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Attorneys for Plaintiff

GORDON D. LOBINS, Derivatively on Behalf of Nominal Defendant RAIT FINANCIAL TRUST,
2501 Mathews Avenue Apt. H
Redondo Beach, CA 90278,

Plaintiff,

v.

EDWARD S. BROWN
2228 Hilltop View Road
Coatesville, PA 19320,

BETSY Z. COHEN
1240 North Casey Key Road
Osprey, FL 34229,

DANIEL G. COHEN
900 Airole Way
Los Angeles, CA, 90077,

SCOTT L.N. DAVIDSON
3635 Stewart Avenue
Miami, FL 33133,

FRANK A. FARNESI
1710 Augustine Drive
Lady Lake, FL 32159,

KENNETH R. FRAPPIER
139 Gina Court
Elkton, MD 21921,

S. KRISTIN KIM
808 Columbus Avenue Apt 9B
New York, NY 10025,

COURT OF COMMON PLEAS
PHILADELPHIA COUNTY

CIVIL ACTION LAW

NO.

VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT

JURY TRIAL DEMANDED

RAPHAEL LICHT
301 Catharine Street, Apt A
Philadelphia, PA 19147,

PLAMEN B. MITRIKOV
520 W. 23rd Street Apt 8B
New York, NY 10011,

DANIEL PROMISLO
200 Locust Street #14DN
Philadelphia, PA 19106,

JOHN F. QUIGLEY
835 Fulton Avenue
Lansdale, PA 19446,

JACK E. SALMON
421 Church Road
Devon, PA 19333,

JON C. SARKISIAN
116 Muirfield Court
Moorestown, NJ 08057,

SCOTT F. SCHAEFFER
406 Pond View Drive
Moorestown, NJ 08057,

JAMES J. SEBRA
617 Brainerd Place
Exton, PA 19341,

ANDREW M. SILBERSTEIN
4 Brookfield Lane
Scarsdale, NY 10583,

MURRAY STEMPELL, III
633 Robinson Lane
Haverford, PA 19041,

Defendants,

and

RAIT FINANCIAL TRUST,

Nominal Defendant.

NOTICE TO DEFEND

You have been sued in Court. If you wish to defend against the claims set forth in the following pages, you must take action within twenty (20) days after this Complaint and Notice are served, by entering a written appearance personally or by attorney and filing in writing with the Court your defenses or objections to the claims set forth against you. You are warned that if you fail to do so the case may proceed without you and a judgment may be entered against you by the Court without further notice for any money claimed in the Complaint or for any other claim or relief requested by the plaintiff. You may lose money or property or other rights important to you.

YOU SHOULD TAKE THIS PAPER TO YOUR LAWYER AT ONCE. IF YOU DO NOT HAVE A LAWYER OR CANNOT AFFORD ONE, GO TO OR TELEPHONE THE OFFICE SET FORTH BELOW TO FIND OUT WHERE YOU CAN GET LEGAL HELP.

Philadelphia Bar Association
Lawyer Referral and Information Service
1101 Market Street, 11th Floor
Philadelphia, Pennsylvania 19107-2911
Telephone: (215) 238-6333

AVISO

Lo(a) han demandado a usted en la corte. Si usted quiere defenderse de estas demandas expuestas en laspáginas siguientes, usted tiene veinte (20) días de plazo al partir de la fecha de la demanda y la notificación. Hace falta asentar una comparecencia escrita o en persona o con un abogado y entregar a la corte en forma escrita sus defensas o sus objeciones a las demandas en contra de su persona. Sea avisado que si usted no se defiende, la corte tomará medidas y puede continuar la demanda en contra suya sin previo aviso o notificación. Además, la corte puede decidir a favor del demandante y requiere que usted cumpla con todas las provisiones de esta demanda. Usted puede perder dinero o sus propiedades u otros derechos importantes para usted.

LLEVE ESTA. DEMANDA A UN ABOGADO INMEDIATAMENTE. SI NO TIENE ABOGADO O SI NO TIENE EL DINERO SUFICIEMIENTE DE PAGAR TAL SERVICIO, VAYA EN PERSONA O LLAME POR TELÉFONO A LA OFICINA CUYA DIRECCIÓN SE ENCUENTRA ESCRITA ABAJO PARA AVERIGUAR DONDE SE PUEDE CONSEGUIR ASISTENCIA LEGAL.

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VERIFIED STOCKHOLDER DERIVATIVE COMPLAINT

Plaintiff Gordon D. Lobins ("Plaintiff"), by and through his undersigned counsel, upon knowledge as to himself and upon information and belief as to all other matters, alleges as follows:

NATURE OF THE ACTION

1. Plaintiff brings this stockholder derivative action on behalf of nominal defendant RAIT Financial Trust ("RAIT" or the "Company") against certain current and former members of its Board of Trustees (the "Board") and certain of the Company's executive officers seeking to remedy defendants' breaches of fiduciary duties. Plaintiff, by the undersigned attorneys, alleges upon personal knowledge with respect to himself, and upon information and belief based upon, *inter alia*, a review of public filings, press releases and reports, and an investigation undertaken by Plaintiff's counsel, as to all other allegations herein.

2. This action concerns the Individual Defendants' (as defined herein) breaches of fiduciary duties in connection with a kickback scheme by RAIT's investment advisor subsidiary Taberna Capital Management, LLC ("TCM") involving securitizations for RAIT's subsidiary Taberna Realty Finance Trust ("Taberna").

3. On May 10, 2012, RAIT filed with the U.S. Securities and Exchange Commission ("SEC") a Form 10-Q disclosing that on March 13, 2012, the staff of the SEC notified the Company that the SEC had initiated a non-public investigation concerning TCM's "compliance with securities laws in connection with transactions since January 1, 2009 involving various Taberna securitizations for which TCM served as collateral manager" (the "SEC Investigation").

4. On August 6, 2014, RAIT filed with the SEC a Form 10-Q that provided further detail about the SEC Investigation. Specifically, the Form 10-Q stated that "the investigation relates to TCM's receipt of approximately $15 million of restructuring fees from issuers of

securities collateralizing Taberna securities for which TCM served as collateral manager in connection with certain exchange transactions involving these securities and securitizations."

5. On September 16, 2014, the Company announced in a press release that it had reached an agreement in principle with the SEC to resolve the SEC Investigation. Under the terms of the agreement, TCM will pay $21.5 million and RAIT will guarantee the payment obligation. RAIT recorded the $21.5 million expense during the third quarter of 2014.

6. On September 2, 2015, the Company issued a press release announcing the final settlement of the SEC Investigation.

7. In December 2014, RAIT exited the Taberna business, including TCM's management of the Taberna securitizations. RAIT sold the remaining collateral management contracts and deconsolidated the securitizations from its financial statements. The exit resulted in a one-time, non-cash charge to earnings of approximately $215 million reflecting the removal of Taberna from RAIT's Generally Accepted Accounting Principles ("GAAP") financial results and a material reduction of RAIT's assets under management, assets, liabilities and equity.

8. The Company has also disclosed that defendants Kenneth R. Frappier ("Frappier"), RAIT's former Executive Vice President – Portfolio and Risk Management, and Raphael Licht ("Licht"), RAIT's former General Counsel, Secretary and Managing Director, each received a written "Wells Notice" from the SEC. The Wells Notices indicate that the SEC staff has made a preliminary determination to recommend to the SEC that the SEC file an action against Frappier and Licht relating to their activities on behalf of TCM in connection with the matters that formed the basis for the SEC Investigation.

9. As a direct and proximate result of Individual Defendants' misconduct, RAIT has sustained damages, including, but not limited to, costs and expenses incurred in connection with the SEC Investigation and the payment to the SEC to resolve the investigation.

JURISDICTION AND VENUE

10. The Court has jurisdiction over each defendant named herein because each defendant is either a corporation that conducts business or maintains operations in this County, or is an individual who has sufficient minimum contacts with Pennsylvania so as to render the exercise of jurisdiction by the Pennsylvania courts permissible under traditional notions of fair play and substantial justice.

11. Venue is property in this Court because one or more of the defendants either resides in or maintains executive offices in this County, RAIT is headquartered in this County, a substantial portion of the transactions and wrongs complained of herein occurred in this County, and defendants have received substantial compensation in this County by doing business here and engaging in numerous activities that had an effect in this County.

PARTIES

12. Plaintiff is a stockholder of RAIT, was a stockholder of RAIT at the time of the wrongdoing alleged herein, and has been a stockholder continuously since that time.

13. Nominal defendant RAIT is a Maryland corporation with its principle place of business located at 2929 Arch Street, 17th Floor, Philadelphia, Pennsylvania 19104. Shares of RAIT common stock are traded on the New York Stock Exchange under the ticker symbol "RAS." According to its public filings, RAIT is an internally-managed real estate investment trust ("REIT") that provides debt financing options to owners of commercial real estate and invests directly in commercial real estate properties located throughout the United States. In addition, RAIT is an asset and property manager of real estate-related assets.

14. Defendant Edward S. Brown ("Brown") has served as a trustee of RAIT since June 1999.

15. Defendant Betsy Z. Cohen ("B. Cohen") served as Chairman of the Board from August 1997 until her retirement, effective December 31, 2010. She served as Chief Executive Officer ("CEO") of RAIT from August 1997 until December 2006.

16. Defendant Daniel G. Cohen ("D. Cohen"), the son of B. Cohen, served as a trustee of RAIT from December 2006 until his resignation, effective February 26, 2010. He served as CEO of RAIT from December 2006 until his resignation from that position, effective February 22, 2009.

17. Defendant Scott L.N. Davidson ("Davidson") has served as RAIT's President since January 2014. He served as a Managing Director of RAIT from April 2010 to January 2014.

18. Defendant Frank A. Farnesi ("Farnesi") has served as a trustee of RAIT since December 2006. He joined the Board in connection with RAIT's acquisition of Taberna in December 2006. Defendant Farnesi served on the board of trustees of Taberna from April 2005 until December 2006.

19. Defendant Frappier served as Executive Vice President – Portfolio and Risk Management of RAIT from May 2011 until his employment was terminated, effective December 31, 2014. He served as Executive Vice President – Risk Management of RAIT from February 2008 to May 2011, Chief Credit Officer of RAIT from December 2006 to February 2008 and Senior Vice President – Portfolio and Risk Management of RAIT from April 2002 to December 2006.

20. Defendant S. Kristin Kim ("Kim") has served as a trustee of RAIT since October 2003.

21. Defendant Licht served as Managing Director – Business Development and General Counsel of RAIT from February 1, 2014 until his employment was terminated, effective December 31, 2014. He also served as Secretary of RAIT from December 2006 until December 31, 2014. Defendant Licht served as Chief Operating Officer ("COO") of RAIT from February 2009 to February 1, 2014, as Chief Legal Officer and Chief Administrative Officer of RAIT from December 2006 to February 2009 and as a director of RAIT subsidiary Independence Realty Trust, Inc. ("IRT") from January 2011 to March 2011.

22. Defendant Plamen B. Mitrikov ("Mitrikov") served as Executive Vice President – Asset Management of RAIT from December 2006 until his termination, effective July 15, 2011. He joined RAIT in connection with RAIT's acquisition of Taberna and served as Taberna's Executive Vice President – Asset Management from April 2006 until July 2011.

23. Defendant Daniel Promislo ("Promislo") served as a trustee of RAIT from August 1997 until his retirement, effective December 15, 2011. Following his retirement, defendant Promislo entered into a consulting agreement with RAIT, designating him as a "trustee emeritus."

24. Defendant John F. Quigley, III ("Quigley") served as a trustee of RAIT from December 2006 until his resignation, effective October 17, 2012. He served as a member of the board of trustees of Taberna from April 2005 until December 2006.

25. Defendant Jack E. Salmon ("Salmon") served as a Senior Vice President of RAIT from May 2012 until his resignation, effective February 28, 2013. He served as Chief Financial Officer ("CFO") and Treasurer of RAIT from December 2006 until May 2012. Defendant

Salmon joined RAIT in connection with RAIT's acquisition of Taberna and served as Taberna's Executive Vice President, CFO and Treasurer from March 2005 until February 2013.

26. Defendant John C. Sarkisian ("Sarkisian") has served as a trustee of RAIT since December 2011.

27. Defendant Scott F. Schaeffer ("Schaeffer") has served as CEO of RAIT since February 2009 and as Chairman of the Board since December 2010. He served as President of RAIT from February 2008 to January 2014, as COO of RAIT from February 2008 to February 2009, as co-President and co-COO of RAIT from December 2006 to February 2008, and as President and COO of RAIT from September 2000 to December 2006. Defendant Schaeffer has served as Chairman of the board of directors of IRT since RAIT acquired IRT in January 2011.

28. Defendant James J. Sebra ("Sebra") has served as CFO and Treasurer of RAIT since May 2012. He served as Senior Vice President and Chief Accounting Officer of RAIT from May 2007 to May 2012. Defendant Sebra has served as CFO of IRT since May 2012 and as Treasurer of IRT since January 2011.

29. Defendant Andrew M. Silberstein ("Silberstein") has served as a trustee of RAIT since October 2012.

30. Defendant Murray Stempell, III ("Stempell") has served as lead trustee of RAIT since January 2014 and as a trustee of RAIT since December 2006 when he joined the Board in connection with RAIT's acquisition of Taberna. He served as a member of the board of trustees of Taberna from April 2005 until December 2006.

31. Together, defendants Brown, B. Cohen, D. Cohen, Davidson, Farnesi, Frappier, Kim, Licht, Mitrikov, Promislo, Quigley, Salmon, Sarkisian, Schaeffer, Sebra, Silberstein and Stempell may be referred to collectively herein as the "Individual Defendants."

DUTIES OF THE INDIVIDUAL DEFENDANTS

32. By reason of their positions as officers and/or trustees of the Company and because of their ability to control the business and corporate affairs of the Company, the Individual Defendants owed the Company and its stockholders the fiduciary obligations of good faith, loyalty and candor, and were and are required to use their utmost ability to control and manage the Company in a fair, just, honest and equitable manner. The Individual Defendants were and are required to act in furtherance of the best interests of the Company and its stockholders so as to benefit all stockholders equally and not in furtherance of their personal interest or benefit. Each trustee and officer of the Company owes to the Company and its stockholders the fiduciary duty to exercise good faith and diligence in the administration of the affairs of the Company and in the use and preservation of its property and assets, and the highest obligations of fair dealing.

33. The Individual Defendants, because of their positions of control and authority as officers and/or trustees of the Company, were able to and did, directly and/or indirectly, exercise control over the wrongful acts complained of herein.

34. To discharge their duties, the officers and trustees of the Company were required to exercise reasonable and prudent supervision over the management, policies, practices and controls of the Company. By virtue of such duties, the officers and trustees of the Company were required to, among other things:

a. Exercise good faith to ensure that the affairs of the Company were conducted in an efficient, businesslike manner so as to make it possible to provide the highest quality performance of their business; and

b. Exercise good faith to ensure that the Company was operated in a diligent, honest and prudent manner and complied with all applicable federal and state laws, rules, regulations and requirements, and all contractual obligations, including acting only within the scope of its legal authority.

35. Moreover, Section 1 of the Company's Amended and Restated Code of Business Conduct and Ethics provides that "[o]beying the law, both in letter and in spirit, is the foundation on which RAIT's ethical standards are built" and that the trustees, officers and employees of RAIT "must respect and obey the laws of the cities and states in which [RAIT] operate[s]."

SUBSTANTIVE ALLEGATIONS

Overview of RAIT and Taberna

36. RAIT is a commercial real estate company that is a self-managed and self-advised REIT. The Company originates commercial real estate loans, acquires commercial real estate properties, and invests in, manages and services commercial real estate assets. The Company also offers debt financing options to the commercial real estate industry, provides asset and property management services, and owns and manages a portfolio of commercial real estate properties. The Company was formed in August 1997 and commenced operations in January 1998.

37. The Company conducts its business through two core business lines: (i) commercial real estate, which concentrates on real estate lending and owning and managing commercial real estate assets throughout the United States; and (ii) IRT, which concentrates on the ownership of apartment properties in "opportunistic" markets throughout the United States.

38. Until the end of 2014, RAIT also conducted business through its Taberna business line, which included serving as collateral manager for three securitizations collateralized primarily by trust preferred securities issued by real estate companies, namely Taberna Preferred Funding I, Ltd., Taberna Preferred Funding VIII, Ltd. ("T8"), and Taberna Preferred Funding IX, Ltd. ("T9"), and holding retained interests in T8 and T9 resulting in RAIT's consolidation of those securitizations. RAIT acquired Taberna in a merger completed in December 2006.

The SEC Investigation

39. On May 10, 2012, the Company filed with the SEC a Form 10-Q disclosing that on March 13, 2012, the staff of the SEC notified the Company that the SEC had initiated a non-public investigation concerning TCM's "compliance with securities laws in connection with transactions since January 1, 2009 involving various Taberna securitizations for which TCM served as collateral manager."

40. On August 6, 2014, the Company filed with the SEC a Form 10-Q that provided further detail about the SEC Investigation. Specifically, the 10-Q stated:

> The investigation relates to TCM's receipt of approximately $15 million of restructuring fees from issuers of securities collateralizing Taberna securitizations for which TCM served as collateral manager in connection with certain exchange transactions involving these securities and securitizations. TCM participated in these exchange transactions between March 2, 2009 and November 28, 2012 and has not subsequently participated in any exchange transactions in which it has collected a fee. The SEC staff has issued administrative subpoenas seeking testimony and information from us in connection with this matter, and we are cooperating fully in providing such information. SEC staff has verbally informed us through our counsel that they believe that TCM may have violated certain federal securities laws and regulations, primarily the Investment Advisers Act of 1940, as amended, in connection with receiving these restructuring fees. We have engaged in discussions with SEC staff regarding its concerns. Because these discussions are preliminary and ongoing, we are not currently able to determine how this matter will be resolved, or what amounts or remedies associated with, or as a consequence of, this matter are both probable and reasonably estimable or whether any resolution or consequences will have a material adverse effect on us. Accordingly, we have not recorded any liability pertaining to this matter.

41. More specifically, the SEC Investigation concerned Taberna's multi-year effort to charge and retain certain fees ("Exchange Fees") in connection with restructuring transactions undertaken between Taberna's collateralized debt obligation ("CDO") clients (the "Taberna CDOs") and the issuers of the underlying obligations in the Taberna CDOs' portfolios.[1]

[1] A CDO is a special-purpose vehicle that issues debt to investors and uses the proceeds to invest in fixed income securities or loans. The CDO's debt is issued in different tranches that feature varying levels of risks and returns. The senior tranche is the highest rated and is first in the

Between 2009 and 2012, Taberna retained over $15 million of Exchange Fees. As Taberna knew, the Exchange Fees should have gone to the CDOs, and retention of the Exchange Fees was impermissible under the governing documents for the Taberna CDOs. Additionally, the Exchange Fees created actual and potential conflicts of interest that Taberna failed to disclose to its clients, in violation of Taberna's fiduciary duty as an investment adviser, and to the investors in the Taberna CDOs, including on Taberna's Forms ADV.[2]

42. On September 16, 2014, the Company issued a press release titled "Taberna Capital Management to Settle with the U.S. Securities and Exchange Commission" which disclosed that the Company had reached an agreement in principle with the SEC to resolve the SEC Investigation. The press release states, in pertinent part:

> [RAIT] today announced an agreement in principle with the staff of the [SEC] to resolve a non-public SEC investigation concerning [TCM], RAIT's investment adviser subsidiary. As previously disclosed, the investigation focused on exchange transactions conducted by TCM between March 2, 2009 and November 28, 2012 and on its receipt of approximately $15 million of restructuring fees from issuers of securities held by Taberna securitizations relating to these transactions. The agreement in principle was reached following discussions with the SEC staff and remains subject to final documentation and approval by the SEC. The settlement will be entered into by TCM without admitting or denying the allegations and will resolve all violations alleged by the SEC against TCM. Under the terms of the agreement in principle, among other things, TCM will pay $21.5 million. RAIT will record an expense for the settlement amount during the third quarter of 2014.

* * *

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priority of repayment through what is called the CDO's "waterfall." Remaining proceeds then flow to the lower-rated junior tranches, and any proceeds remaining after the junior tranches are paid flows to the lowest, or "equity," tranche. Taberna invested in the equity tranche of most of the Taberna CDOs.

[2] As a registered investment adviser, Taberna was required to file Forms ADV with the SEC. In this form, Taberna was required to identify, among other things, its sources of compensation in connection with advice it provided to its clients, potential conflicts of interests it had, and how it dealt with such conflicts.

> RAIT will take a one-time, $21.5 million settlement charge to GAAP earnings and cash available for distribution ("CAD") in the quarter ended September 30, 2014 and expects a decline in adjusted book value of approximately $0.26 per share due to the settlement charge.

(Emphasis added).

43. On September 2, 2015, the Company issued a press release titled "RAIT Financial Trust Announces SEC Approval of Settlement Concerning Taberna Capital Management" which disclosed that the SEC approved the settlement to resolve the SEC Investigation. The press release states, in pertinent part:

> [RAIT] today announced that the [SEC] has approved a settlement to resolve a non-public SEC investigation concerning [TCM], RAIT's subsidiary. As previously disclosed, the investigation focused on exchange transactions conducted by TCM between March 2, 2009 and November 28, 2012 and on its receipt of approximately $15 million of restructuring fees from issuers of securities held by Taberna securitizations relating to these transactions. TCM entered into the settlement without admitting or denying the allegations, and the settlement resolves all violations alleged by the SEC against TCM. Pursuant to the terms of the settlement, among other things, TCM paid $21.5 million to the SEC. This amount is consistent with prior disclosure and RAIT recorded an expense for this amount during the third quarter of 2014.

44. On September 4, 2015, the Company filed with the SEC a Form 8-K disclosing further details of the SEC Investigation settlement. Specifically, the Form 8-K states, in pertinent part:

> As we have previously disclosed, on September 16, 2014, [TCM], a subsidiary of [RAIT], reached an agreement in principle with the staff of the [SEC] to resolve a non-public investigation initiated by SEC staff. Consistent with this agreement in principle, the SEC accepted an offer of settlement submitted by TCM and entered an order (administrative proceeding file no. 3-16776) (the "Order") on September 2, 2015. TCM consented to the entry of the Order without admitting or denying the findings therein. The Order, among other things, required TCM to pay disgorgement of $13.0 million, prejudgment interest of $2.0 million and a civil penalty of $6.5 million, aggregating to payments of $21.5 million. The aggregate amount of these payments was consistent with our prior disclosure regarding the agreement in principle referenced above. As previously disclosed, RAIT took a charge of $21.5 million relating to this settlement in 2014. In connection with TCM's offer of settlement, RAIT provided a written commitment (the "Commitment") to the SEC which became effective the date of the Order.

> The Commitment provided, among other things, that RAIT would ensure the payment by TCM of the $21.5 million of payments referenced above, which payments were made September 3, 2015.

RAIT Exits The Taberna Business

45. In the September 16, 2014 press release, the Company disclosed that it was undertaking to exit the Taberna business, including TCM's serving as collateral manager of the three securitizations and RAIT's holdings of securities issued by those securitizations.

46. In December 2014, the Company assigned or delegated all of TCM's remaining collateral management agreements to a third party. The December 2014 transactions resulted in the Company's deconsolidation of T8 and T9. As a result of the T8 and T9 assignments, RAIT determined that T8 and T9 no longer satisfied the requirements to remain variable interest entities consolidated by RAIT and therefore they were deconsolidated. Such deconsolidation resulted in a one-time, non-cash charge to the Company's earnings of approximately $215.8 million and a one-time reduction to stockholders' equity of $199.3 million.

47. In January 2015, the Company sold substantially all of its holdings of the related Taberna securities and expects to sell the balance in 2015. As a result of shutting down Taberna, TCM does not expect to receive any collateral management fees from any securitization in the future.

Defendants Frappier & Licht Receive Wells Notices From the SEC

48. On November 10, 2014, the Company filed with the SEC a Form 10-Q which disclosed that a former employee who left RAIT in 2010 (Michael Fralin ("Fralin")), and defendants Frappier and Licht each received a written "Wells Notice" from the SEC. A "Wells Notice" provides a recipient an opportunity to respond to issues raised by the SEC staff and to present any reasons of law, policy or fact why the SEC staff should not recommend that the SEC initiate an enforcement action prior to the SEC staff making such a recommendation.

49. The Wells Notices issued to Fralin and defendants Frappier and Licht indicated the SEC staff made a preliminary determination to recommend to the SEC that the SEC file an action against each of these individuals relating to their activities on behalf of TCM in connection with the matters that were the subject of the SEC Investigation.

50. In connection with the settlement of the SEC Investigation, Fralin and defendant Licht were required to, among other things, pay civil penalties of $100,000 and $75,000, respectively.

51. The September 4, 2015 Form 8-K disclosed that the SEC staff notified defendant Frappier that "the staff has concluded its investigation as to [Frappier] and that it does not intend to recommend that the SEC commence any enforcement action against such former executive officer."

THE INDIVIDUAL DEFENDANTS' BREACHES OF FIDUCIARY DUTIES

52. During the relevant period, the Individuals Defendants were well aware of the issues that formed the basis of the SEC Investigation and the Company's failure to address and remedy these problems. Through their attendance at Board and management meetings, their review of the Company's filings with the SEC, and their conversations with the Company's management and consultants, the Individual Defendants knew of the issues that formed the basis of the SEC Investigation as described herein, yet they declined to implement the necessary policies and procedures to correct such problems.

53. The Individual Defendants breached their fiduciary duties of loyalty and good faith by knowingly causing or allowing RAIT, its employees, and/or its affiliated entities to engage in the wrongdoing that formed the basis of the SEC Investigation and subsequent settlement.

54. As a direct and proximate result of the Individual Defendants' foregoing breaches of fiduciary duties, RAIT has sustained damages, including, but not limited to, costs and expenses incurred in connection with the SEC Investigation, including the $21.5 million fee RAIT paid to resolve the SEC Investigation.

DERIVATIVE AND DEMAND ALLEGATIONS

55. Plaintiff brings this action derivatively in the right and for the benefit of the Company to redress the Individual Defendants' breaches of fiduciary duties.

56. Plaintiff is a stockholder of RAIT, was a stockholder of RAIT at the time of the wrongdoing alleged herein, and has been a stockholder of RAIT continuously since that time.

57. Plaintiff will adequately and fairly represent the interests of RAIT and its stockholders in enforcing and prosecuting its rights.

58. On January 27, 2015, Plaintiff made a demand on the Board to commence this action (the "Demand"). A copy of Plaintiff's Demand is attached hereto as Exhibit A. The Demand asserts, *inter alia*, that the Individual Defendants breached their fiduciary duties for the reasons stated herein.

59. On February 4, 2015, outside counsel to RAIT sent Plaintiff's counsel a letter acknowledging receipt of the Demand and stating that the Demand "has been distributed to [the Board], which intends to consider the [Demand] at its next regularly-scheduled meeting, on Tuesday, February 10, 2015." A copy of the February 4, 2015 letter is attached hereto as Exhibit B.

60. On February 11, 2015, outside counsel to RAIT sent Plaintiff's counsel a letter stating that the Board "discussed [the Demand] at its regularly-scheduled meeting on February 10, 2015" and that the Board "appointed a committee to investigate the issues raised by [the Demand], which committee will now interview independent counsel." In the letter, outside

counsel requested "information about all of [Plaintiff's] purchases and sales of shares in RAIT[.]" A copy of the February 11, 2015 letter is attached hereto as Exhibit C.

61. On February 18, 2015, Plaintiff's counsel sent to RAIT's outside counsel a letter in response to the February 11, 2015 letter requesting the identities of the members of the Board investigative committee and the identity of the investigative committee's (the "Special Committee") counsel. Plaintiff's counsel also provided information about Plaintiff's purchases and sales of shares of RAIT common stock, including Plaintiff's continuous ownership of RAIT common stock since May 2006. A copy of the February 18, 2015 letter is attached hereto as Exhibit D.

62. On March 3, 2015, outside counsel to RAIT sent Plaintiff's counsel a letter in response to the February 18, 2015 letter stating "[t]he Board has appointed a committee consisting of a single member, Trustee Andrew Batinovich…We understand that the committee is in the process of retaining outside counsel. Once outside counsel has been retained, we will provide you with the contact information." A copy of the March 3, 2015 letter is attached hereto as Exhibit E.

63. On March 19, 2015, outside counsel to RAIT sent Plaintiff's counsel a letter identifying the Special Committee's outside counsel. A copy of the March 19, 2015 letter is attached hereto as Exhibit F.

64. On March 27, 2015, counsel to the Special Committee sent Plaintiff's counsel a letter stating "I would like to invite you to present to counsel to the Special Committee in writing and/or in person your information and ideas relating to this investigation at your earliest convenience." A copy of the March 27, 2015 letter is attached hereto as Exhibit G. Plaintiff's counsel met with counsel for the Special Committee on May 27, 2015.

65. Although the Board purportedly formed the Special Committee to consider the Demand, there is no indication from RAIT's public filings or otherwise regarding what, if any, investigation the Special Committee has done or intends to do nor when, if ever, the Special Committee or the Board intends to respond to the Demand. Accordingly, Plaintiff is entitled to proceed with the prosecution of this action.

FIRST CAUSE OF ACTION

Against the Individual Defendants for Breaches of Fiduciary Duties

66. Plaintiff incorporates by reference and realleges each and every allegation set forth above, as though fully set forth herein.

67. As officers and/or trustees of the Company, each of the Individual Defendants owed the Company and its stockholders the fiduciary duties of loyalty, good faith and due care.

68. The Individual Defendants breached their fiduciary duties by knowingly causing or allowing RAIT, its employees, and or its affiliated entities to engage in the wrongdoing that formed the basis of the SEC Investigation, as alleged herein.

69. As a direct and proximate result of the Individual Defendants' breaches of fiduciary duties, the Company has sustained damages, as alleged herein.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff demands judgment as follows:

A. Awarding the Company the amount of damages it sustained as a result of the Individual Defendants' breaches of fiduciary duties;

B. Granting appropriate equitable relief to remedy the misconduct alleged herein;

C. Awarding to Plaintiff the costs and disbursements of this action, including reasonable attorneys' fees, accounts' and experts' fees, costs and expenses; and

D. Granting such other and further relief as the Court deems just and proper.

JURY TRIAL DEMANDED

Plaintiff hereby demands a trial by jury on all claims set forth herein.

Dated: November 23, 2015

KESSLER TOPAZ
MELTZER & CHECK, LLP

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Attorneys for Plaintiff

VERIFICATION

I, Gordon D. Lobins, hereby verify that I have authorized the filing of the attached Verified Stockholder Derivative Complaint, that I have reviewed the Verified Stockholder Derivative Complaint, and that the facts therein are true and correct to the best of my knowledge, information and belief.

I further understand that any intentionally false statements made herein are subject to the penalties of 18 Pa. C.S. § 4904 relating to unsworn falsification to authorities.

DATE: 11-20-15

Gordon Lobins

Gordon D. Lobins