through July 30, 2007, inclusive, and sold prior to July 31, 2007, the Recognized Loss Amount is \$0.
- iii. For Eligible Securities purchased or otherwise acquired during the period from June 8, 2006 through July 30, 2007, inclusive:
 - a) If the Eligible Security was sold at a loss during the period from July 31, 2007 through August 3, 2007, inclusive, the Recognized Loss Amount is the amount by which the closing price of the Eligible Security on July 30, 2007 exceeds the sale price of such security.
 - b) If the Eligible Security was sold at a loss during the period from August 6, 2007 through November 1, 2007 (the end of the PSLRA 90-day look-back period), the Recognized Loss Amount shall be the amount by which the closing price of the Eligible Security on July 30, 2007 exceeds the rolling average price of the Eligible Security during the PSLRA 90-day look-back period (see Table A) as of the date of sale.

² Price per \$1000 of face value. Matrix prices were used to estimate the prices of the RAIT Notes.

- c) If the Eligible Security was held through November 1, 2007 (the end of the PSLRA 90-day look-back period), the Recognized Loss Amount shall be the amount by which the closing price of the Eligible Security on July 30, 2007 exceeds the average price of the Eligible Security during the PSLRA 90-day look-back period as set forth in the schedule in paragraph 53 above.
- iv. For Eligible Securities purchased or otherwise acquired during the period from July 31, 2007 through August 3, 2007, inclusive:
- a) If the Eligible Security was sold at a loss on August 1, 2007 through August 3, 2007, the Recognized Loss Amount is the amount by which the purchase price of the Eligible Security (not to exceed the closing price of the Eligible Security on July 30, 2007) exceeds the sale price of such security.
 - b) If the Eligible Security was sold at a loss during the period August 6, 2007 through November 1, 2007 (the end of the PSLRA 90-day look-back period), the Recognized Loss Amount shall be the amount by which the purchase price of the Eligible Security (not to exceed the closing price of the Eligible Security on July 30, 2007) exceeds the rolling average price of the Eligible Security during PSLRA 90-day look-back period (see Table A) as of the date of sale.
 - c) If the Eligible Security was held through November 1, 2007 (the end of the PSLRA 90-day look-back period), the Recognized Loss Amount shall be the amount by which the purchase price of the Eligible Security (not to exceed the closing price of the Eligible Security on July 30, 2007) exceeds the average price of the Eligible Security during the PSLRA 90-day look-back period as set forth in the schedule in paragraph 53 above.

Securities Act Claims

57. The Series C Preferred Stock was issued during the Class Period, and all purchases of Series C Preferred Stock are considered traceable to the July 2007 Registration Statement, and therefore, eligible to recover under the Securities Act. In order for a common stock purchase to be eligible to recover under the Securities Act, a Claimant must show that he, she or it purchased such shares pursuant to the January 2007 Registration Statement, on the offering day, or in the overallotment, and at the offering price. For RAIT securities subject to Securities Act claims, the Recognized Loss Amount shall be 125% of the Recognized Loss Amount calculated as set forth above in paragraph 56 for claims arising under §10(b).

ADDITIONAL PROVISIONS

58. The Net Settlement Fund will be distributed to Authorized Claimants who have a Recognized Claim greater than \$0.

59. Each Authorized Claimant's "Recognized Claim" shall be the total of his, her or its Recognized Loss Amounts. If the sum total of Recognized Claims of all Authorized Claimants who are entitled to receive payment out of the Net Settlement Fund is greater than the Net Settlement Fund, however, each such Authorized Claimant shall receive his, her, or its *pro rata* share of the Net Settlement Fund. The *pro rata* share shall be the Authorized Claimant's Recognized Claim divided by the total of all Recognized Claims to be paid from the Net Settlement Fund, multiplied by the total amount in the Net Settlement Fund. If the prorated payment calculates to less than \$10.00, it will not be included in the calculation and it will not be distributed.

60. If the Net Settlement Fund exceeds the sum total amount of the Recognized Claims of all Authorized Claimants entitled to receive payment out of the Net Settlement Fund, the excess amount in the Net Settlement Fund shall be distributed *pro rata* to all Authorized Claimants entitled to receive payment.

61. If a Class Member has more than one purchase/acquisition or sale of RAIT common stock, preferred stock and/or Convertible Senior Notes during the Class Period, the Recognized Loss Amount for each such security shall be determined on a First In, First Out ("FIFO") method, such that all Class Period sales will be matched first against any such like RAIT securities held at the beginning of the Class Period, and then against purchases/acquisitions of the like security in chronological order, beginning with the earliest purchase/acquisition made during the Class Period. Purchases or other acquisitions and sales of RAIT securities shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or "payment" date.

62. For Claims with purchases or acquisitions of two or more Eligible Securities (e.g., eligible common stock purchases, eligible preferred shares purchases and eligible Note purchases), the Recognized Loss Amount for each Eligible Security shall be calculated individually, with the total Recognized Loss Amount for each Eligible Security added

together such that gains from transactions in one Eligible Security shall offset losses from transactions in another Eligible Security.

63. The receipt or grant by gift, inheritance or operation of law of RAIT securities during the Class Period shall not be deemed a purchase or acquisition of such security for the calculation of an Authorized Claimant's Recognized Loss Amounts nor shall the receipt or grant be deemed an assignment of any claim relating to the purchase/acquisition of such RAIT securities unless (i) the donor or decedent purchased or otherwise acquired such RAIT securities during the Class Period; (ii) no Claim Form was submitted by or on behalf of the donor, on behalf of the decedent, or by anyone else with respect to such RAIT securities; and (iii) it is specifically so provided in the instrument of gift or assignment. If the requirements of the preceding sentence are satisfied and the donor, estate or transferor does not submit a Proof of Claim with respect to the Eligible Securities, such Eligible Securities shall be deemed purchased by the Authorized Claimant on the original date of purchase by the donor, decedent or transferor and not the date of transfer. Accordingly, if the donor, decedent or transferor did not purchase the subject Eligible Securities during the Class Period, those Eligible Securities shall be excluded from the computation of the Authorized Claimant's Recognized Claim.

64. The date of covering a "short sale" is deemed to be the date of purchase or other acquisition of RAIT securities. The date of a "short sale" is deemed to be the date of sale of RAIT securities. In accordance with the Plan of Allocation, however, the Recognized Loss Amount on "short sales" is zero. In the event that there is an opening short position in Eligible Securities, the earliest Class Period purchases shall be matched against such opening short position, and not be entitled to a recovery, until that short position is fully covered.

65. To the extent a Claimant had a gain from his, her, or its overall transactions in RAIT securities during the Class Period, the value of the Recognized Claim will be zero. Such Claimants will in any event be bound by the Settlement. To the extent that a Claimant suffered an overall loss on his, her, or its overall transactions in RAIT securities during the Class Period, but that loss was less than the total Recognized Claim calculated above, then the Claimant's Recognized Claim shall be limited to the amount of the actual loss.

66. For purposes of determining whether a Claimant had a gain from his, her, or its overall transactions in RAIT securities during the Class Period or suffered a loss, the Claims Administrator shall determine the difference between (i) the Total Purchase Amount³ and (ii) the sum of the Sales Proceeds⁴ and the Holding Value.⁵ This difference will be deemed a Claimant's gain or loss on his, her, or its overall transactions in RAIT securities during the Class Period. Market gains or losses on one Eligible Security will be offset against market gains or losses on other Eligible Securities to determine whether an Authorized Claimant had an overall market gain or loss.

67. The Plan of Allocation set forth herein is the plan that is being proposed by Lead Plaintiff and Lead Counsel to the Court for approval. The Court may approve this plan as proposed or it may modify the Plan of Allocation without further notice to the Class.

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENT?

68. If the Settlement is approved, the Court will enter a judgment (the "Judgment"). The Judgment will dismiss with prejudice the claims against the Settling Defendants and the other Released Parties and will provide that Lead Plaintiff and all other Class Members shall be deemed to have -- and by operation of the Judgment shall have -- fully, finally, and forever released, waived, discharged, and dismissed any and all Settled Claims (as defined in paragraph 69 below), including Unknown Claims (as defined in the Stipulation) against the Released Parties (as defined in paragraph 70 below).

69. "Settled Claims" means all claims, rights and causes of action or liabilities whatsoever of every nature and description, whether known or Unknown (as defined in the Stipulation), whether arising under federal, state, local, statutory, common or foreign law, or any other law, rule or regulation, whether based in law or equity, whether suspected or unsuspected, fixed or contingent, accrued or unaccrued, liquidated or unliquidated, matured or unmatured, class or individual in nature that Lead Plaintiff or any other member of the Class (a) asserted in the Complaint, or (b) might have or

³ The "Total Purchase Amount" is the total the amount the Claimant paid for all of the RAIT common stock, preferred stock and/or Convertible Senior Notes purchased or otherwise acquired during the Class Period.

⁴ The Claims Administrator shall match any sales of RAIT common stock, preferred stock and/or Convertible Senior Notes during the Class Period and the PSLRA 90-day look-back period, first against the Claimant's opening position in the like security (the proceeds of those sales will not be considered for purposes of calculating gains or losses). The total amount received for sales of the remaining RAIT securities sold during the Class Period and the PSLRA 90-day look-back-period is the "Sales Proceeds."

⁵ The Claims Administrator shall ascribe a value of (a) \$8.75 per share holding value for the number of shares of RAIT common stock purchased or otherwise acquired during the Class Period and still held as of the close of business on November 1, 2007 ("Holding Value"); (b) a Holding Value of \$13.55 per share of RAIT Series A preferred stock; (c) a Holding Value of \$14.24 per share of RAIT Series B preferred stock; (d) a Holding Value of \$15.36 per share of RAIT Series C preferred stock; and (e) a Holding Value of \$652.90 per \$1,000 face amount of RAIT Convertible Senior Notes.

could have asserted in any forum that arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Complaint and that relate to the purchase or ownership of RAIT Securities during the Class Period.

70. "Released Parties" means all persons or entities named as defendants in any of the complaints filed in this Consolidated Action ("Named Defendants"), as well as all of their respective current or former employees, partners, principals, independent contractors, officers, directors, trustees, subsidiaries, parents, successors and predecessors, agents, attorneys, advisors, insurers, reinsurers, investment advisors, investment bankers, representatives, auditors, accountants and assigns; all spouses and members of the immediate families of the Individual Named Defendants; all trusts which are for the benefit of any Named Defendant and/or the spouses or other members of the immediate families of any of the Individual Named Defendants; the legal representatives, heirs or successors in interest of all of the foregoing (but only in their capacity as such); and any individual or entity in which any of the Named Defendants has a controlling interest.

71. The Judgment also will provide that each of the Settling Defendants and each of the Other Released Parties shall be deemed to have – and by operation of the Judgment shall have – fully, finally, and forever released, waived, discharged and dismissed any and all claims, rights and causes of action or liabilities whatsoever, of every nature and description, whether based on federal, state, local, statutory, common or foreign law, or any other law, rule or regulation, including both known claims and Unknown Claims, that have been or could have been asserted in the Consolidated Action or any forum by the Released Parties or any of them or the successors and assigns of any of them against the Lead Plaintiff, any other Class Members or their respective attorneys, that arise out of or relate in any way to the institution, prosecution, or settlement of the Consolidated Action or the claims against the Released Parties (except for claims to enforce the Settlement).

**WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING?
HOW WILL THE LAWYERS BE PAID?**

72. Lead Counsel has not received any payment for its services in pursuing claims against Defendants on behalf of the Class, nor has Lead Counsel been reimbursed for its out-of-pocket expenses. Before final approval of the Settlement, Lead Counsel intends to apply to the Court for an award of attorneys' fees from the Settlement Fund in the amount of 20% of the Settlement Fund. At the same time, Lead Counsel also intends to apply for the reimbursement of litigation expenses (which may include the reasonable costs and expenses of Lead Plaintiff directly related to its representation of the Class), in an amount not to exceed \$250,000. The Court will determine the amount of the award.

HOW DO I PARTICIPATE IN THE SETTLEMENT? WHAT DO I NEED TO DO?

73. If you purchased or otherwise acquired RAIT securities during the period from June 8, 2006 through August 3, 2007, inclusive, and you are not excluded by the definition of the Class and you do not elect to exclude yourself from the Class, then you are a Class Member, and you will be bound by the proposed Settlement if the Court approves it, and by any judgment or determination of the Court affecting the Class. If you are a Class Member, you must submit a Claim Form and supporting documentation to establish your entitlement to share in the Settlement. A Claim Form is included with this Notice, or you may go to the website maintained by the Claims Administrator for the Settlement to request that a Claim Form be mailed to you. The website is www.raitsecuritieslitigation.com. You may also request a Claim Form by calling toll-free 1-888-862-9733. Copies of the Claim Form can also be downloaded from Lead Counsel's website at www.blbgilaw.com. Those who exclude themselves from the Class, and those who do not submit timely and valid Claim Forms with adequate supporting documentation will not be entitled to share in the Settlement. Please retain all records of your ownership of, or transactions in RAIT securities, as they may be needed to document your Claim.

74. As a Class Member, you are represented by Lead Plaintiff and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file a notice of appearance on your behalf and must serve copies of his or her notice of appearance on the attorneys listed in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?," below.

75. If you do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section entitled, "What If I Do Not Want To Be A Part Of The Class And The Settlement? How Do I Exclude Myself?," below.

76. If you wish to object to the Settlement or any of its terms, the proposed Plan of Allocation, or Lead Counsel's application for attorneys' fees and reimbursement of litigation expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section entitled, "When and Where Will the Court Decide Whether to Approve the Settlement?," below.

**WHAT IF I DO NOT WANT TO BE A PART OF THE SETTLEMENT?
HOW DO I EXCLUDE MYSELF?**

77. Each Class Member will be bound by all determinations and judgments in this lawsuit, including those concerning the Settlement, whether favorable or unfavorable, unless such person or entity mails, by first-class mail (or its equivalent outside the U.S.), or otherwise delivers a written Request for Exclusion from the Class, addressed to *In re RAIT Financial Trust Securities Litigation - EXCLUSIONS*, - c/o The Garden City Group, Inc., P.O. Box 9507, Dublin, OH 43017-4807. The exclusion request must be *received* no later than November 17, 2009. You will not be able to exclude yourself from the Class after that date. Each Request for Exclusion must (i) state the name and address of the person or entity requesting exclusion; (ii) state that such person or entity "requests exclusion from the Class in *In re RAIT Financial Trust Securities Litigation*, Master File No. 2:07-cv-03148-LDD"; (iii) be signed by the person or entity requesting exclusion; (iv) provide a telephone number for that person or entity; and (v) provide the date(s), price(s), and number(s) of shares and/or notes for all acquisitions and sales of RAIT securities during the Class Period. Requests for exclusion will not be valid if they do not include the information set forth above and are not received within the time stated above, unless the Court otherwise determines.

78. If you do not want to be part of the Class, you must follow these instructions for exclusion even if you have pending, or later file, another lawsuit, arbitration, or other proceeding relating to any Settled Claims.

79. If a person or entity requests to be excluded from the Class, that person or entity will not receive any benefit provided for in the Stipulation.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENT?
DO I HAVE TO COME TO THE HEARING?
MAY I SPEAK AT THE HEARING IF I DON'T LIKE THE SETTLEMENT?**

80. **If you do not wish to object in person to the proposed Settlement, proposed Plan of Allocation, and/or the application for attorneys' fees and reimbursement of litigation expenses, you do not need to attend the Settlement Hearing. You can object to or participate in the Settlement without attending the Settlement Hearing.**

81. The Settlement Hearing will be held on December 10, 2009, at 10:00 a.m., before the Honorable Legrome D. Davis, at the United States District Court for the Eastern District of Pennsylvania, 601 Market Street, Courtroom 6A, Philadelphia, Pennsylvania 19106. The Court reserves the right to approve the Settlement or the Plan of Allocation at or after the Settlement Hearing without further notice to the members of the Class.

82. Any Class Member who does not submit a request for exclusion that is *received* on or before November 17, 2009, may object to the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses. Objections or oppositions must be in writing. You must file any written objection or opposition, together with copies of all other papers (including proof of all acquisitions of RAIT securities during the Class Period) and briefs, with the Clerk's Office at the United States District Court for the Eastern District of Pennsylvania at the address set forth below on or before November 17, 2009. You must also serve the papers on Lead Counsel for the Class and representative counsel for the Settling Defendants at the addresses set forth below so that the papers are *received* on or before November 17, 2009.

Clerk's Office

UNITED STATES DISTRICT COURT
FOR THE EASTERN DISTRICT OF
PENNSYLVANIA
Clerk of the Court
601 Market Street
Philadelphia, PA 19106

Lead Counsel for the Class

BERNSTEIN LITOWITZ BERGER &
GROSSMANN LLP
Chad Johnson, Esq.
1285 Avenue of the Americas
New York, NY 10019

**Representative Counsel for
Settling Defendants**

PEPPER HAMILTON LLP
Barbara W. Mather, Esq.
3000 Two Logan Square
18th & Arch Streets
Philadelphia, PA 19103-2799

83. The filing must demonstrate your membership in the Class, including the number of shares of RAIT common stock and preferred stock and the number of Convertible Senior Notes purchased or otherwise acquired or sold during the Class Period and the price(s) paid and received. You may not object to the Settlement or any aspect of it, if you excluded yourself from the Class.

84. You may file a written objection without having to appear at the Settlement Hearing. You may not appear at the Settlement Hearing to present your objection, however, unless you first filed and served a written objection in accordance with the procedures described above, unless the Court orders otherwise.

85. If you wish to be heard orally at the hearing in opposition to the approval of the Settlement, the Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses, and if you have filed and served a timely written objection as described above, you also must notify the above counsel on or before November 17, 2009 concerning your intention to appear. Persons who intend to object and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the hearing.

86. You are not required to hire an attorney to represent you in making written objections or in appearing at the Settlement Hearing. If you decide to hire an attorney, which will be at your own expense, however, he or she must file a notice of appearance with the Court and serve it on Lead Counsel so that the notice is received on or before November 17, 2009.

87. The Settlement Hearing may be adjourned by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

Unless the Court orders otherwise, any Class Member who does not object in the manner described above will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlement, the proposed Plan of Allocation, or Lead Counsel's request for an award of attorneys' fees and reimbursement of expenses. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

88. If you purchased or otherwise acquired RAIT securities during the Class Period for the beneficial interest of a person or organization other than yourself, you must either (i) send a copy of this Notice to the beneficial owner of such RAIT securities, postmarked no later than fourteen (14) days after you receive this Notice, or (ii) provide the names and addresses of such persons no later than fourteen (14) days after you receive this Notice to *In re RAIT Financial Trust Securities Litigation*, c/o The Garden City Group, Inc., P.O. Box 9507, Dublin, OH 43017-4807. If you choose the second option, the Claims Administrator will send a copy of the Notice to the beneficial owner. Upon full compliance with these directions, such nominees may seek reimbursement of their reasonable expenses actually incurred, by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Proof of Claim form can be obtained from the website maintained by the Claims Administrator, www.raitsecuritieslitigation.com, or by calling toll-free 1-888-862-9733, or from Lead Counsel's website, www.blbglaw.com.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

89. This Notice contains only a summary of the terms of the proposed Settlement. More detailed information about the matters involved in the Consolidated Action is available at www.raitsecuritieslitigation.com, including, among other documents, copies of the Stipulation, Proof of Claim form, the Complaint and the Court's Order on the Defendants' motions to dismiss the Consolidated Action. All inquiries concerning this Notice or the Claim Form should be directed to:

In re RAIT Financial Trust Securities Litigation
c/o The Garden City Group, Inc.
P.O. Box 9507
Dublin, OH 43017-4807
1-888-862-9733

OR

Chad Johnson, Esq.
BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP
1285 Avenue of the Americas
New York, NY 10019
(800) 380-8496
blbg@blbglaw.com

Lead Counsel

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF COURT
REGARDING THIS NOTICE.**

Dated: September 25, 2009

By Order of the Clerk of Court
United States District Court
for the Eastern District of Pennsylvania

RAIT Plan of Allocation

Table A. Daily Rolling Average Price of Eligible Securities during the PSLRA 90-day Look-Back Period

Date	RAIT Common Stock	RAIT Notes (Price per \$1,000 of Face Value)	RAIT Series A Preferred Stock	RAIT Series B Preferred Stock	RAIT Series C Preferred Stock
8/6/2007	\$8.16	\$538.75	\$12.40	\$13.26	\$14.50
8/7/2007	\$7.99	\$546.67	\$12.48	\$13.34	\$14.17
8/8/2007	\$8.36	\$574.38	\$12.74	\$13.53	\$14.51
8/9/2007	\$8.49	\$590.50	\$12.89	\$13.67	\$14.62
8/10/2007	\$8.53	\$600.20	\$12.99	\$13.76	\$14.81
8/13/2007	\$8.52	\$600.53	\$13.08	\$13.83	\$14.94
8/14/2007	\$8.31	\$589.21	\$12.96	\$13.61	\$14.98
8/15/2007	\$8.13	\$580.54	\$12.91	\$13.55	\$15.04
8/16/2007	\$8.06	\$577.74	\$12.83	\$13.43	\$14.99
8/17/2007	\$8.09	\$577.83	\$12.84	\$13.42	\$14.99
8/20/2007	\$8.10	\$577.80	\$12.89	\$13.45	\$15.01
8/21/2007	\$8.10	\$577.48	\$12.95	\$13.50	\$15.06
8/22/2007	\$8.16	\$578.11	\$13.03	\$13.58	\$15.16
8/23/2007	\$8.20	\$581.90	\$13.14	\$13.67	\$15.28
8/24/2007	\$8.24	\$585.38	\$13.23	\$13.75	\$15.40
8/27/2007	\$8.26	\$588.15	\$13.31	\$13.82	\$15.50
8/28/2007	\$8.26	\$589.98	\$13.37	\$13.87	\$15.58
8/29/2007	\$8.24	\$591.04	\$13.41	\$13.92	\$15.65
8/30/2007	\$8.25	\$592.11	\$13.42	\$13.94	\$15.71
8/31/2007	\$8.27	\$593.97	\$13.45	\$13.97	\$15.77
9/4/2007	\$8.33	\$596.46	\$13.50	\$14.02	\$15.82
9/5/2007	\$8.36	\$598.62	\$13.52	\$14.06	\$15.86
9/6/2007	\$8.37	\$600.03	\$13.55	\$14.08	\$15.89
9/7/2007	\$8.37	\$600.83	\$13.56	\$14.09	\$15.91
9/10/2007	\$8.37	\$601.62	\$13.57	\$14.08	\$15.87
9/11/2007	\$8.36	\$602.25	\$13.58	\$14.08	\$15.85
9/12/2007	\$8.35	\$602.84	\$13.58	\$14.08	\$15.82
9/13/2007	\$8.35	\$603.51	\$13.59	\$14.07	\$15.80
9/14/2007	\$8.38	\$604.69	\$13.59	\$14.07	\$15.78
9/17/2007	\$8.40	\$605.78	\$13.60	\$14.07	\$15.76
9/18/2007	\$8.43	\$607.17	\$13.60	\$14.07	\$15.74
9/19/2007	\$8.45	\$608.35	\$13.62	\$14.09	\$15.73
9/20/2007	\$8.48	\$609.87	\$13.64	\$14.12	\$15.72

RAIT Plan of Allocation

Table A. Daily Rolling Average Price of Eligible Securities during the PSLRA 90-day Look-Back Period

Date	RAIT Common Stock	RAIT Notes (Price per \$1,000 of Face Value)	RAIT Series A Preferred Stock	RAIT Series B Preferred Stock	RAIT Series C Preferred Stock
9/21/2007	\$8.51	\$612.51	\$13.66	\$14.14	\$15.70
9/24/2007	\$8.54	\$615.01	\$13.67	\$14.15	\$15.69
9/25/2007	\$8.55	\$616.97	\$13.68	\$14.16	\$15.67
9/26/2007	\$8.55	\$618.53	\$13.68	\$14.16	\$15.65
9/27/2007	\$8.54	\$619.72	\$13.67	\$14.16	\$15.64
9/28/2007	\$8.53	\$621.36	\$13.67	\$14.16	\$15.63
10/1/2007	\$8.54	\$623.15	\$13.67	\$14.16	\$15.61
10/2/2007	\$8.55	\$624.98	\$13.67	\$14.16	\$15.59
10/3/2007	\$8.56	\$626.73	\$13.67	\$14.17	\$15.58
10/4/2007	\$8.57	\$628.48	\$13.67	\$14.17	\$15.56
10/5/2007	\$8.59	\$630.31	\$13.67	\$14.18	\$15.55
10/8/2007	\$8.61	\$632.59	\$13.69	\$14.20	\$15.55
10/9/2007	\$8.64	\$634.79	\$13.70	\$14.22	\$15.54
10/10/2007	\$8.65	\$636.75	\$13.70	\$14.24	\$15.53
10/11/2007	\$8.67	\$638.40	\$13.71	\$14.25	\$15.52
10/12/2007	\$8.67	\$639.93	\$13.71	\$14.27	\$15.52
10/15/2007	\$8.68	\$641.55	\$13.72	\$14.29	\$15.52
10/16/2007	\$8.69	\$642.96	\$13.72	\$14.30	\$15.52
10/17/2007	\$8.70	\$644.46	\$13.72	\$14.32	\$15.52
10/18/2007	\$8.71	\$645.95	\$13.72	\$14.32	\$15.52
10/19/2007	\$8.71	\$647.12	\$13.72	\$14.33	\$15.51
10/22/2007	\$8.72	\$648.35	\$13.71	\$14.33	\$15.50
10/23/2007	\$8.74	\$649.30	\$13.70	\$14.32	\$15.49
10/24/2007	\$8.74	\$650.02	\$13.69	\$14.31	\$15.47
10/25/2007	\$8.74	\$650.72	\$13.67	\$14.30	\$15.45
10/26/2007	\$8.75	\$651.61	\$13.65	\$14.29	\$15.43
10/29/2007	\$8.75	\$651.91	\$13.63	\$14.28	\$15.42
10/30/2007	\$8.75	\$652.24	\$13.60	\$14.27	\$15.40
10/31/2007	\$8.76	\$652.58	\$13.58	\$14.26	\$15.38
11/1/2007	\$8.75	\$652.85	\$13.55	\$14.24	\$15.36