Section 1: 10-K (10-K)

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2018

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-14760

RAIT FINANCIAL TRUST

(Exact name of registrant as specified in its charter)

Maryland	**23-2919819**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
Two Logan Square, 100 N. 18th Street, 23rd Floor Philadelphia, PA	**19103**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (215) 207-2100

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

Title of Each Class

Common Shares of Beneficial Interest
7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest
8.375% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest
8.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest
7.625% Senior Notes Due 2024
7.125% Senior Notes Due 2019

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The aggregate market value of the common shares of the registrant held by non-affiliates of the registrant, based upon the closing price of such shares on June 30, 2018 of $0.10, was approximately $9,081,081.

As of March 18, 2019, 1,849,530 common shares of beneficial interest, par value $1.50 per share, of the registrant were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement for registrant's 2019 Annual Meeting of Shareholders are incorporated by reference in Part III of this Form 10-K.

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FORWARD LOOKING STATEMENTS

The Securities and Exchange Commission, or SEC, encourages companies to disclose forward-looking information so that investors can better understand a company's future prospects and make informed investment decisions. This report contains or incorporates by reference such "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Words such as "anticipates," "assumes," "estimates," "expects," "projects," "intends," "plans," "believes" and words and terms of similar substance used in connection with any discussion of future operating or financial results and performance identify forward-looking statements. Unless we have indicated otherwise, or the context otherwise requires, references in this report to "RAIT," "we," "us," and "our" or similar terms, are to RAIT Financial Trust and its subsidiaries.

We claim the protection of the safe harbor for forward-looking statements provided in the Private Securities Litigation Reform Act of 1995 for these statements. These statements may be made directly in this report and they may also be incorporated by reference in this report to other documents filed with the SEC, and include, but are not limited to, statements about future financial and operating results and performance, statements about our strategies, plans, objectives, expectations and intentions with respect to future operations, products and services, and other statements that are not historical facts. These forward-looking statements are based upon the current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are difficult to predict and generally beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change. Actual results may differ materially from the anticipated results discussed in these forward-looking statements.

RAIT's forward-looking statements include, but are not limited to, statements regarding RAIT's strategies, plans and initiatives to:

- implement the 2019 strategic steps referenced in Part I, Item I, "Business – 2019 Strategic Steps" below;
- address the "going concern" considerations described in our financial statement footnotes and generate sufficient liquidity to satisfy our obligations as they become due;
- divest RAIT of a portion of RAIT's remaining real estate assets releasing cash from those sales and/or distributions on our retained interests in our RAIT I securitization;
- opportunistically divest and maximize the value of RAIT's legacy REO portfolio and, ultimately, minimize REO holdings;
- reduce RAIT's total expense base;
- sell non-core commercial real estate, or CRE, and lower asset management costs;
- optimize the level of working capital on the balance sheet;
- achieve our financial targets;
- achieve our capital structure targets;
- reduce reliance on the issuances of corporate debt and/or preferred stock;
- reduce leverage, including preferred stock, as a percentage of total assets; and
- reduce legacy CDOs as a percentage of total secured indebtedness;

Risks, uncertainties and contingencies that may affect the results expressed or implied by RAIT's forward-looking statements include, but are not limited to:

- whether RAIT will be able to implement any transactions or other action contemplated by the 2019 strategic steps including, without limitation, a possible strategic or refinancing transaction, restructuring of our existing debt or equity, merger or sale of substantially all of RAIT's assets;
- whether management's plans and initiatives will address the "going concern" considerations described in our financial statement footnotes and generate sufficient liquidity to satisfy our obligations as they become due;
- whether RAIT management will be able to successfully divest RAIT of a portion of RAIT's remaining real estate assets releasing cash from those sales and/or distributions on our retained interests in our RAIT I securitization;
- if any of our indebtedness is accelerated because of a breach of covenant or payment default, whether we would be able to satisfy such indebtedness and any other debt that was accelerated due to a cross default or otherwise as a consequence;
- whether the suspension of our loan origination business will have adverse consequences on our ability to negotiate with creditors and investors and adversely affect our access to capital;
- whether RAIT will be able to continue to opportunistically divest and maximize the value of RAIT's legacy REO portfolio;
- whether the divestiture of RAIT's CRE portfolio will lead to lower asset management costs and lower expenses;
- whether RAIT will be able to further reduce compensation and G&A expenses and indebtedness;

- whether RAIT will resume paying dividends on its outstanding equity and, if so, the amount of such dividends;
- overall conditions in commercial real estate and the economy generally;
- changes in the expected yield of our investments;
- changes in financial markets and interest rates, or to the business or financial condition of RAIT;
- whether the amount of loan repayments will be at the level assumed;
- whether we will be able to retain key members of our management team;
- whether RAIT will be able to sell real estate properties;
- the availability of financing and capital, including through the capital and securitization markets;
- risks, disruption, costs and uncertainty caused by or related to the actions of activist shareholders, including that if individuals are elected to our Board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create value for our shareholders, and perceived uncertainties as to our future direction as a result of potential changes to the composition of our Board may lead to the perception of a change in the direction of our business, instability or a lack of continuity which may be exploited by our competitors, cause concern to our current or potential customers, and may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners; and
- other factors described in this report and RAIT's other filings with the SEC.

The risk factors discussed and identified in Item 1A of this report and in other of our public filings with the SEC, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements. We caution you not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. All subsequent written and oral forward-looking statements attributable to us or any person acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, we undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this filing or to reflect the occurrence of unanticipated events.

PART I

Item 1. Business

Our Company

We are an internally-managed Maryland real estate investment trust, or REIT, focused on managing a portfolio of commercial real estate (CRE) loans and properties. As explained further below, we are currently undertaking steps intended to increase RAIT's liquidity and better position RAIT to meet its financial obligations as they come due. We were formed in August 1997 and commenced operations in January 1998. We conduct our business through our real estate lending, owning and managing segment concentrated on lending, owning and managing commercial real estate assets throughout the United States. We incorporate the discussion of this business segment here from Note 17 of Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data."

Business Strategy

RAIT's business strategy has been evolving from September 2017 through the filing of this annual report in response to developments in RAIT's business and financial situation. On September 7, 2017, we announced that our Board of Trustees, or the board, had formed a committee of independent trustees, or the special committee, to explore and evaluate a wide range of possible strategic and financial alternatives for RAIT. On February 20, 2018, we announced that the special committee review had concluded and did not identify a strategic or financial transaction with another counterparty that was preferable to the steps described below. This special committee review, conducted with the support of financial and legal advisors, evaluated a wide range of potential alternatives which included, but were not limited to, (i) refinements of RAIT's operations or strategy, (ii) financial transactions, such as a recapitalization or other change to RAIT's capital structure and (iii) strategic transactions, such as a sale of all or part of RAIT. As a result, the board, after considering the recommendations and advice of the special committee, RAIT's management and legal and financial advisors, determined that RAIT should focus on taking steps to increase RAIT's liquidity and better position RAIT to meet its financial obligations as they come due. We refer to these steps as the 2018 strategic steps and they include, but are not limited to:

- The suspension of our loan origination business along with the implementation of other steps to reduce costs within our other operating businesses;
- The continuation of the process of selling a significant portion of our owned real estate, or REO, portfolio, while continuing to service and manage our existing CRE loan portfolio; and
- The engagement of a financial advisor, M-III Advisory Partners, LP, or M3, to advise and assist RAIT in its ongoing assessment of its financial performance and financial needs.

RAIT's implementation of the 2018 strategic steps resulted in RAIT generating sufficient liquidity to meet its financial obligations arising during 2018, including the redemption by a RAIT subsidiary, RAIT Asset Holdings IV, LLC, or RAIT IV, of its preferred units which resulted in the cancellation of RAIT's Series D preferred shares in June 2018 and the satisfaction of the put right of holders of our 4.0% senior convertible notes in October 2018, each as described below. The board terminated the special committee in July 2018.

2019 Strategic Steps

Beginning in the second half of 2018, RAIT's management, with direction from the board, resumed the review of the potential strategic and financial alternatives for RAIT, including certain alternatives previously considered in the special committee review. As part of these efforts, RAIT management had preliminary discussions with various third parties to explore whether any of them were interested in any potential strategic and/or financial transaction or other action with respect to RAIT, its assets and/or its lending platform. This review and related preliminary discussions continued through the fourth quarter of 2018 and are still ongoing at the time of filing of this annual report, and have been conducted with the support of financial and legal advisors, with the goals of seeking to maximize value for RAIT's stakeholders in accordance with their respective interests and to address certain other adverse business and financial conditions facing RAIT, including those referenced below under "Going Concern Considerations." We refer to our continued implementation of the 2018 strategic steps, combined with our resumption of such review and holding these preliminary discussions, including, without limitation, any transactions or other actions contemplated thereby, as the 2019 strategic steps. We cannot assure you that the 2019 strategic steps will result in any transaction or other action involving RAIT or of the effects that any action, transaction or inaction resulting from the 2019 strategic steps will have on any of RAIT's stakeholders. See Part I, Item 1A, "Risk Factors" for further discussion of potential risks to stakeholders' respective interests in RAIT that may result from the 2019 strategic steps, including, without limitation, any transactions with third parties involving the merger of RAIT with or into another company, the recapitalization or restructuring of RAIT and/or the sale of RAIT and/or some or all of its assets including effectuating such merger, recapitalization, restructure and/or sale through bankruptcy proceedings or other means. RAIT does not intend to make

any further public comment regarding this review and these preliminary discussions until the outcome thereof is determined, except as may be required by law.

2018 Business Developments

Key developments related to the 2018 strategic steps included the following:

- *Redemption of the Series D Preferred Shares*
  - On June 27, 2018, we redeemed and cancelled the remaining 2,939,190 Series D preferred shares (and linked preferred units of RAIT's subsidiary, RAIT Asset Holdings IV, LLC, or RAIT IV) for (a) $56.8 million of cash received by RAIT IV from a transaction resulting in the transfer of RAIT IV's retained interests in the following two securitizations previously consolidated by RAIT in its consolidated financial statements: RAIT 2015-FL5 Trust, or FL5, and RAIT 2016-FL6 Trust, or FL6; (b) defined available cash held by RAIT IV; and (c) shares of RAIT's publicly traded 7.75% Series A Cumulative Redeemable Preferred Shares, or the Series A preferred shares, 8.375% Series B Cumulative Redeemable Preferred Shares, or the Series B preferred shares, and 8.875% Series C Cumulative Redeemable Preferred Shares, or the Series C preferred shares, with an aggregate $16.7 million of liquidation preference. Refer to section titled "Sale of FL5 Interests & FL6 Interests and Series D Preferred Shares Redemption" below for further information.

- *Debt Reductions*
  - RAIT's indebtedness, based on principal amount, declined by $777.1 million, or 54.7%, during the year ended December 31, 2018.
  - Total recourse debt, excluding RAIT's secured warehouse facilities, declined by $125.9 million, or 43.2% during the year ended December 31, 2018. In addition, we repaid all outstanding borrowings on our secured warehouse facilities.

- *Asset Monetization Plan and Liquidity Position*
  - For the year ended December 31, 2018, RAIT has monetized a portion of its loans and real estate assets with an aggregate book value of $322.2 million. These monetizations include sales of loans, sales of real estate assets and repayments of loans. After selling costs and repayment of obligations directly secured by a portion of those assets of $169.2 million, RAIT received net proceeds of $153.0 million.
  - RAIT's cash and cash equivalents balance, as of December 31, 2018, was $42.5 million and, as of March 15, 2019, was $40.2 million.

- *Compensation & General and Administrative, or G&A, Expenses*
  - RAIT implemented a reduction in force of certain of its employees determined to be non-essential to RAIT's implementation of the 2018 strategic steps, which has contributed to the reduced run rate of base compensation expense from approximately $2.5 million per quarter at December 31, 2017 to approximately $1.4 million per quarter subsequent to the reduction in force.
  - RAIT implemented a retention plan, which was successful in incentivizing RAIT's executive and non-executive employees to remain employed at RAIT through the end of 2018 in order to permit such employees to implement the 2018 strategic steps. A new retention plan was implemented in January 2019 to cover the first quarter of 2019 as part of the implementation of the 2019 strategic steps.
  - In connection with the implementation and execution of the 2019 strategic steps, the 2018 strategic steps, the earlier strategic alternatives process, the redemption of the Series D preferred shares discussed above and other matters, including our NYSE listing status, RAIT incurred significant legal and consulting expenses which led to an increased level of G&A expenses during the year ended December 31, 2018. These items contributed to $15.9 million of G&A expenses during the year ended December 31, 2018.

Financial Results

- We are reporting a net loss allocable to common shares of $(133.1) million, or $(72.37) per common share-diluted for the year ended December 31, 2018, as compared to $(184.7) million, or $(100.99) per common share-diluted, for the year ended December 31, 2017.
  - RAIT incurred asset impairment charges of $47.5 million for the year ended December 31, 2018. These charges were primarily related to properties which were affected by local market conditions and/or for which we accepted offers to sell as part of our efforts to increase our liquidity.
  - RAIT also incurred a provision for loan losses of $32.9 million, which was primarily driven by loans where the borrower and/or property experienced an unfavorable event or events during the year.

Sale of FL5 Interests & FL6 Interests and Series D Preferred Shares Redemption

On June 27, 2018, RAIT IV completed the sale of its FL5 interests, as referenced below, and FL6 interests, as referenced below and together with the FL5 interests, the FL interests, to Melody RE II, LLC, or the FL purchaser, for an aggregate purchase price of $54.6 million.

Prior to the sale, RAIT, through its subsidiary RAIT IV, was the holder of:

- 60% of the units, or the FL5 interests, of RAIT – Melody 2016 Holdings, LLC, or Holdings 2016, which controls RAIT – Melody 2016 Holdings Trust. This trust owned, at the time of sale, various classes of non-investment grade bonds and the equity of FL5 with the remaining 40% of the units of Holdings 2016 being held by affiliates of the FL purchaser; and
- 60% of the units, or the FL6 interests, of RAIT – Melody 2017 Holdings, LLC, or Holdings 2017, which controls RAIT – Melody 2017 Holdings Trust. This trust owned, at the time of sale, various classes of non-investment grade bonds and the equity of FL6 with the remaining 40% of the units of Holdings 2017 being held by affiliates of the FL purchaser.

Prior to the sale, RAIT consolidated Holdings 2016 and FL5 and also consolidated Holdings 2017 and FL6 in its consolidated financial statements as RAIT was the primary beneficiary of these variable interest entities, or VIEs. Holdings 2016 and Holdings 2017 have been referred to as the RAIT Venture VIEs in RAIT's consolidated financial statements. As a result of the sale, RAIT was no longer considered the primary beneficiary of these entities and has deconsolidated these entities from its consolidated financial statements. RAIT recognized a loss of $8.2 million on the deconsolidation of these entities as the aggregate purchase price for the Interests of $54.6 million was less than RAIT's net investment in these entities of $62.8 million. After the sale of the Interests, RAIT retained its role as servicer and special servicer of the loans in FL5 and FL6.

Also on June 27, 2018, RAIT, several of RAIT's subsidiaries, and ARS VI Investor I, LP, or the Series D investor, entered into a redemption and exchange agreement, or the Series D redemption and exchange agreement, whereby RAIT redeemed and cancelled the remaining 2,939,190 preferred units of RAIT IV and corresponding Series D preferred shares for (a) $54.6 million of cash (received by RAIT IV from the sale of the FL interests); (b) $2.2 million of defined available cash held by RAIT IV; and (c) shares of RAIT's publicly traded Series A preferred shares with an aggregate $9.6 million liquidation preference, Series B preferred shares with an aggregate $4.2 million liquidation preference and Series C preferred shares with an aggregate $2.9 million liquidation preference. In addition, RAIT paid the Series D investor an exchange fee of $0.4 million. The Series D redemption and exchange agreement also provided for the termination of the Securities Purchase Agreement among RAIT, identified RAIT affiliates and the Series D investor, or the Series D purchase agreement, and mutual releases between RAIT and the Series D investor. The redemption and exchange of the preferred units of RAIT IV and the linked Series D preferred shares resulted in an increase to shareholders equity of $11.9 million as the consideration exchanged of $61.6 million was less than the $73.5 million aggregate liquidation preference of Series D preferred shares that were redeemed and cancelled.

NYSE Delisting

On May 11, 2018, the New York Stock Exchange, or the NYSE, suspended trading in RAIT's securities then listed on the NYSE, which we collectively refer to as the RAIT publicly traded securities: RAIT's common shares, or the common shares, Series A preferred shares, Series B preferred shares, Series C preferred shares, RAIT's 7.625% senior notes and RAIT's 7.125% senior notes. The NYSE carried out this suspension and commenced proceedings to delist the RAIT publicly traded securities from the NYSE when the trading price of the common shares decreased to below $0.16 per share on May 11, 2018 because the NYSE, in interpreting NYSE continued listing standards, determined that a trading price of below $0.16 per share was "abnormally low" and, therefore, was cause for suspension of trading and delisting from the NYSE. As previously reported, on June 5, 2018, the NYSE notified RAIT that RAIT was no longer in compliance with another continued listing standard because RAIT had not maintained at least a $15.0 million average market capitalization over a 30 trading-day period. On December 4, 2018, RAIT received the final decision of the NYSE to delist the RAIT publicly traded securities and, on December 6, 2018, the NYSE filed a Form 25 for each RAIT publicly traded security with the U.S. Securities and Exchange Commission, or the SEC, notifying the SEC of the NYSE's determination to remove the RAIT publicly traded securities from listing on the NYSE, or the delisting, and to terminate the registration, or the 12(b) deregistration, of the RAIT publicly traded securities under Section 12(b) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. The delisting became effective on December 17, 2018 and the 12(b) deregistration became effective on March 5, 2019. The RAIT publicly traded securities now trade on the OTCQB. The delisting and 12(b) deregistration, in and of themselves, do not affect the trading of the RAIT publicly traded securities on the OTCQB or RAIT's reporting requirements under Section 12(g) of the Exchange Act and did not cause an event of default under any of RAIT's then outstanding debt obligations.

Reverse Stock Split

Effective after the close of trading on August 13, 2018, we completed a one for fifty reverse stock split, or the reverse stock split, as previously authorized by the board, pursuant to authority granted to the board by RAIT's common shareholders. The par value of common shares changed to $1.50 per share after the reverse stock split from $0.03 per share prior to the reverse stock split and every fifty shares issued and outstanding prior to the reverse stock split were combined into one common share after the reverse stock split. The reverse stock split did not change the number of authorized common shares. The financial statements included in this Annual Report on Form 10-K give retroactive effect to the reverse stock split and all share and per share amounts have been adjusted accordingly. The reverse stock split did not affect RAIT's preferred shares, including the number of authorized or outstanding RAIT preferred shares or the dividend rate per share of any outstanding RAIT preferred shares.

Going Concern Considerations

Please see Part II, Item 8, "Financial Statements —Note 2: Summary of Significant Accounting Policies—Going Concern Considerations" and Part I, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" for a discussion of going concern considerations.

CRE Lending

RAIT's CRE lending platform previously focused on the origination of first lien loans. We historically also offered mezzanine loans and preferred equity interests in limited circumstances to support first lien loans. These represent a smaller portion of our CRE loan portfolio. Our mezzanine loans are subordinate in repayment priority to a senior mortgage loan or loans on a property and are typically secured by pledges of ownership interests, in whole or in part, in the entities that own the real property. We generate a return on our preferred equity investments primarily through distributions to us at a fixed rate and the payment of distributions are subject to there being sufficient net cash flow from the underlying real estate to make such payments. We used this investment structure as an alternative to a mezzanine loan where the financial needs and tax situation of the borrower, the terms of senior financing secured by the underlying real estate or other circumstances necessitate holding preferred equity. Our CRE loans are in most cases non-recourse or limited recourse loans secured by commercial real estate assets or real estate entities. This means that we look primarily to the assets securing the loan for repayment, subject to certain standard exceptions. Where possible, we sought to maintain direct lending relationships with borrowers, as opposed to investing in loans controlled by third-party lenders.

Prior to our implementation of the 2018 strategic steps, our financing strategy involved the use of multiple sources of short-term financing to originate assets including warehouse facilities, repurchase agreements and bank conduit facilities. Our ultimate goal was to finance these investments on a long-term, non-recourse, match-funded basis or to sell these assets into CMBS securitizations. Match funding enabled us to match the interest rates and maturities of our assets with the interest rates and maturities of our financing, thereby reducing interest rate risk and funding risks in financing our portfolio on a long-term basis.

During the year ended December 31, 2018, we sold certain loans which had an unpaid principal balance of $128.8 million and received gross proceeds of $123.1 million. We received $74.9 million of net proceeds after payment of the costs to sell those loans and repayments of indebtedness secured by certain of those loans of $48.2 million.

During the year ended December 31, 2018, we originated $46.2 million of CRE loans prior to our implementation of the 2018 strategic steps, received CRE loan repayments of $391.2 million and deconsolidated loans with an unpaid principal balance of $266.6 million.

The tables below describe certain characteristics of our held-for-investment commercial mortgage loans, mezzanine loans and preferred equity interests as of December 31, 2018 (dollars in thousands):

	Book Value	Weighted-Average Coupon	Range of Maturities	Number of Loans
Commercial Real Estate (CRE)				
Commercial mortgages	$ 453,217	6.9%	Feb. 2019 to Jun. 2025	35
Mezzanine loans	21,278	13.3%	Jun. 2020 to Mar. 2023	3
Preferred equity interests	28,576	6.0%	Mar. 2023 to Jun. 2029	13
Total CRE	$ 503,071	7.2%		51

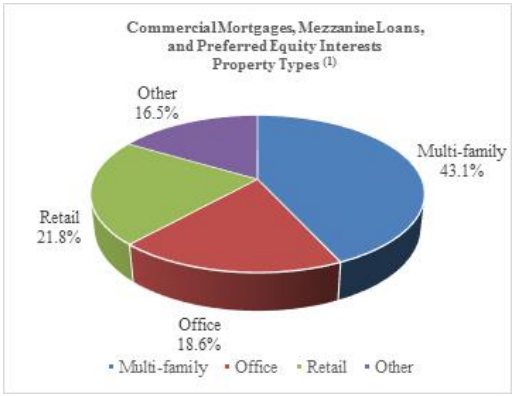
Certain of our commercial mortgage loans, mezzanine loans and preferred equity interests provide for the accrual of interest at specified rates which differ from current payment terms. We refer to these loans as cash flow loans, all of which were originated prior

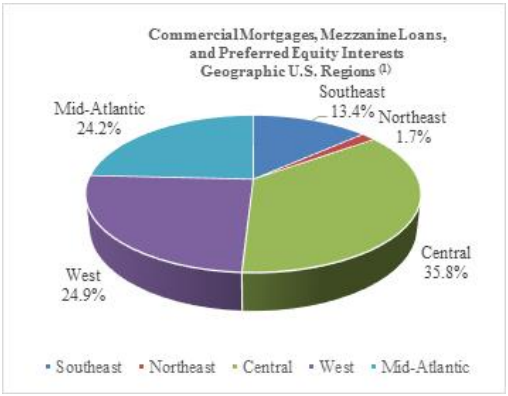
to 2011. Although a cash flow loan accrues interest at a stated rate, pursuant to forbearance or other agreements, the borrower is only required to pay interest each month at a minimum rate, which may be as low as zero percent, plus additional interest up to the stated rate to the extent of all cash flow from the property underlying the loan after the payment of property operating expenses and any senior debt service. Please see Part II, Item 8, "Financial Statements and Supplementary Data—Note 2: Summary of Significant Accounting Policies—Revenue Recognition" for further information on these loans. As of December 31, 2018, we held investments we characterized as cash flow loans, with a recorded investment (including accrued interest) of $75.9 million comprised of preferred equity interests totaling $36.2 million, bridge loans totaling $9.5 million and mezzanine loans totaling $30.2 million.

As of December 31, 2018, our nonaccrual loans total $93.0 million, which is comparable to the $98.6 million of nonaccrual loans as of December 31, 2017. We remain focused on working with our borrowers on these loans to either sell or refinance the underlying properties or to implement other strategies to maximize the value of these assets to us over time. As of December 31, 2018, we had a loan loss reserve of $22.3 million, representing 24.0% of our nonaccrual loans and 4.4% of our total CRE loan portfolio. As of December 31, 2017, our loan loss reserve was $14.9 million, which represented 15.1% of our nonaccrual loans and 1.2% of our total CRE loan portfolio. During the year ended December 31, 2018, we recognized provision for loan losses of $32.9 million, which were primarily driven by certain loans where the borrower and/or property experienced an unfavorable event or events during the period.

We have financed our consolidated CRE loans on a long-term basis through securitizations. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Securitization Summary" for more information about our securitizations.

The charts below describe the property types and the geographic breakdown of our commercial mortgage loans, mezzanine loans and preferred equity interests as of December 31, 2018:





(1) Based on carrying amount.

REO properties

As described above, during 2018, we continued to sell and/or divest our legacy REO portfolio. During the year ended December 31, 2018, we sold five properties for $106.2 million. As of December 31, 2018, our real estate portfolio consisted of an aggregate gross cost (carrying value) of $116.6 million ($107.8 million), comprised of $48.8 million ($40.6 million) of office properties, $49.1 million ($48.5 million) of retail properties, and $18.7 million ($18.7 million) of land. We disposed of one additional REO property with an aggregate gross cost (carrying value), as of December 31, 2018, of approximately $4.9 million ($4.9 million) during the first quarter of 2019.

During the year ended December 31, 2018, we recognized impairment charges on real estate assets of $47.5 million as it was more likely than not that we would dispose of the assets before the end of their previously estimated useful lives and a portion of our recorded investment in these assets was determined to not be recoverable. These impairment charges are further described below.

- Due to the current conditions affecting one of our retail properties in its local market, we recognized an impairment charge of $13.5 million based on a third-party appraisal.
- Due to the current conditions affecting another of our retail properties in its local market, as well as our efforts to increase liquidity pursuant to the 2018 strategic steps, we accepted an offer to purchase this asset which resulted in an impairment charge of $17.4 million based on an executed purchase and sale agreement, subsequent negotiations to sell the asset and the ultimate sales price we received for the asset.
- Due to upcoming lease expirations and/or current market conditions, we recognized impairment charges on two other properties (office and land). The analysis performed on each property, which included third-party appraisals, resulted in impairment charges totaling $3.2 million.
- We recognized impairment charges of $9.8 million on four assets based on the status of negotiations for the sale of the assets.
- We recognized an impairment charge of $3.6 million on another asset as a result of a default on the asset's associated ground lease.

We are continuing to market for sale certain of our real estate properties, and the ultimate outcomes of the sales of those properties are dependent on current market conditions and demand specific to each individual property. If we identify additional properties for disposition, our decision to no longer hold them for investment may result in future impairment charges.

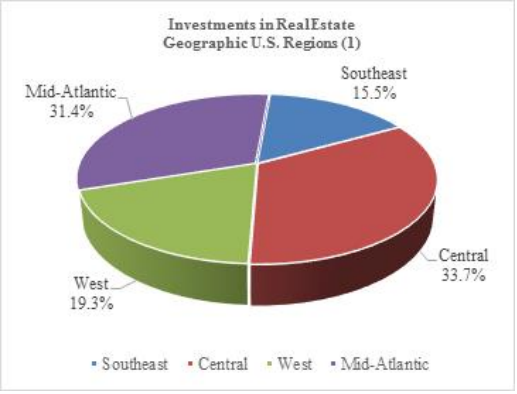
We have financed our portfolio of investments in commercial real estate through secured commercial mortgage loans held by either third-party lenders or our commercial real estate securitizations.

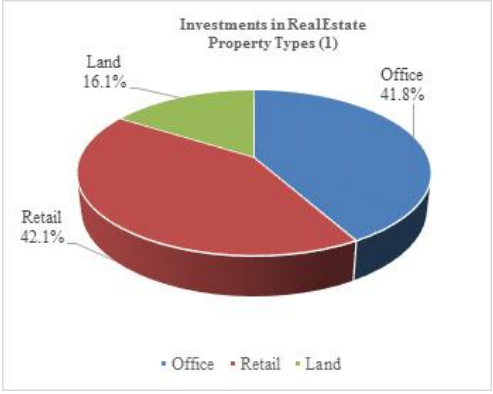
The table below describes certain characteristics of our REO portfolio as of December 31, 2018 (dollars in thousands, except average effective rent):

	Investments in Real Estate	Average Physical Occupancy	Units/ Square Feet/ Acres	Number of Properties	Average Effective Rent (a)	
					For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Office real estate properties (b)	48,760	83.6%	349,999	3	22.92	21.99
Retail real estate properties (b)	49,088	50.8%	506,737	3	18.83	14.05
Parcels of land	18,744	N/A	9.2	4	N/A	N/A
Total	$ 116,592	—		10		

(a) Based on properties owned as of December 31, 2018.
(b) Average effective rent is rent per square foot per year and average physical occupancy is the monthly average occupied square feet.

The charts below describe the property types and the geographic breakdown of our investments in real estate as of December 31, 2018:





(1) Based on carrying amount.

Certain REIT and Investment Company Act Limits on Our Strategies

REIT Limits

We conduct our operations to qualify as a REIT. We also conduct the operations of our subsidiary, Taberna Realty Finance Trust, or TRFT to qualify as a REIT, and any REITs we may sponsor or otherwise consolidate in the future, which we collectively refer to as our REIT affiliates, to each qualify as a REIT. Please see Part II, Item 8, "Financial Statements and Supplementary Data—Note 13: Income Taxes" for further discussion. During the year ended December 31, 2018, we sold our interests in two other REITs, RAIT-Melody 2016 Holdings Trust, or Melody FL-5, and RAIT-Melody 2017 Holdings Trust, or Melody FL-6, and, as such, no longer conduct the operations of these REITs. Our exit of our Taberna securitization segment in 2014 did not involve selling TRFT, which continues to hold assets and liabilities unrelated to the Taberna segment. For a discussion of the tax implications of our and our REIT affiliates' REIT status to us and our shareholders, see "Material U.S. Federal Income Tax Considerations" contained in Exhibit 99.1 to this Annual Report on Form 10-K. To qualify as a REIT, we and our REIT affiliates must continually satisfy various tests regarding sources of income, nature and diversification of assets, amounts distributed to shareholders and the ownership of common shares. In order to satisfy these tests, we and our REIT affiliates may be required to forgo investments that might otherwise be made. Accordingly, compliance with the REIT requirements may hinder our or our REIT affiliates' investment performance. These requirements include the following:

- For each of ourselves and our REIT affiliates, at least 75% of total assets and 75% of gross income must be derived from qualifying real estate assets, whether or not such assets would otherwise represent our or our REIT affiliates' best investment alternative. For example, since our investments in the debt or equity of certain securitizations are not qualifying real estate assets, to the extent that we have historically invested in such assets, or may do so in the future, we must hold substantial investments in qualifying real estate assets, including mortgage loans and CMBS, which may have lower yields than such investments. Also, at least 95% of each of our and our REIT affiliates' gross income in each taxable year, excluding gross income from prohibited transactions, must be derived from some combination of income that qualifies under the 75% gross income test described above, as well as other dividends, interest, and gain from the sale or disposition of shares or securities, which need not have any relation to real property.
- A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including any mortgage loans, held in inventory or primarily for sale to customers in the ordinary course of business. The prohibited transaction tax may apply to any sale of assets to a securitization and to any sale of securitization securities, and therefore may limit our and our REIT affiliates' ability to sell assets to or equity in securitizations and other assets.
- Overall, no more than 25% (20% for years beginning after December 31, 2017) of the value of a REIT's assets may consist of securities of one or more taxable REIT subsidiaries, or TRSs. During 2016, we restructured certain of our TRS

entities by moving four former separate TRSs under a single TRS holding company (RAIT JV TRS Sub, LLC) in order to streamline our business operations and decrease administrative processes. Our TRSs currently hold a limited number of assets, including: RAIT JV TRS Sub, LLC (the holding company for entities that issued one of our junior subordinated notes and the entity party to our CMBS facilities), Taberna Equity Funding, Ltd. (the holding company for equity issued by a securitization) and RAIT Sharpstown TRS LLC (the holding company that previously owned a 1% ownership interest of a retail center located in Houston, Texas). Our and our REIT affiliates' use of fee-generating businesses held in a TRS, as well as the business of future TRSs we or our REIT affiliates may form, will be limited by our and our REIT affiliates' need to meet this 25% (20% for years beginning after December 31, 2017) test, though we do not currently expect to utilize or expand these businesses under our current business strategy.

- The REIT provisions of the Internal Revenue Code limit our and our REIT affiliates' ability to hedge mortgage-backed securities, preferred securities and related borrowings. Except to the extent provided by the regulations promulgated by the U.S. Treasury Department, or the Treasury regulations, any income from a hedging transaction we or our REIT affiliates enter into in the normal course of business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, which is clearly identified as specified in the Treasury regulations before the close of the day on which it was acquired, originated, or entered into, including gain from the sale or disposition of such a transaction, will not constitute gross income for purposes of the 95% gross income test (and will generally constitute non-qualifying income for purposes of the 75% gross income test). To the extent that we or our REIT affiliates enter into other types of hedging transactions, which we do not currently expect to do, the income from those transactions is likely to be treated as non- qualifying income for purposes of both of the gross income tests. As a result, we or our REIT affiliates might have to limit use of advantageous hedging techniques or implement those hedges through TRSs. This could increase the cost of our or our REIT affiliates' hedging activities or expose it or us to greater risks associated with changes in interest rates than we or it would otherwise want to bear.

There are other risks arising out of our and our REIT affiliates' need to comply with REIT requirements. See Item 1A—"Risk Factors-Tax Risks" below.

Investment Company Act Limits

We seek to conduct our operations so that we are not required to register as an investment company. Under Section 3(a)(1) of the Investment Company Act, a company is not deemed to be an "investment company" if:

- it neither is, nor holds itself out as being, engaged primarily, nor proposes to engage primarily, in the business of investing, reinvesting or trading in securities; and
- it neither is engaged nor proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and does not own or propose to acquire "investment securities" having a value exceeding 40% of the value of its total assets exclusive of government securities and cash items on an unconsolidated basis, which we refer to as the 40% test. "Investment securities" excludes U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (relating to issuers whose securities are held by not more than 100 persons or whose securities are held only by qualified purchasers, as defined).

We rely on the 40% test because we are a holding company that conducts our businesses through wholly-owned or majority-owned subsidiaries. As a result, the securities issued by our subsidiaries that are excepted from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, together with any other investment securities we may own, may not have a combined value in excess of 40% of the value of our total assets exclusive of government securities and cash items on an unconsolidated basis. Based on the relative value of our investment in TRFT, on the one hand, and our investment in RAIT Partnership, on the other hand, we can comply with the 40% test only if RAIT Partnership itself complies with the 40% test (or an exemption other than those provided by Sections 3(c)(1) or 3(c)(7)). Because the principal exemptions that RAIT Partnership relies upon to allow it to meet the 40% test are those provided by Sections 3(c)(5)(C) or 3(c)(6) (relating to subsidiaries primarily engaged in specified real estate activities), we are limited in the types of businesses in which we may engage through our subsidiaries.

None of RAIT, RAIT Partnership or any of their subsidiaries has received a no-action letter from the Securities and Exchange Commission, or SEC, regarding whether it complies with the Investment Company Act or how its investment or financing strategies fit within the exclusions from regulation under the Investment Company Act that it is using. To the extent that the SEC provides more specific or different guidance regarding, for example, the treatment of assets as qualifying real estate assets or real estate-related assets, we may be required to adjust these investment and financing strategies accordingly. See Item 1A—"Risk Factors—Other Regulatory and Legal Risks of Our Business- Loss of our Investment Company Act exemption would affect us adversely."

Competition

We have historically been subject to significant competition in all aspects of our business. Prior to our decision to implement the 2018 strategic steps, existing industry participants and potential new entrants have competed with us for the available supply of investments suitable for origination or acquisition, as well as for debt and equity capital. We also saw increasing amounts of competition from new entrants in the market to originate conduit loans and bridge loans. We have competed with many third parties engaged in real estate finance and investment activities, including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, lenders, governmental bodies and other entities. With respect to our investments in real estate, we face significant competition from other owners, operators and developers of properties, many of which own properties similar to ours in markets where we operate. Competition may increase, and other companies and funds with investment objectives similar to ours may be organized in the future. Some of these competitors have, or in the future may have, substantially greater financial resources than we do and may also enjoy significant competitive advantages that result from, among other things, a lower cost of capital and enhanced operating efficiencies. Consistent with the implementation and execution of the 2018 strategic steps, our competition continues to focus on other sellers of assets similar to those in our portfolio.

Employees

As of March 1, 2019, we had 25 employees. None of our employees are covered by a collective bargaining agreement.

Additional Information

Additional information about us can be found at our website located at *www.rait.com.* We make available, free of charge, on or through our website, annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. The SEC maintains an internet site (http://www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors

Shareholders and other stakeholders should carefully consider the following risk factors in conjunction with the other information contained in this report. The risks discussed in this report could adversely affect our business, operating results, prospects and financial condition. This could cause the value of our common and preferred shares, debt securities, and other securities to decline further and/or you to lose part or all of any investment in our securities. The risks and uncertainties described below are not the only ones we face but do represent those risks and uncertainties that we believe are material to us. Additional risks and uncertainties not presently known to us or that, as of the date of this report, we deem immaterial may also harm our business. Some statements in this report, including statements in the following risk factors, constitute forward-looking statements. Please refer to "Forward-Looking Statements" above in this report.

Risks Related to Our Business and Operations

General risks

Actions and/or transactions affecting RAIT resulting from our 2019 strategic steps may have a material adverse effect on one or more classes of RAIT stakeholders.

As described in Part I, Item 1, "Business – Business Strategy" above, RAIT is engaged in the 2019 strategic steps which may lead to one or more actions or transactions involving RAIT, including, without limitation, a possible strategic or refinancing transaction, restructuring of our existing debt or equity, merger or sale of substantially all of RAIT's assets. We cannot assure you that the 2019 strategic steps will result in any such action or transaction or of the effects that any such action or transaction or no action or transaction would have on any of RAIT's stakeholders, whether individually or in the aggregate.

We may elect to implement any such transaction through confirmation and consummation of a plan of reorganization and/or one or more sale transactions approved by a bankruptcy court under Chapter 11 of Title 11 of the U.S. Code, or Chapter 11, which would allow for court supervision and approval of the transaction and would help facilitate the requisite stakeholder approvals to implement such a transaction. We may also conclude that it is necessary to initiate Chapter 11 proceedings to implement a restructuring of our obligations even without a transaction. In any event, seeking relief under Chapter 11 would likely have a material adverse effect on

our business, financial condition, results of operations, liquidity and returns to some or all of RAIT's stakeholders, depending on their respective interests in RAIT. If a transaction were to be implemented in a bankruptcy proceeding, it is likely that holders of our common shares and/or claims and interests with respect to, or rights to acquire, our common shares, and possibly holders of our preferred shares as well, would be entitled to little or no recovery, and those equity interests could be canceled for little or no consideration. Moreover, because we have a significant amount of indebtedness as well as preferred shares that are senior to our common shares in our capital structure, we believe that seeking bankruptcy relief under Chapter 11 would likely cause our existing common shares to be canceled, or otherwise result in a very limited recovery, if any, for our common shareholders, and would place our common shareholders, and possibly our preferred shareholders, at significant risk of losing their entire investment in our shares. Even if an action or transaction resulting from the 2019 strategic steps is implemented outside of bankruptcy, it may require some or all classes of our stakeholders to take a loss. Such a loss, which would likely vary among the classes of our stakeholders, depending on their respective interest in RAIT, could be substantial and/or could be absolute. In addition, as long as a Chapter 11 proceeding continues, our senior management would be required to spend a significant amount of time and effort dealing with the proceeding instead of focusing on our business operations. Bankruptcy relief also may make it more difficult to retain management and other key personnel necessary to the success of our business. We refer to the risks described in this risk factor arising out of RAIT implementing a plan of reorganization under Chapter 11 as the bankruptcy risks.

We may not be able to repay or refinance our existing debt as it becomes due, whether at maturity or as a result of acceleration, and as a result we may be unable to continue as a going concern.

Our current operations and the plans we have implemented or initiated, including, without limitation, the 2019 strategic steps, may not be sufficient to provide sufficient funds to enable RAIT to satisfy the financial and other requirements of certain of RAIT's indebtedness. Our failure to satisfy such obligations could result in the acceleration of some or all of such indebtedness. The uncertainty associated with our ability to meet our obligations as they become due raises substantial doubt about our ability to continue as a going concern. The report of our independent registered public accounting firm that accompanies its audited consolidated financial statements in this Annual Report on Form 10-K contains an explanatory paragraph regarding the substantial doubt about RAIT's ability to continue as a going concern. If RAIT is not able to meet its financial obligations as they come due, or does not satisfy the financial covenants of, or experiences a defined fundamental change under, its 7.125% senior notes and 7.625% senior notes, holders of our indebtedness could exercise their put rights or accelerate our outstanding indebtedness. If they did, those obligations, as well as other obligations that are cross-defaulted, would become immediately due and payable and we do not expect we would have sufficient liquidity to repay those amounts in those circumstances.

We are in discussions with various stakeholders and other parties and are pursuing or considering a number of actions and/or transactions, including, without limitation, the 2019 strategic steps, but there can be no assurance that sufficient liquidity can be obtained from one or more of these actions and/or transactions or that these actions and/or transactions can be consummated within the period needed to meet our obligations, as they come due at maturity or because of acceleration. As a result, we could be required to seek relief under Chapter 11. If RAIT seeks such relief, that would give rise to the bankruptcy risks discussed elsewhere in these risk factors.

We have been focused on efforts to increase RAIT's liquidity and better position RAIT to meet its financial obligations as they come due and not on growing our business, and this has had, and we expect will continue to have, a material adverse effect on the trading price of our securities, our business and financial results.

We may fail to successfully accomplish all of the priorities we identified for the 2019 strategic steps and we may not achieve the results we anticipated, even if we successfully implement one or more of our priorities. In addition, as a result of our prior activities and initiatives, and recent developments, and the 2019 strategic steps, potential buyers of our assets may view us as a distressed seller and as a result seek substantial discounts to the prices we seek, which could adversely affect the proceeds we receive from such asset sales.

Events and circumstances, such as financial or unforeseen difficulties, market disruptions, delays and unexpected costs, may occur that could result in our not realizing desired outcomes. If we fail to implement the 2019 strategic steps in accordance with our expectations or achieve some or all of the expected benefits of these activities, it could have a material adverse effect on our competitive position, business, financial condition, results of operations and cash flows. In addition, even if we successfully implement the 2019 strategic steps, we still may not realize their anticipated benefits. Even if we implement the 2019 strategic steps in accordance with our expectations and the anticipated benefits are substantially realized, there may be consequences or business impacts that were not expected. Regardless of whether or not we are successful in implementing the 2019 strategic steps, we may be required, or elect, to initiate Chapter 11 bankruptcy proceedings, which could give rise to one or more of the bankruptcy risks.

Further, as we pursue and implement the 2019 strategic steps, we may experience a loss of continuity, loss of accumulated knowledge or loss of efficiency during transitional periods. The execution of the 2019 strategic steps will require a significant amount of management and other employees' time and focus, which will divert attention from day-to-day operating activities.

Part of the 2019 strategic steps is for RAIT to continue to sell certain of our assets and continue to divest a portion of our legacy REO holdings and, ultimately, further minimize our REO holdings. Any such disposition or attempted disposition is subject to risks, including risks related to the terms and timing of such disposition, risks related to obtaining necessary government or regulatory approvals, risks related to retained liabilities not subject to our control, and risks related to the need to provide transition services to the disposed business, which may result in the diversion of resources and focus.

If RAIT's management does not successfully implement plans intended to mitigate conditions and events disclosed in this report, including the going concern considerations included in the financial statements included in this report, our financial condition, liquidity and ability to continue as a going concern may be materially adversely affected.

The financial statements included in this report have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. Part II, Item 8, "Financial Statements —Note 2: Summary of Significant Accounting Policies—Going Concern Considerations" discloses that RAIT's management considered, as part of its assessment of RAIT's ability to continue as a going concern within one year after the date of issuance of these financial statements, our 7.125% senior notes which mature in August 2019 and have an unpaid principal balance of approximately $65.0 million as of December 31, 2018, the financial covenant compliance requirements of certain of RAIT's indebtedness, and RAIT's recurring costs of operating its business which currently exceed RAIT's operating income. This footnote describes management's approved plans that are intended to mitigate those conditions and events and notes that, in applying the required accounting guidance, management's currently approved plans have not met the probable threshold to alleviate the conditions that initially indicated RAIT will be unable to meet its obligations as they become due over the next twelve months. If these plans or other strategic and financial alternatives are not successfully implemented, RAIT's financial condition, liquidity and ability to continue as a going concern would likely be materially adversely affected, including, without limitation, that RAIT may not be able to maintain compliance with financial covenants in RAIT indebtedness and that, if RAIT continues to generate operating losses, will further erode the value of interests in RAIT held by its stakeholders. One of such plans being considered, if no better alternative is developed from the 2019 strategic steps, would be for RAIT to monetize its interests in RAIT FL7, by winding it down and selling its underlying collateral, selling RAIT's retained interests and/or other means, which would have material effects on our financial statements and operating results. Such a transaction could also result in the loss of our position as servicer and/or special servicer for these securitizations and could generate proceeds below the value of these retained interests reflected in our financial statements.

RAIT is restricted in its ability to incur defined debt due to financial covenants in RAIT's senior notes.

RAIT's 7.625% senior notes and 7.125% senior notes contain financial covenants consisting of a maximum leverage ratio covenant and a minimum fixed charge ratio covenant. These covenants must be met in the event RAIT or any subsidiary meeting the definition thereof in these notes' related indentures were to incur debt, as defined in such indentures, and are measured immediately after giving pro forma effect to the incurrence of such debt and the application of the proceeds thereof. If RAIT failed to comply with these financial covenants, that would constitute an event of default under these indentures permitting the acceleration of the applicable senior notes in defined circumstances. If RAIT failed to repay any senior notes that were accelerated, it could trigger cross defaults under, and ultimately the acceleration of, other RAIT indebtedness. RAIT expects that these financial covenants will restrict RAIT's and these subsidiaries' ability to incur such debt for the foreseeable future because RAIT does not expect that these financial covenants would be met on such pro forma basis in the event RAIT or such subsidiaries incurred such debt. RAIT and these subsidiaries do not plan to incur any such debt, absent a pro forma use of proceeds that would permit compliance with these covenants.

As we execute on the 2019 strategic steps and divest assets, we may be required to record material asset impairment charges, which, while non-cash in nature, could materially and adversely impact our ability to maintain a required ratio or meet a required test set forth in our debt instruments.

As RAIT continues to move forward with the 2019 strategic steps, it intends to continue to divest various assets. As RAIT identifies assets for divestment, RAIT may be required to record asset impairment charges which may be material. For the year ended December 31, 2018, RAIT incurred asset impairment charges of approximately $47.5 million primarily related to the carrying value of certain legacy properties. If RAIT needs to recognize further asset impairment charges in future quarters, such charges, while non-cash in nature, could materially and adversely impact our ability to maintain a required ratio or meet a required test set forth in our debt instruments.

Our investments are relatively illiquid which may make it difficult for us to sell such investments in connection with our 2019 strategic steps.

Our commercial real estate loans, our investments in real estate and our retained interests in our securitizations are relatively illiquid investments and we may be unable to vary our portfolio promptly in response to changing economic, financial and investment conditions or dispose of these assets quickly or at all in connection with our 2019 strategic steps. A portion of these investments may be subject to legal and other restrictions on resale or will otherwise be less liquid than publicly traded securities. The illiquidity of these investments may make it difficult for us to sell such investments at a satisfactory price or at all. If we are unable to sell such investments at satisfactory prices, we will have even less liquidity to satisfy our obligations as they come due. Any sales of investments may result in our recognizing a loss on the sale.

If RAIT management is unable to successfully divest a portion of RAIT's remaining real estate assets releasing cash from those sales and/or distributions on our retained interests in our RAIT I securitization, to continue to control costs, to sell certain loans and other assets, and to continue to receive repayments of loans as they become due, RAIT expects that its ability to satisfy its obligations would be materially adversely affected.

If RAIT is unable to raise capital from external sources as a result of actions and/or transactions resulting from the 2019 strategic steps, RAIT's ability to satisfy its obligations arising over the next twelve months would depend significantly on management's ability to continue to successfully divest RAIT of a portion of RAIT's remaining real estate assets releasing cash from those sales and/or distributions on our retained interests in our RAIT I securitization, to continue to control costs, to sell certain loans and other assets, and to continue to receive repayments of loans as they become due. In this respect, if RAIT is unable to significantly access capital from asset sales, its ability to satisfy its obligations would be materially adversely affected. In addition, our disclosure of our business strategies may cause potential buyers of our assets to view us as a distressed seller and cause these buyers to seek substantial discounts to the prices we are seeking, which could adversely affect the proceeds we receive from these sales.

Risks related to non-compliance with financing arrangements

Our failure to comply with the indentures and other instruments or agreements governing any current or future indebtedness, or, if applicable, a failure to maintain a required ratio, meet a required test or comply with a financial covenant thereunder, could result in an event of default and related cross-defaults or an acceleration of our indebtedness that, if not cured or waived, could materially and adversely impact our liquidity, financial condition, results of operations and future prospects.

If an event of default was to be asserted under any of the indentures or any other instruments or agreements governing our current or future indebtedness, or, if applicable, a failure to maintain a required ratio, meet a required test or comply with a financial covenant thereunder, the holders of the defaulted debt could cause all amounts outstanding with respect to that debt to be due and payable immediately. It is not likely that our assets or cash flow would be sufficient to fully repay borrowings under such debt instruments if accelerated upon an event of default. In addition, any event of default or declaration of acceleration under any such debt instrument could also result in an event of default under one or more of our other debt instruments.

In addition, there can be no assurance that the lenders under our indentures or any other instruments or agreements governing our current or future indebtedness will not assert that any recent developments, alone or in combination with future developments, give rise to an event of default under such indentures, instruments or other agreements. If an event of default were to be asserted and/or if an event of default was ultimately deemed to have occurred, RAIT's liquidity, financial condition, results of operations and future prospects could be materially and adversely impacted.

Other business risks

Loss of our management team or the ability to attract and retain key employees could harm our business.

The real estate finance business is very labor-intensive. We depend on our management team to manage our investments. The market for skilled personnel is highly competitive and has historically experienced a high rate of turnover. Due to the nature of our business, we compete for qualified personnel not only with companies in our business, but also in other sectors of the financial services industry. Competition for qualified personnel may lead to increased hiring and retention costs. We cannot guarantee that we will be able to attract or retain qualified personnel at costs that we currently can afford or at all. If we are unable to attract or retain a sufficient number of skilled personnel at manageable costs, it could impair our ability to manage our investments and execute our investment strategies successfully, thereby reducing our earnings. RAIT's ability to carry out the 2019 strategic steps depends on the continued contributions of certain key personnel, each of whom would be difficult to replace. If RAIT were to lose the benefit of the experience, efforts and abilities of one or more of these individuals, operating results could suffer and normal operations could be interrupted and/or delayed.

Changes in general economic conditions may adversely affect our business.

Our business and operations depend on the commercial real estate industry generally, which in turn depends upon broad economic conditions in the U.S. and abroad. A worsening of economic conditions would likely have a negative impact on the commercial real estate industry generally and on our business and operations specifically. Adverse conditions in the real estate industry could harm our business and financial condition by, among other factors, reducing the value of our existing assets, limiting our access to debt and equity capital and otherwise negatively impacting our operations. Additionally, disruptions in the global economy may also have a negative impact on the commercial real estate market domestically. Adverse conditions in the commercial real estate industry could harm our business and financial condition by, among other factors, reducing the value of our existing assets, limiting our access to debt and equity capital, limiting our ability to sell our assets and otherwise negatively impacting our operations. See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Trends That May Affect Our Business" for a description of some of the specific economic trends that may affect our business.

Actions of activist shareholders against us could be disruptive and costly and the possibility that activist shareholders may wage proxy contests or seek representation on, or control of, our board could cause uncertainty about the strategic direction of our business and an activist campaign that results in a change in control of our board could trigger change in control provisions or payments under certain of our material contracts and agreements.

Shareholders may from time to time engage in proxy solicitations, advance shareholder proposals or board nominations or otherwise attempt to effect changes, assert influence or acquire some level of control over us. The delisting of our equity securities from the NYSE and our announcement of the 2019 strategic steps may increase the likelihood that activist shareholders may act against us.

While our board and management team strive to maintain constructive, ongoing communications with all of RAIT's shareholders and welcomes their views and opinions with the goal of enhancing value for all stakeholders and the depth and breadth of our board, an activist campaign could have an adverse effect on us because:

- Responding to such actions by activist shareholders can disrupt our operations, are costly and time-consuming, and divert the attention of our board and senior management team from the pursuit of business strategies, which could adversely affect our results of operations and financial condition;
- Perceived uncertainties as to our future direction as a result of changes to the composition of our board may lead to the perception of a change in the direction of the business, instability or lack of continuity which may be exploited by our competitors, cause concern to our current or potential clients, may result in the loss of potential business opportunities and make it more difficult to attract and retain qualified personnel and business partners;
- These types of actions could cause significant fluctuations in our stock price based on temporary or speculative market perceptions or other factors that do not necessarily reflect the underlying fundamentals and prospects of our business;
- If individuals are elected to our board with a specific agenda, it may adversely affect our ability to effectively implement our business strategy and create additional value for our shareholders; and
- If a proxy contest by an activist investor that seeks to replace at least a majority of the members of the board was successful, a change in control of the board may be deemed to have occurred under certain of our material contracts and agreements, and such a change in control may trigger certain fundamental change and/or change in control provisions, payments, and/or redemptions under certain of our outstanding indebtedness, our employment agreements with our named executive officers, our equity compensation plans and possibly other of our plans and agreements.

Our succession planning may be insufficient which would reduce the effectiveness of the management of our business and increase exposure to disruption if members of current management become unavailable unexpectedly.

RAIT has a limited number of executive officers and leadership talent within RAIT may not be sufficiently developed and/or, in light of our current financial condition, recruitment outside RAIT may not occur within time frames providing for orderly succession, if needed, in the future which could reduce the effectiveness of the management of our business overall or particular business functions and increase exposure to disruption if members of current management become unexpectedly unavailable.

In addition to other analytical tools, our management team utilizes financial models to evaluate loans and real estate assets, the accuracy and effectiveness of which cannot be guaranteed.

In all cases, financial models are only estimates of future results which are based upon assumptions made at the time that the projections are developed. There can be no assurance that management's projected results will be obtained; actual results may vary

significantly from the projections. General economic and industry-specific conditions, which are not predictable, can significantly impact the reliability of projections.

Our board of trustees may change our policies without shareholder consent.

Our board of trustees reviews our policies developed by management and, in particular, our investment policies. Our board of trustees may amend our policies or approve transactions that deviate from these policies without a vote of or notice to our shareholders. Policy changes could adversely affect the market price of our shares and our ability to make distributions. Our board of trustees cannot take any action to disqualify us as a REIT or to otherwise revoke our election to be taxed as a REIT without the approval of a majority of our outstanding voting shares, although this could occur in connection with a filing under the Bankruptcy Code.

We operate in a highly competitive market which may harm our business, financial condition, liquidity and results of operations.

Historically, we have been subject to significant competition in all of our business lines. After the adoption of our business strategies described above, our competition is primarily sellers of other assets similar to those in our portfolio. We compete with many third parties engaged in finance and real estate investment activities, including other REITs, specialty finance companies, savings and loan associations, banks, mortgage bankers, insurance companies, mutual funds, institutional investors, investment banking firms and broker-dealers, property managers, investment advisers, lenders, governmental bodies and other entities. Many of these competitors have, or in the future may have, substantially greater financial resources than we do and generally may be able to accept more risk. As such, they have the ability to reduce the risk of loss from any one loan by having a more diversified loan portfolio. They may also enjoy significant competitive advantages that result from, among other things, a lower cost of, and greater access to, capital and enhanced operating efficiencies. An increase in the general availability of funds to lenders, or a decrease in the amount of borrowing activity, may increase competition for selling loans and may reduce obtainable yields or increase the credit risk inherent in the available loans.

Competition may limit the number of suitable opportunities to sell investments offered by us. It may also result in lower purchase prices offered to us, lower yields and a narrower spread of yields over our borrowing costs, making it more difficult for us to sell investments on attractive terms and reducing the fee income we realize from the management and servicing of securitizations.

We face significant competition in our investments in real estate from other owners, operators and developers of properties, many of which own properties similar to ours in markets where we operate. Such competition may affect our ability to attract and retain tenants and reduce the rents we are able to charge. These competing properties may have vacancy rates higher than our properties, which may result in their owners being willing to rent space at lower rental rates than we would or providing greater tenant improvement allowances or other leasing concessions. This combination of circumstances could adversely affect our revenues and financial performance.

We engage in transactions with related parties and our policies and procedures regarding these transactions may be insufficient to address any conflicts of interest that may arise.

Under our code of business conduct, we have established procedures regarding the review, approval and ratification of transactions which may give rise to a conflict of interest between us and any employee, officer, trustee, their immediate family members, other businesses under their control and other related persons. In the ordinary course of our business operations, we have ongoing relationships and have engaged in transactions with several related entities. These procedures do not guarantee that all potential conflicts will be identified, reviewed or sufficiently addressed.

Our transactions with, and investments in, some securitization vehicles may create perceived or actual conflicts of interest.

We have engaged in transactions with, and invested in, certain of the securitization vehicles under which we also serve as collateral manager, servicer and/or special servicer, and may continue to do so in the future. These transactions have included, and may include in the future, surrendering for cancellation notes we hold issued by these vehicles and exchanges of our or others' securities with these vehicles for assets collateralizing these vehicles. In addition, we have previously, and may in the future, purchase investments in these vehicles that are senior or junior to, or have rights and interests different from or adverse to, other investors or credit support providers in the debt or other securities of such securitization vehicles. Such situations may create perceived or actual conflicts of interest between us and such other investors or credit support providers for such investors. Our interests in such transactions and investments may conflict with the interests of such other investors or credit support providers at the time of origination, upon the failure of a coverage test or in the event of a default or restructuring of a securitization vehicle or underlying assets.

Furthermore, if we were involved in structuring the securitization vehicles or such securitization vehicles were structured as our subsidiaries, then our managers may have conflicts between us and other entities managed by them that purchase debt or other securities in such securitization vehicles with regard to setting subordination levels, determining interest rates, pricing the securities, providing for divesting or deferring distributions that would otherwise be made to equity interests, or otherwise setting the amounts and priorities of distributions to the holders of debt and equity interests in the securitization vehicles.

Although we seek to make decisions with respect to our securitization vehicles in a manner that we believe is fair and consistent with the operative legal documents governing these vehicles, perceived or actual conflicts may create dissatisfaction among the other investors in such vehicles or litigation or regulatory enforcement actions. Appropriately dealing with conflicts of interest is complex and our reputation could be damaged if we fail to deal appropriately with one or more perceived or actual conflicts of interest. Regulatory scrutiny of, or litigation in connection with, such conflicts of interest could materially adversely affect our ability to manage or generate income or cash flow from our securitizations business, cause harm to our reputation and adversely affect our ability to attract investors for future vehicles, if any.

Quarterly results may fluctuate and may not be indicative of future quarterly performance.

Our quarterly operating results could fluctuate; therefore, you should not rely on past quarterly results to be indicative of our performance in future quarters. Factors that could cause quarterly operating results to fluctuate include, among others, variations in the timing of repayments of debt financing, variations in the timing of asset sales, variations in the amount of time between our receipt of the proceeds of a securities offering and our investment of those proceeds in loans or other assets, market conditions that result in increased cost of funds or material fluctuations in the fair value of our assets and liabilities, the degree to which we encounter competition in our markets, general economic conditions and other factors referred to elsewhere in this section.

Terrorist attacks and other acts of violence or war may affect the real estate industry generally and our business, financial condition and results of operations.

We cannot predict the severity of the effect that potential future terrorist attacks could have on us. Any future terrorist attacks, the anticipation of any such attacks, the consequences of any military or other response by the United States and its allies, and other armed conflicts could cause consumer confidence and spending to decrease or result in increased volatility in the United States and worldwide financial markets and economy. We may suffer losses as a result of the adverse impact of any future attacks and these losses may adversely impact our performance. A prolonged economic slowdown, a recession or declining real estate values could impair the performance of our assets and harm our financial condition and results of operations, increase our funding costs, limit our access to the capital markets or result in a decision by lenders not to extend credit to us. The economic impact of such events could also adversely affect the credit quality of some of our loans and investments and the property underlying our securities. Losses resulting from these types of events may not be fully insurable.

The absence of affordable insurance coverage protecting against terrorist attacks may adversely affect the general real estate lending market, lending volume and the market's overall liquidity and may reduce the number of suitable opportunities available to us and the pace at which we are able to acquire assets. If the properties underlying our interests are unable to obtain affordable insurance coverage, the value of our interests could decline, and in the event of an uninsured loss, we could lose all or a portion of our assets.

We are subject to risks of loss from weather conditions, man-made or natural disasters and climate change.

Weather conditions and man-made or natural disasters such as hurricanes, tornadoes, earthquakes, floods, droughts, fires and other environmental conditions can damage properties that collateralize our loans or that we own. Additionally, the value of such properties will potentially be subject to the risks associated with long-term effects of climate change. Future weather conditions, man-made or natural disasters or effects of climate change could adversely impact the demand for, and value of, our assets and could also directly impact the value of our assets through damage, destruction or loss, and could thereafter materially impact the availability or cost of insurance to protect against these events. Although we believe the properties collateralizing our loan assets and our remaining owned real estate are adequately covered by insurance, we cannot predict at this time if we or our borrowers will be able to obtain appropriate coverage at a reasonable cost in the future, or if we will be able to continue to pass along all of the costs of insurance to our tenants. Any weather conditions, man-made or natural disasters or effect of climate change, whether or not insured, could have a material adverse effect on our financial performance, the market price of our common shares and our ability to pay dividends. In addition, there is a risk that one or more of our property insurers may not be able to fulfill their obligations with respect to claims payments due to a deterioration in its financial condition.

Cyber incidents, cybersecurity threats or deficiencies in cybersecurity, or other security breaches to us or third-party vendors we use could compromise sensitive information belonging to us or our employees, borrowers, lessees, clients and other counterparties and could harm our business and our reputation.

We store sensitive data, including our proprietary business information and that of our borrowers, lessees, clients and other counterparties, and confidential employee information, in our data centers and on our networks. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other disruptions that could result in unauthorized disclosure or loss of sensitive information. Because the techniques used to obtain unauthorized access to networks, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Furthermore, in the operation of our business we also use third-party vendors that store certain sensitive data, including confidential information about our employees, and these third parties are subject to their own cybersecurity threats. Any security breach or other significant disruption involving the information technology networks and related systems of any party that provides us with services essential to our operations could have the following consequences, any of which could adversely affect our business:

- subject us to legal claims or proceedings;
- disrupt our operations, damage our reputation, and cause a loss of confidence in our products and services;
- result in misstated financial reports, violations of loan covenants, missed reporting deadlines and/or missed permitting deadlines;
- affect our ability to properly monitor our compliance with the rules and regulations regarding our qualification as a REIT or otherwise cause us to be non-compliant with applicable laws or regulations;
- result in the unauthorized access to, and destruction, loss, theft, misappropriation or release of, proprietary, confidential, sensitive or otherwise valuable information (including information about tenants), which others could use to compete against us or for disruptive, destructive or otherwise harmful purposes and outcomes;
- result in our inability to maintain the building systems relied upon by our tenants for the efficient use of their leased space;
- require significant management attention and resources to remedy any damages that result;
- subject us to claims for breach of contract, damages, credits, penalties or termination of leases or other agreements; or
- adversely impact our reputation among our tenants and investors generally.

Although third parties that provide us with services essential to our operations might have industry-standard security measures, there can be no assurance that those measures will be sufficient, and any material adverse effect experienced by any such third parties could, in turn, have an adverse impact on us.

The remediation costs and lost revenues experienced by a subject of an intentional cyberattack or other event which results in unauthorized third party access to systems to disrupt operations, corrupt data or steal confidential information may be significant and significant resources may be required to repair system damage, protect against the threat of future security breaches or to alleviate problems, including reputational harm, loss of revenues and litigation, caused by any breaches. Additionally, any failure to adequately protect against unauthorized or unlawful processing of personal data, or to take appropriate action in cases of infringement may result in significant penalties under privacy laws.

Combination or "Layering" of Multiple Risks May Significantly Increase Risk of Loss

Although the various risks discussed in this Item are generally described separately, you should consider the potential effects of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss to our investors may be significantly increased.

The potential phasing out of LIBOR after 2021 may affect our financial results.

The chief executive of the United Kingdom Financial Conduct Authority, or FCA, which regulates the London Interbank Offered Rate, or LIBOR, has announced that the FCA intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. It is not possible to predict the effect of these changes or the establishment of alternative reference rates.

The Alternative Reference Rate Committee, or ARRC, a committee convened by the Federal Reserve that includes major market participants, and on which the SEC staff and other regulators participate, has proposed an alternative rate to replace U.S. Dollar LIBOR, the Secured Overnight Financing Rate, or SOFR. Any changes announced by the FCA, ARRC, other regulators or any other successor governance or oversight body, or future changes adopted by such body, in the method pursuant to which U.S. Dollar LIBOR, SOFR, or any other alternative rates are determined may result in a sudden or prolonged increase or decrease in the reported

LIBOR rates. If that were to occur, the levels of interest payments we incur and interest payments we receive may change. In addition, although certain of our LIBOR based obligations and investments provide for alternative methods of calculating the interest rate if LIBOR is not reported, uncertainty as to the extent and manner of future changes may result in interest rates and/or payments that are higher than, lower than or that do not otherwise correlate over time with the interest rates and/or payments that would have been made on our obligations if LIBOR rate was available in its current form.

Risk related to our financing strategy

Our reliance on debt to finance investments requires us to make balloon payments upon maturity, upon the exercise of any applicable put rights or otherwise, and an increased risk of loss may reduce our return on investments, reduce our ability to pay distributions to our stakeholders and possibly result in the foreclosure of any assets subject to secured financing.

We have historically incurred debt to finance our investments, which could compound losses and reduce our ability to pay our stakeholders. Our debt service payments could reduce the net income available for distributions to our shareholders and reduce our liquidity available to make distributions to our shareholders each calendar year that are required for REIT qualification. Most of our assets are pledged as collateral for borrowings. In addition, the assets of the securitizations that we consolidate collateralize the debt obligations of the securitizations and are not available to satisfy our other creditors. To the extent that we fail to meet debt service obligations, we risk the loss of some or all of our respective assets to foreclosure or sale to satisfy these debt obligations. Currently, our declaration of trust and bylaws do not impose any limitations on the extent to which we may leverage our respective assets.

In addition to the bankruptcy risks, we are subject to the risks normally associated with debt financing, including the risk that our cash flows will be insufficient to meet required principal and interest payments and the risk that we will be unable to refinance our existing indebtedness when it becomes due, or that the terms of such refinancing will not be as favorable as the terms of our indebtedness. Included in our debt instruments are provisions providing for the lump sum payment of significant amounts of principal, whether upon maturity, upon the exercise of any applicable put rights or otherwise, which we refer to as balloon payments. Most of our debt provides for balloon payments that are payable at maturity. If collateral underlying any secured credit facility we are party to defaults or otherwise fails to meet specified conditions, we may have to repay that facility to the extent it was secured by that collateral. Our ability to make these payments when due will depend upon several factors, which may not be in our control. These factors include our liquidity or our ability to convert assets owned by us into liquidity on or prior to such put or maturity dates and the amount by which we have been able to reduce indebtedness prior to such put or maturity date through exchanges, refinancing, extensions, collateralization or other similar transactions (any of which transactions may also have the effect of reducing liquidity or liquid assets). Our ability to accomplish these goals will be affected by various factors existing at the relevant time, such as the state of the national and regional economies, local real estate conditions, available interest rate levels, the lease terms for and equity in any related collateral, our financial condition and the operating history of the collateral. If we are unable to pay, redeem, restructure, refinance, extend or otherwise enter into transactions to satisfy any of our debt, this could result in defaults under, and acceleration of, our debt and we may be required to sell assets in significant amounts and at times when market conditions are not favorable, which could result in our incurring significant losses.

We may seek to acquire, redeem, restructure, refinance or otherwise enter into transactions to satisfy our debt which may include any combination of material payments of cash, issuances of our debt and/or equity securities, sales or exchanges of our assets or other methods.

From time to time our collateralized debt obligation, or CDO, notes payable, senior notes and our other indebtedness trade at discounts to their respective face amounts. In order to reduce future cash interest payments, as well as future principal amounts due upon any applicable put dates, at maturity or upon redemption, or to otherwise benefit RAIT, we may, from time to time, purchase such CDO notes payable, senior notes or other indebtedness for cash, in exchange for our equity or debt securities, or for any combination of cash and our equity or debt securities, in each case in open market purchases, privately negotiated transactions, exchange offers and consent solicitations or otherwise. We will evaluate any such transactions in light of then-existing market conditions, contractual restrictions and other factors, taking into account our current liquidity and prospects for future access to capital. The amounts involved in any such transactions, individually or in the aggregate, may be material and may materially reduce our liquidity or reduce or eliminate our ability to convert assets into liquidity. Any material issuances of our equity securities may have a material dilutive effect on our current shareholders.

Our financing arrangements contain covenants that restrict our operations, and any default under these arrangements could materially adversely affect our operations and accelerate our indebtedness and inhibit our ability to pay distributions to our shareholders.

Our financing arrangements contain restrictions, covenants and events of default. Failure to meet or satisfy any of these covenants could result in an event of default under these agreements. These agreements may contain cross- default provisions so that

an event of default under one agreement will trigger an event of default under other agreements. Defaults generally give our lenders the right to declare all amounts outstanding under their particular credit agreement to be immediately due and payable and enforce their rights by foreclosing on or otherwise liquidating collateral pledged under these agreements. These restrictions may interfere with our ability to obtain financing or to engage in other business activities. Furthermore, our default under any of our financing arrangements could materially reduce our liquidity and our ability to make distributions to our shareholders. Covenants made by RAIT in its guarantee of its junior subordinated notes, at amortized cost, would restrict RAIT's ability to declare or pay dividends or take related actions with respect to its equity or make payments or take related actions with respect to debt ranking pari passu or junior to such notes if there is a defined event of default under the indenture for such notes.

We may be subject to repurchases of loans or indemnification on loans and real estate that we have sold if certain representations or warranties in those sales are incorrect.

If loans that we sell or securitize do not comply with representations and warranties that we make about the loans, the borrowers, or the underlying properties, we may be required to repurchase such loans (including from a trust vehicle used to facilitate a structured financing of the assets through a securitization) or replace them with substitute loans. Additionally, in the case of loans and real estate that we have sold, we may be required to indemnify persons for losses or expenses incurred as a result of a breach of a representation or warranty. Repurchased loans typically will require a significant allocation of working capital to be carried on our books, and our ability to borrow against such assets may be limited or unavailable. Any significant repurchases or indemnification payments could adversely affect our business.

Representations and warranties made by us in connection with loan sales to securitization vehicles may subject us to liability that could result in loan losses and could harm our operating results and, therefore distributions and payments we make to our shareholders and other stakeholders.

In connection with loan sales to securitization vehicles, we are required to make representations and warranties regarding, among other things, the borrowers, guarantors, collateral, originators and servicers of the loans sold to the depositor of such assets into securitization trusts. In the event of a breach of such representations or warranties, we may be required to repurchase the affected loans at their face value or otherwise make payments to the owner of the loan. While we may have recourse to loan originators (if not us), borrowers, guarantors and/or other third parties whose representations, warranties, certifications, reports and/or other statements or work product we relied upon in making our representations and warranties, there can be no guaranty that such parties will be able to fully or partially cover any liability we may have in such circumstances. Furthermore, if we discover, prior to the securitization of an asset, that there is any fraud or misrepresentation with respect to the origination of such asset by a third party and are unable to force that third party to repurchase the loan, then we may not be able to sell the loan to a securitization or we may have to sell it at a discount. In any such case, we may incur losses and our cash flows may be impaired.

Our previous participation in the market for nonrecourse long-term securitizations may expose us to risks that could result in losses.

We have previously participated in the market for nonrecourse long-term securitizations by contributing loans to securitizations led by various large financial institutions and by leading securitizations on mortgage loans we originated and participation interests therein. To date, when we have acted as a mortgage loan seller into, and as an issuer, sponsor and/or depositor of, securitizations, we have been obligated to assume liabilities, including with respect to representations and warranties required to be made for the benefit of investors. In particular, in connection with any particular securitization, we: (i) made certain representations and warranties regarding ourselves and the characteristics of, and origination process for, the mortgage loans that we contribute to the securitization; (ii) undertook to cure, or to repurchase or replace any mortgage loan that we contribute to the securitization that is affected by a material breach of any such representation and warranty or a material loan document deficiency; and (iii) assumed, either directly or through the indemnification of third-parties, potential securities law liabilities for disclosure to investors regarding ourselves and the mortgage loans that we contribute to the securitization. When we lead securitizations as issuer, we assume, either directly or through indemnification agreements, additional potential securities law liabilities and third-party liabilities beyond the liabilities we would assume when we act only as a mortgage loan seller into a securitization.

Pursuant to the Dodd-Frank Act, various federal agencies have promulgated, or are in the process of promulgating, regulations and rules with respect to various issues that affect securitizations, including: (i) a rule requiring that sponsors in securitizations retain 5% of the credit risk associated with securities they issue; (ii) requirements for additional disclosure; (iii) requirements for additional review and reporting (including revisions to Regulation AB); and (iv) restrictions designed to prohibit conflicts of interest. The risk retention rule (as it relates to CMBS) became effective in December 2016 and requires retention of at least 5% of the fair value of all securities issued in connection with a securitization for a certain period of time and can be satisfied by (i) retention of a horizontal tranche (i.e., in one or more subordinate classes), (ii) retention of a vertical security or interest in each class of securities issued in connection with the securitization or (iii) a combination of vertical and horizontal strips. The risk (with respect to CMBS) must be

retained by the sponsor, certain mortgage loan originators or, upon satisfaction of certain requirements, up to two third-party purchasers of interests in the securitization. Other regulations have been and may ultimately be adopted. The risk retention rules and other rules and regulations that have been adopted or may be adopted will alter the structure of securitizations in the future and could pose additional risks to or reduce or eliminate the economic benefits of our current securitizations to us. In addition, such rules and regulations could reduce or eliminate the economic benefits of securitization or discourage traditional issuers, underwriters, subordinated security investors or other participants from participating in future securitizations and affect the availability of securitization platforms into which we can contribute mortgage loans.

RAIT I failed one of its over-collateralization tests which reduced periodic interest distributions on RAIT's retained interests in RAIT I and if RAIT I was to fail to meet additional over-collateralization tests or interest coverage tests, which we collectively refer to as coverage tests, the timing and/or amounts of our cash flow from RAIT I may be materially affected.

The terms of RAIT I generally provide that the principal amount of assets must exceed the principal balance of the related securities issued by it by a certain amount, commonly referred to as "over-collateralization." These terms provide that, if defaults and/or losses exceed specified levels based on the analysis by the rating agencies (or any financial guaranty insurer) of the characteristics of the assets collateralizing the securities issued in the securitization, the required level of over-collateralization may be increased or may be prevented from decreasing as would otherwise be permitted if losses or defaults did not exceed those levels. In addition, a failure by this securitization to satisfy an over-collateralization test may result in accelerated periodic interest distributions to the holders of the senior debt securities issued by it. Our equity holdings, certain of our debt interests and our subordinated management fees, if any, are subordinate in right of payment to the other classes of debt securities issued by the securitization entity. Other tests (based on delinquency levels or other criteria) may restrict our ability to receive cash distributions from assets collateralizing the securities issued by the securitization entity or our ability to effectively manage the assets held in the securitizations.

RAIT I also contains interest coverage tests. If the interest coverage tests are not met in a given period, then the cash flows are redirected from lower rated tranches and used to repay the principal amounts to the senior tranches of CDO notes payable. These conditions and the re-direction of cash flow continue until the triggers are met by curing the underlying cause of the interest coverage test failure, which may include curing payment defaults, paying down the CDO notes payable, or other actions permitted under the RAIT I indenture. Any failure of a coverage test would likely reduce payments on RAIT's retained interests in RAIT I.

In January 2019, RAIT I failed its Class F/G/H overcollateralization test which resulted in a significant amount of monthly interest proceeds on Class J Notes and Preference Shares issued by RAIT I that are held by a RAIT subsidiary being redirected to payments on senior classes of notes issued by RAIT I in their order of seniority. RAIT does not expect this overcollateralization test to be satisfied for the foreseeable future and so RAIT expects these periodic interest distributions that would have otherwise been directed to these Class J Notes and Preference Shares to continue to be redirected in this manner, reducing RAIT's periodic interest distributions from RAIT I though the amount of our ultimate gross total expected cash flows may not be affected. RAIT I may fail to meet additional coverage tests in the future which would further reduce these periodic distributions from RAIT I and the timing and/or amount of other cash flow from RAIT I. If RAIT I fails to meet additional coverage tests for more senior classes of notes than Class F/G/H, we expect that periodic interest distributions on RAIT's retained interests in RAIT I would be materially reduced. While failures of the Class C/D/E coverage tests or the Class F/G/H coverage tests would not constitute an event of default under the indenture governing the notes issued by RAIT I, for so long as any of the Class B Notes issued by RAIT I remain outstanding (the Class A Notes issued by RAIT I having been previously redeemed), a failure to meet a defined Class A/B overcollateralization ratio of 100% could result in an indenture event of default and an acceleration of the notes issued by RAIT I and other adverse consequences to RAIT.

RAIT I is required to hold auctions of its collateral assets at specified times and under specified conditions and our liquidity, financial performance and our return on the equity we hold in RAIT I may be adversely affected if the proceeds of any auction sales are lower than our valuation of such assets or if we acquire such assets in such auctions on more costly terms than the terms of RAIT I.

Under the indenture for the notes, or the CDO notes, issued to unaffiliated investors by RAIT I, since the CDO notes were not redeemed in full prior to the distribution date occurring in November 2016, an auction of the collateral assets of RAIT I is required to be periodically conducted by the relevant trustee and, if certain conditions set forth in the relevant indenture are satisfied, such collateral assets will be sold at the auction and the relevant CDO notes will be redeemed, in whole, but not in part, on such distribution date. No redemption of the CDO notes may occur unless proceeds of the auction, together with other defined available redemption funds, are sufficient to pay the defined total senior redemption amount. If such conditions are not satisfied and the auction is not successfully conducted on such distribution date, the relevant trustee will conduct auctions on a periodic basis until the relevant CDO notes are redeemed in full. Our liquidity and financial performance may be adversely affected if the proceeds of any auction sales are lower than our valuation of such assets or if we acquire such assets in such auctions on more costly terms than the terms of RAIT I. In

addition, our returns on the preference shares and our other equity we hold in RAIT I may be reduced or eliminated if auctions are held when the total senior redemption amount does not include the payment of an internal rate of return on such preference shares.

Risks relating to our securities

Our common shares and preferred shares could be determined to be a "penny stock," in which case a broker-dealer may find it more difficult to trade our common shares and an investor may find it more difficult to acquire or dispose of our common shares in the secondary market.

Our common shares may be subject to the so-called "penny stock" rules. The SEC has adopted regulations that define a "penny stock" to be any equity security that has a market price per share of less than $5.00, subject to certain exceptions, such as any securities listed on a national securities exchange. For any transaction involving a "penny stock," unless exempt, the rules impose additional sales practice requirements on broker-dealers, subject to certain exceptions. If our common shares were determined to be a "penny stock," a broker-dealer may find it more difficult to trade our common shares and an investor may find it more difficult to acquire or dispose of our common shares in the secondary market. These factors could significantly negatively affect the market price of our common shares and our ability to raise capital.

Future issuances of our securities as a result of actions or transactions resulting from the 2019 strategic steps or otherwise in the public or private markets or to one or more of our stakeholders in negotiated transactions could adversely affect the trading price of our publicly traded securities and substantially dilute existing shareholders.

Future issuances of our securities as a result of actions or transactions resulting from the 2019 strategic steps or otherwise in the public or private markets or to one or more of our stakeholders in negotiated transactions could result in substantial dilution to existing shareholders, could potentially adversely affect the trading price of our publicly traded securities and could further impair our ability to raise capital or exchange new securities issued by us for other of our securities. This is particularly true if such sales occur at depressed stock prices, such as those currently existing. In addition, the perceived risk of dilution may cause some shareholders to sell their shares, which may further reduce the market price of our common shares and preferred shares.

We have suspended paying dividends on our common shares and preferred shares and we cannot assure you of our ability to pay dividends in the future or the amount of any dividends.

The board has determined to suspend paying a dividend on RAIT's common shares and preferred shares. The board currently expects to continue to review and determine the dividends on RAIT's common shares and preferred shares on a quarterly basis, but we cannot provide you with any assurances that RAIT will resume paying dividends on its common shares or preferred shares. Our board determines the amount and timing of any distributions. In making this determination, our trustees consider a variety of relevant factors, including, without limitation, REIT minimum distribution requirements, the amount of cash available for distribution, restrictions under Maryland law, capital expenditures and reserve requirements and general operational requirements. We cannot assure you that we will be able to make distributions in the future. Any of the foregoing could adversely affect the market price of our publicly traded securities. If dividends on RAIT's outstanding preferred shares are in arrears for six or more quarterly periods, those preferred shareholders, voting as a single class, would be entitled to elect a total of two additional trustees to the board, which could have an adverse impact on RAIT's governance and on the interests of RAIT stakeholders other than the holders of RAIT's preferred shares if these additional trustees focus primarily on pursuing strategies to benefit holders of our preferred shares.

The trading market for our securities is limited.

We implemented a 1-for-50 reverse stock split of our common shares in August 2018 resulting in every fifty of our common shares then issued and outstanding being automatically combined into one issued and outstanding common share, as a result of which the market for our common shares has become, and is expected to remain substantially, less liquid. In addition, our securities were delisted from the New York Stock Exchange in December 2018. Our securities are currently quoted on the OTC Markets Group's OTCQB Over-the-Counter Bulletin Board. The OTCQB is regarded as a junior trading venue. This may result in limited investor interest and hence lower prices for our securities than might otherwise be obtained. In addition, it may be difficult for holders of our securities to sell their securities without depressing the market price for our securities or at all. As a result of these and other factors, holders of our securities may not be able to sell their securities. Further, an inactive market may also impair our ability to raise capital by selling our common shares and may impair our ability to enter into strategic partnerships or acquire companies or products by using our shares of common shares as consideration. If an active market for our securities does not develop or is not sustained, it may be difficult for holders of our securities to sell those securities. We cannot assure you that we will continue to meet the requirements for our securities to continue to trade on the OTCQB, in which event RAIT would need to determine if another trading platform would be available for its securities, which trading platform would likely provide less liquidity than the OTCQB.

Since our securities are currently quoted on the OTCQB, our shareholders may face significant restrictions on the resale of our securities due to state "Blue Sky" laws.

Each state has its own securities laws, often called "blue sky" laws, which (i) limit sales of securities to a state's residents unless the securities are registered in that state or qualify for an exemption from registration, and (ii) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or the transaction must be exempt from registration. The applicable broker must be registered in that state. We do not know whether our securities will be registered or exempt from registration under the laws of any state. Since our securities are currently quoted on the OTCQB, a determination regarding registration will be made by those broker-dealers, if any, who agree to serve as the market-makers for our securities. There may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, our securities. Investors should therefore consider the resale market for our securities to be limited, as they may be unable to resell securities without the significant expense of state registration or qualification.

Risks related to our asset management business

We receive collateral management fees pursuant to a collateral management agreement for services we provide as the collateral manager of RAIT I. If a collateral management agreement is terminated or if the securities serving as collateral for RAIT I are prepaid or go into default, the collateral management fees will be reduced or eliminated.

We receive collateral management fees pursuant to a collateral management agreement for acting as the collateral manager of RAIT I. If all the notes issued by RAIT I are redeemed, or if the collateral management agreement is otherwise terminated, we will no longer receive collateral management fees from that securitization. In general, a collateral management agreement may be terminated both with and without cause at the direction of holders of a specified supermajority in principal amount of the notes issued by the securitization. Furthermore, such fees are based on the total amount of collateral held by the securitizations. If the assets serving as collateral for a securitization are prepaid or go into default, we will receive lower collateral management fees than expected or the collateral management fees may be eliminated.

In addition, collateral management agreements typically provide that if certain over-collateralization tests are failed, the collateral management agreement may be terminated by a vote of the security holders resulting in our loss of management fees from these securitizations.

If any of our securitizations fail to meet over-collateralization tests relevant to the securitization's most senior existing debt, an event of default may occur. Upon an event of default, our ability to manage the securitization may be terminated and our ability to attempt to cure any defaults in the securitization would be limited, which would increase the likelihood of a reduction or elimination of cash flow and returns to us in those securitizations for an indefinite time.

We expect repayments of loans collateralizing RAIT I and the FL securitizations outside their contractual maturities to continue which we expect will reduce our returns from these securitizations.

We expect repayment of the loans collateralizing RAIT I and the FL securitizations outside their contractual maturities to continue. We expect this will reduce our returns from these securitizations. If we are unable to replace these returns, our financial performance may be adversely affected.

We receive servicing and special servicing fees pursuant to servicing agreements with RAIT I and the FL securitizations for services we provide as the servicer and special servicer. If these or any similar servicing agreements are terminated, if the loans serving as collateral for a securitization are prepaid or go into default or if the notes issued by these securitizations are repaid or redeemed, the servicing fees will be reduced or eliminated.

We receive servicing fees pursuant to servicing agreements for acting as the servicer and special servicer of each of RAIT I and the FL securitizations. If all the notes issued by RAIT I or any of the FL securitizations are repaid or redeemed, or if a servicing agreement is otherwise terminated if conditions under the relevant agreement are met, we will no longer receive servicing fees from RAIT I or the affected FL securitization, as applicable. In general, these servicing agreements may be terminated upon the occurrence of a termination event, which includes our failure to remit required payments, make required advances, material breaches of covenants or representations, defined bankruptcy and insolvency events and a ratings downgrade citing servicing concerns as a material factor. Furthermore, the fees payable by each securitization are based on the total amount of collateral held by the securitization. If the assets serving as collateral for a securitization are prepaid or go into default, we will receive lower servicing fees than expected or the servicing fees may be eliminated.

If we lose our rating as a commercial mortgage loan primary servicer and special servicer by Standard & Poor's and by Morningstar or if any of the bonds in our FL securitizations are downgraded, qualified or put on a watch list by the relevant rating agency citing servicing concerns as the sole or a material factor, our fee income might be reduced.

We are rated as a commercial mortgage loan primary servicer and special servicer by Standard & Poor's and by Morningstar. If we were to lose either of these ratings, we might need to incur additional expenses in order to regain our rating or obtain comparable credentials from other persons to continue to provide servicing services generating fee income under our arrangements with securitizations or enter into sub-servicing or other arrangements with third parties in order to continue to earn such fees. Such expenses or arrangements might reduce our fee income. Standard & Poor's and Morningstar has downgraded our rating and this increases the chance that one or more of these adverse consequences will occur. In addition, if any of the bonds in our FL securitizations are downgraded, qualified or put on a watch list by the relevant rating agency citing servicing concerns as the sole or a material factor, we may be terminated as the servicer and/or special servicer of such securitization and our fee income may also be reduced.

RAIT's ability to act as servicer and special servicer for RAIT FL8 could be materially adversely affected if RAIT is unable to address DBRS' concerns.

As described above under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Securitization Summary," a rating agency, DBRS Limited, or DBRS, announced that it had placed all classes of the Floating Rate Notes issued by RAIT FL8 under review with negative implications citing concerns over RAIT's ability to continue to effectively service and special service these transactions due to RAIT's announcement that it was taking described strategic steps. DBRS announced it would revisit the ratings once additional information becomes available. RAIT's ability to act as servicer and special servicer for the RAIT FL8 securitization could be materially adversely affected if RAIT is unable to address DBRS' concerns.

Risks relating to financial reporting requirements and fair value determinations

If we deconsolidate any of RAIT I or the FL securitizations, it may have a material effect on our financial statements.

Our consolidated financial statements reflect our accounts and the accounts of our subsidiaries and other entities in which we have a controlling financial interest. If we were to determine that our interests in any of these entities no longer made us have a controlling financial interest, our determination to consolidate such entities would change. If we deconsolidate any of these entities for these or any other reasons, the assets, liabilities, equity and income in our financial statements may be changed significantly. We may consider disposing of part or all of our direct or indirect retained interests in any or all of RAIT I or the FL securitizations as part of the 2019 strategic steps which would likely replace assets, liabilities, equity and income in our financial statements from these securitizations with the proceeds of any such disposition which may materially change our financial condition and operating performance.

We have identified material weaknesses in our internal control over financial reporting which could, if not remediated, adversely affect our ability to report our financial condition and results of operations in a timely and accurate manner, investor confidence in our Company and, as a result, the value of our common shares.

We are required to report on the effectiveness of our internal controls over financial reporting and include in our Annual Reports on Form 10-K management's assessment of the effectiveness of such controls. In connection with management's assessment of our internal control over financial reporting for the year ended December 31, 2018, management identified certain material weaknesses in our internal controls. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis.

As described in Part II, Item 9A, "Controls and Procedures - Management's Report on Internal Control Over Financial Reporting," in our assessment of our internal controls for the year ended December 31, 2018, management identified a material weakness in our internal control over financial reporting related to the lack of an effective continuous risk assessment process and monitoring activities to modify financial reporting processes and related internal controls impacted by changes in the business operations, which created a reasonable possibility that a material misstatement to the consolidated financial statements would not be prevented or detected on a timely basis.

Management expects to remediate this material weakness by continuing its risk assessment and monitoring activities and testing of the enhanced controls that are further described in Part II, Item 9A, "Controls and Procedures - Changes in Internal Control Over Financial Reporting" section below to ensure that they are designed, implemented and operating effectively. Until our remediation plan is fully implemented, our management will continue to devote time and attention to these efforts. If we do not complete our

remediation in a timely fashion, or at all, or if our remediation plan is inadequate, there will be an increased risk that we will be unable to timely file future periodic reports with the SEC and that our future consolidated financial statements could contain errors that will be undetected. If we are unable to report our results in a timely and accurate manner, we may not be able to comply with the applicable covenants in our financing arrangements and may be required to seek amendments or waivers under these financing arrangements, which, if not agreed to, could adversely impact our liquidity and financial condition.

If we fail to maintain an effective system of integrated internal controls, we may not be able to accurately report our financial results and may be required to incur substantial costs and divert management resources.

We depend on our ability to produce accurate and timely financial statements in order to run our business. If we fail to do so, our business could be negatively affected, and our independent registered public accounting firm may be unable to attest to the accuracy of our financial statements. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those responsible for oversight of a registrant's financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected, on a timely basis.

Our remediation of the material weakness described above is not complete. In the event we remediate this material weakness, there can be no assurance that significant deficiencies or material weaknesses will not occur in the future. If we fail to maintain effective internal controls over financial reporting and disclosure controls and procedures in the future, it could result in a material misstatement of our financial statements that may not be prevented or detected on a timely basis, which could cause stakeholders to lose confidence in our reported financial information. Our inability to remedy any additional deficiencies or material weaknesses that may be identified in the future could, among other things, cause us to fail to file timely our periodic reports with the SEC (which may limit our ability to access the capital markets); prevent us from providing reliable and accurate financial information and forecasts or from avoiding or detecting fraud; or require us to incur additional costs or divert management resources to achieve compliance.

Our financial statements may be materially impacted if our estimates, including loan loss reserves, prove to be inaccurate.

Financial statements prepared in accordance with accounting principles generally accepted in the United States, or GAAP, require the use of estimates, judgments and assumptions that affect the reported amounts. Different estimates, judgments and assumptions reasonably could be used that would have a material effect on the financial statements, and changes in these estimates, judgments and assumptions are likely to occur from period to period in the future. Significant areas of accounting requiring the application of management's judgment include but are not limited to: (i) assessing the adequacy of the allowance for loan losses; (ii) determining the fair value of financial instruments; and (iii) assessing impairments on real estate held for use or held for sale. As these estimates, judgments and assumptions are inherently uncertain, especially in turbulent economic times, our actual financial results may differ from these estimates.

Accounting standards for certain of our transactions are highly complex and involve significant judgment and assumptions. Changes in accounting interpretations or assumptions could impact our consolidated financial statements.

Accounting standards for transfers of financial assets, securitization transactions, consolidation of variable interest entities, or VIEs, convertible debt securities that may be settled in cash and other aspects of our anticipated operations are highly complex and involve significant judgment and assumptions. These complexities could lead to a delay in preparation of financial information and the delivery of this information to our shareholders. Changes in accounting interpretations or assumptions could impact our consolidated financial statements, result in a need to restate our financial results and affect our ability to timely prepare our consolidated financial statements. Our inability to timely prepare our consolidated financial statements in the future would likely adversely affect the trading prices of our common shares or other securities significantly.

A portion of our assets and liabilities are recorded at fair value using unobservable inputs and, as a result, there may be uncertainty as to the value of these investments.

We reflect certain assets and liabilities at fair value in our balance sheet, with changes in fair value recorded in earnings. All of these assets and liabilities are not publicly traded and as such, their fair value may not be readily determinable. For further discussion of the fair value of our financial instruments, see Part II, Item 8, "Financial Statements and Supplementary Data—Note 2: Summary of Significant Accounting Policies—Fair Value of Financial Instruments." We value these assets quarterly at fair value. Because such valuations are inherently uncertain, may fluctuate over short periods of time and are based on assumptions and estimates, our

determinations of fair value may differ materially from the values that would have been used if a ready market for these investments existed. If our determinations regarding the fair value of these assets are not realized, we could record a loss upon their disposal.

When we acquire properties through the foreclosure of commercial real estate loans, we may realize losses if the fair value of the property internally determined upon such acquisition is less than the previous recorded investment of the foreclosed loan.

We periodically acquire properties through the foreclosure of commercial real estate loans. Upon acquisition, we value the property and its related assets and liabilities. We determine the fair values based primarily upon discounted cash flow or capitalization rate models, the use of which requires critical assumptions including discount rates, capitalization rates, vacancy rates and growth rates based, in part, on the properties' operating history and third-party data. We may realize losses if the fair value of the property internally determined upon acquisition is less than the previous carrying amount of the foreclosed loan.

Changes in interest rates and changes in interest rate spreads may reduce the value of our investments and reduce our interest income.

Changes in interest rates and changes in interest rate spreads affect the market value of our investment portfolio. In general, the market value of a loan will change in inverse relation to an interest rate change where a loan has a fixed interest rate or only limited interest rate adjustments. Accordingly, in a period of rising interest rates, the market value of such a loan will decrease. Moreover, in a period of declining interest rates, real estate loans with rates that are fixed or variable only to a limited extent may have less value than other income-producing securities due to possible prepayments. Interest rate changes will also affect the return we obtain on new loans. In particular, during a period of declining rates, our reinvestment of loan repayments may be at lower rates than we obtained in prior investments or on the repaid loans. Also, increases in interest rates on debt we incur may not be reflected in increased rates of return on the investments funded through such debt, which would reduce our return on those investments. Accordingly, interest rate changes may materially affect the total return on our investment portfolio, which in turn will affect the amount available for distribution to shareholders. To the extent the spread in interest rates between loans in our portfolio and our underlying sources of capital decreases, the value of our loans and interest income may be adversely affected.

The value of our investments depends on conditions beyond our control.

Our investments include loans secured directly or indirectly by real estate, interests in entities whose principal or sole assets are real estate or direct ownership of real estate. As a result, the value of these investments depends primarily upon the value of the real estate underlying these investments which is affected by numerous factors beyond our control including general and local economic conditions, neighborhood values, competitive overbuilding, weather, casualty losses, occupancy rates and other factors beyond our control. The value of this underlying real estate may also be affected by factors such as the costs of compliance with use, occupancy and similar regulations, potential or actual liabilities under applicable environmental laws, changes in interest rates and the availability of financing. Income from a property will be reduced if a significant number of tenants are unable to pay rent or if available space cannot be rented on favorable terms. Operating and other expenses of this underlying real estate, particularly significant expenses such as mortgage payments, insurance, real estate taxes and maintenance costs, generally do not decrease when income decreases and, even if revenue increases, operating and other expenses may increase faster than revenues.

Any investment may also be affected by a borrower's failure to comply with the terms of our investment, its bankruptcy, insolvency or reorganization or its properties becoming subject to foreclosure proceedings, all of which may require us to become involved in expensive and time-consuming litigation. Some of our investments defer some portion of our return to loan maturity or the mandatory redemption date. The borrower's ability to satisfy these deferred obligations may depend upon its ability to obtain suitable refinancing or to otherwise raise a substantial amount of cash. These risks may be subject to the same considerations we describe in the "Risks relating to our commercial real estate, or CRE, real estate lending business" section.

Risks related to our investments

RAIT's increased sale of assets to generate liquidity while suspending new investment activity, which has been part of RAIT's business strategy since early 2018, has resulted in the reduction of RAIT's overall assets and an increase in the portion of RAIT's assets having increased credit risk.

RAIT's business strategy since early 2018 emphasizing RAIT's increased sale of assets to generate liquidity while suspending new investment activity has resulted in a reduction of RAIT's assets and an increase in the portion of RAIT's assets having an increased credit risk profile in this period. This is due in part to RAIT generally focusing on selling its assets with relatively better credit risk profiles, where practicable, to generate quicker and better proceeds with lower transaction execution risk, rather than trying to sell assets with relatively higher credit risk profiles. As a result, in this period measured year to year RAIT's assets overall have an increasing risk of requiring loan loss reserves and charge-offs and recognizing impairments related to these credit risks. RAIT does

not expect to be able to reverse this trend unless and until it is able to resume making new investments with historically comparable credit risk profiles, which may not occur.

We have a concentration of investments in the commercial real estate sector and may have concentrations from time to time in certain loan types, property types, locations, tenants and borrowers, which may increase our exposure to the risks of certain economic downturns.

We operate in the commercial real estate sector, including the financing and ownership of multifamily and other property types. Such concentration in one economic sector may increase the volatility of our returns and may also expose us to the risk of economic downturns in this sector to a greater extent than if our portfolio also included other sectors of the economy. Declining real estate values may reduce the level of new mortgage and other real estate-related loan originations since borrowers often use appreciation in the value of their existing properties to support the purchase of or investment in additional properties. Borrowers may also be less able to pay principal and interest on our loans or refinance our loans if the value of real estate weakens. Further, declining real estate values significantly increase the likelihood that we will incur losses on our loans in the event of default because the value of our collateral may be insufficient to cover our recorded investment in the loan. Any sustained period of increased payment delinquencies, foreclosures or losses could adversely affect both our net interest income from loans in our portfolio as well as our ability to originate/acquire/sell loans, which would materially and adversely affect our results of operations, financial condition, liquidity and business.

In addition, we are not required to observe specific diversification criteria relating to loan types, property types, locations, tenants or borrowers. A limited degree of diversification increases risk because the aggregate return of our business may be adversely affected by the unfavorable performance of a single type of loan, property type, single tenant, single market or even a single investment. Prior to our suspension of new investment activity, RAIT was focusing on the origination of bridge loans relating to properties in transition. To the extent that our portfolio is concentrated in any one type of asset or region, downturns relating generally to such type of asset or region may result in defaults on a number of our assets within a short time period. Additionally, borrower concentration, in which a particular borrower is, or a group of related borrowers are, associated with multiple real properties securing mortgage loans or securities held by us, magnifies the risks presented by the possible poor performance of such borrower(s).

We may have material geographic concentrations related to our investments in commercial real estate loans and properties. The REITs and real estate operating companies in whose securities we have invested in may also have material geographic concentrations related to their investments in real estate, loans secured by real estate or other investments. We also have material concentrations in the property types that comprise our commercial loan portfolio and in the industry sectors that comprise our unsecured securities portfolio. We also may have material concentrations in the sponsors of properties that comprise our commercial loan portfolio. Where we have any kind of concentration risk in our investments, an adverse development in that area of concentration could reduce the value of our investment and our return on that investment and, if the concentration affects a material amount of our investments, impair our ability to execute our investment strategies successfully, reduce our earnings and reduce our ability to make distributions.

Our due diligence efforts before making an investment may not have identified all the risks related to that investment.

Before originating a loan or investment for, or making a loan to or investment in, an entity, we assess the strength and skills of the entity's management and other factors that we believe will determine the success of the loan or investment. In making the assessment and otherwise conducting customary due diligence, we expect to rely on available resources and, in some cases, an investigation by third parties. This process is particularly important and subjective with respect to newly organized entities because there may be little or no information publicly available about the entities. As a result, there can be no assurance that the due diligence processes we conduct will uncover all relevant facts or that any investment will be successful.

Our investments in securitizations are exposed to greater uncertainty and risk of loss than investments in higher grade securities in these securitizations.

When we securitize assets such as commercial mortgage loans and mezzanine loans, the various tranches of investment grade and non-investment grade debt obligations and equity securities have differing priorities and rights to the cash flows of the underlying assets being securitized. We structured our securitization transactions to enable us to place debt and equity securities with investors in the capital markets at various pricing levels based on the credit position created for each tranche of debt and equity securities. The higher rated debt tranches have priority over the lower rated debt securities and the equity securities issued by the particular securitization entity with respect to payments of interest and principal using the cash flows from the collateral assets. The relative cost of capital increases as each tranche of capital becomes further subordinated, as does the associated risk of loss if cash flows from the assets are insufficient to repay fully interest and principal or pay dividends.

Since, in many cases, we own the non-investment grade and unrated debt and equity classes of securitizations, we are in a subordinated and/or "first loss" position because the rights of the securities that we hold are subordinate in right of payment and in liquidation to the rights of higher rated debt securities issued by the securitization entities. Accordingly, we have incurred and may in the future incur significant losses regarding our investments in these securities. In the event of default, we may not be able to recover any or all of our respective investments in these securities. In addition, we may experience significant losses if the underlying portfolio has been overvalued or if the values subsequently decline and, as a result, less collateral is available to satisfy interest, principal and dividend payments due on the related securities. The prices of lower credit quality securities are generally less sensitive to interest rate changes than higher rated investments but are more sensitive to economic downturns or developments specific to a particular issuer. Current credit market conditions have caused a decline in the price of lower credit quality securities because the ability of obligors on the underlying assets to make principal, interest and dividend payments may be impaired. In addition, existing credit support in a number of the securitizations in which we have invested have been, and may in the future be, insufficient to protect us against loss of our investments in these securities.

Risks relating to our commercial real estate, or CRE, real estate lending business

The commercial mortgage loans in which we have invested and the commercial mortgage loans underlying the CMBS in which we have invested are subject to delinquency, foreclosure and loss, which could result in losses to us that may result in reduced earnings or losses and reduce our ability to pay distributions to our shareholders.

We hold substantial portfolios of commercial mortgage loans and CMBS which are secured by office, retail, industrial and multifamily or other commercial property and are subject to risks of delinquency and foreclosure. The ability of a borrower to repay a non-recourse loan secured by an income-producing property typically depends primarily upon the successful operation of such property rather than upon the existence of independent income or assets of the borrower. If the net operating income of the property is reduced, the borrower's ability to repay the loan may be impaired. Net operating income of an income-producing property can be affected by, among other things: tenant mix, success of tenant businesses, property management decisions, property location and condition, competition from comparable types of properties, changes in laws that increase operating expense or limit rents that may be charged, any need to address environmental contamination at the property, the occurrence of any uninsured casualty at the property, changes in national, regional or local economic conditions and/or specific industry segments, declines in regional or local real estate values, declines in regional or local rental or occupancy rates, increases in interest rates, real estate tax rates and other operating expenses, changes in governmental rules, regulations and fiscal policies, including environmental legislation, acts of God, terrorism, social unrest and civil disturbances.

In the event of any default under a commercial mortgage loan held directly by us, we will bear a risk of loss of principal to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. In the event of the bankruptcy of a commercial mortgage loan borrower, the mortgage loan to such borrower will be deemed to be secured only to the extent of the value of the underlying collateral at the time of bankruptcy (as determined by the bankruptcy court), and the lien securing the mortgage loan will be subject to the avoidance powers of the bankruptcy trustee or debtor-in-possession to the extent the lien is unenforceable under state law.

Foreclosure of a commercial mortgage loan can be an expensive and lengthy process, which could have a substantial negative effect on our anticipated return on the foreclosed mortgage loan. CMBS evidence interests in or are secured by a single commercial mortgage loan or a pool of commercial mortgage loans. Accordingly, the mortgage-backed securities in which we have invested are subject to all of the risks of the underlying mortgage loans.

A defaulted commercial real estate loan may become subject to either substantial workout negotiations or restructuring, which may entail, among other things, a substantial reduction in the interest rate, a substantial write-down of principal, and a substantial change in the terms, conditions and covenants with respect to such loan. In addition, such negotiations or restructuring may be quite extensive and protracted over time, and therefore may result in substantial uncertainty with respect to the ultimate recovery on such loan.

If the financial condition and/or results of operations of RAIT's borrowers deteriorates for any reason, that could adversely affect the business of our borrowers and their ability to repay obligations. In addition, if economic conditions deteriorate, that could impact the tenant's ability to pay obligations and our borrower's ability to secure financing and/or sell properties.

Our reserves for loan losses may prove inadequate, which could have a material adverse effect on our financial results.

We maintain loan loss reserves to protect against probable, incurred losses and conduct a review of the appropriateness of these reserves on a quarterly basis. Our loan loss reserves reflect management's then-current estimation of the probability and severity of losses within our portfolio, based on this quarterly review. Our determination of loan loss reserves relies on significant estimates

regarding the fair value of loan collateral. The estimation of these fair values is a complex and subjective process. As such, there can be no assurance that management's judgment will prove to be correct and that reserves will be adequate over time to protect against future losses. Such losses could be caused by factors including, but not limited to, unanticipated adverse changes in the economy or events adversely affecting specific assets, borrowers, industries in which our borrowers operate, markets in which our borrowers or their properties are located or an inability to collect accrued interest receivable on loans which accrue interest at a higher rate than their stated pay rate. If our reserves for loan losses prove inadequate, we will suffer additional losses which may have a material adverse effect on our financial performance and results of operations.

Prepayment rates on mortgage loans cannot be predicted with certainty and prepayments may result in losses to the value of our assets.

The frequency at which prepayments (including voluntary prepayments by the borrowers and liquidations due to defaults and foreclosures) occur on our investments can adversely impact our business. Prepayment rates cannot be predicted with certainty, making it impossible to completely insulate us from prepayment or other such risks. Prepayments of our investments in loans may adversely impact our portfolio because investments may experience outright losses in an environment of faster actual or anticipated prepayments or may underperform relative to hedges that the management team may have constructed for such investments (resulting in a loss to our overall portfolio). Additionally, borrowers are more likely to prepay when the prevailing level of interest rates falls, thereby exposing us to the risk that the prepayment proceeds, if reinvested, may be reinvested only at a lower interest rate than that borne by the prepaid obligation.

Our subordinated real estate investments such as mezzanine loans and preferred equity interests in entities owning real estate involve increased risk of loss.

We have invested in mezzanine loans and other forms of subordinated financing, such as investments consisting of preferred equity interests in entities owning real estate. Because of their subordinate position, these subordinated investments carry a greater credit risk than senior lien financing, including a substantially greater risk of non-payment. If a borrower defaults on our subordinated investment or on debt senior to us, our subordinated investment will be satisfied only after the senior debt is paid off, which may result in our being unable to recover the full amount, or any, of our investment. A decline in the real estate market could reduce the value of the property so that the aggregate outstanding balances of senior liens may exceed the value of the underlying property.

Where debt senior to our investment exists, the presence of inter-creditor arrangements may limit our ability to amend our loan documents, assign our loans, accept prepayments, exercise our remedies (through "standstill" periods) and control decisions made in bankruptcy proceedings relating to borrowers. Bankruptcy and borrower litigation can significantly increase the time needed for us to acquire the underlying collateral in the event of a default, during which time the collateral may decline in value. In addition, there are significant costs and delays associated with the foreclosure process. In the event of a default on a senior loan, we may elect to make payments, if we have the right to do so, in order to prevent foreclosure on the senior loans. When we originate or acquire a subordinated investment, we typically do not have the right to service senior loans. The servicers of the senior loans are responsible to the holders of those loans, whose interests will likely not coincide with ours, particularly in the event of a default. Accordingly, the senior loans may not be serviced in a manner advantageous to us. It is also possible that, in some cases, a "due on sale" clause included in a senior mortgage, which accelerates the amount due under the senior mortgage in case of the sale of the property, may apply to the sale of the property if we foreclose, increasing our risk of loss.

Our investments in subordinate loans, subordinate participation interests in loans and subordinate CMBS rank junior to other senior debt and we may be unable to recover our investment in these loans.

Our investments include subordinate loans (including mezzanine loans), subordinate participation interests in loans and subordinate CMBS. In the event a borrower defaults on a loan and lacks sufficient assets to satisfy our loan, we may suffer a loss of principal or interest. In the event a borrower declares bankruptcy, we may not have full recourse to the assets of the borrower, or the assets of the borrower may not be sufficient to satisfy the loan. In addition, certain of our loans may be subordinate to other debt of the borrower. If a borrower defaults on a loan to us or on debt senior to our loan, or in the event of a borrower bankruptcy, our loan will be satisfied only after the senior debt is paid in full. Where debt senior to our loan exists, the presence of intercreditor arrangements may limit our ability to amend loan documents, assign our loans, accept prepayments, exercise remedies and control decisions made in bankruptcy proceedings relating to borrowers.

In general, losses on a property securing a mortgage loan included in a securitization will be borne first by the equity holder of the property, then by a cash reserve fund or letter of credit, if any, then by the holder of a mezzanine loan or B-Note, if any, then by the "first loss" subordinated security holder (generally, the "B-Piece" buyer) and then by the holder of a higher-rated security. In the event of default and the exhaustion of any equity support, reserve fund, letter of credit, mezzanine loans or B-Notes, and any classes of securities junior to those in which we may invest, we may not be able to recover all of our investment in the securities we purchased.

In addition, if the underlying mortgage portfolio has been overvalued by the originator, or if the values subsequently decline and, as a result, less collateral is available to satisfy interest and principal payments due on the related mortgage-backed securities, the securities in which we have invested may effectively become the "first loss" position behind the more senior securities, which may result in significant losses to us. The prices of lower credit quality securities are generally less sensitive to interest rate changes than more highly rated investments, but more sensitive to adverse economic downturns or individual issuer developments. A projection of an economic downturn, for example, could cause a decline in the price of lower credit quality securities because the ability of obligors of mortgage loans underlying the mortgage-backed securities to make principal and interest payments may be impaired. In such event, existing credit support in the securitization structure may be insufficient to protect us against loss of our principal in these securities.

We may be subject to "lender liability" litigation.

In recent years, a number of judicial decisions have upheld the right of borrowers to sue lending institutions on the basis of various evolving legal theories, collectively termed "lender liability." Generally, lender liability is founded on the premise that a lender has either violated a duty, whether implied or contractual, of good faith and fair dealing owed to the borrower or has assumed a degree of control over the borrower resulting in the creation of a fiduciary duty owed to the borrower or its other creditors or shareholders. We cannot assure you that such claims will not arise or that we will not be subject to significant liability if a claim of this type were to arise.

The vast majority of the mortgage loans that we have originated or purchased, and those underlying the CMBS in which we have invested, are nonrecourse loans and the assets securing the loans may not be sufficient to protect us from a partial or complete loss if the borrower defaults on the loan.

Except for customary nonrecourse carve-outs for certain actions and environmental liability, most commercial mortgage loans, including those underlying the CMBS in which we have invested, are effectively nonrecourse obligations of the sponsor and borrower, meaning that there is no recourse against the assets of the borrower or sponsor other than the underlying collateral. In the event of any default under a mortgage loan held directly by us, we will bear a risk of loss to the extent of any deficiency between the value of the collateral and the principal and accrued interest of the mortgage loan, which could have a material adverse effect on our cash flow from operations. Even if a mortgage loan is recourse to the borrower (or if a nonrecourse carve-out to the borrower applies), in most cases, the borrower's assets are limited primarily to its interest in the related mortgaged property. Further, although a mortgage loan may provide for limited recourse to a principal or affiliate of the related borrower, there is no assurance any recovery from such principal or affiliate will be made or that such principal's or affiliate's assets would be sufficient to pay any otherwise recoverable claim.

Certain bridge loans may be more illiquid and involve a greater risk of loss than long-term mortgage loans.

We originated and acquired bridge loans generally having maturities of three years or less, that provide interim financing to borrowers seeking short-term capital for the acquisition or transition (for example, lease up and/or rehabilitation) of commercial real estate. Such a borrower under an interim loan often has identified a transitional asset that has been under-managed and/or is located in a recovering market. If the market in which the asset is located fails to recover according to the borrower's projections, or if the borrower fails to improve the quality of the asset's management and/or the value of the asset, the borrower may not receive a sufficient return on the asset to satisfy the interim loan, and we bear the risk that we may not recover some or all of our initial expenditure. In addition, borrowers usually use the proceeds of a long-term mortgage loan to repay an interim loan. We may therefore be dependent on a borrower's ability to obtain permanent financing to repay our interim loan, which could depend on market conditions and other factors.

Further, interim loans may be relatively less liquid than loans against stabilized properties due to their short life, the more limited availability of financing through securitizations than for conduit loans, any unstabilized nature of the underlying real estate and the difficulty of recovery in the event of a borrower's default. This lack of liquidity may significantly impede our ability to respond to adverse changes in the performance of our interim loan portfolio and may adversely affect the value of the portfolio.

Such "liquidity risk" may be difficult or impossible to hedge against and may also make it difficult to effect a sale of such assets as we may need or desire. As a result, if we are required to liquidate all or a portion of our interim loan portfolio quickly, we may realize significantly less than the value at which such investments were previously recorded, which may fail to maximize the value of the investments or result in a loss.

We are subject to additional risks associated with loan participations because our ability to exercise our rights may be restricted by the terms of the participation.

Some of our loans are participation interests or co-lender arrangements in which we share the rights, obligations and benefits of the loan with other lenders. We may need the consent of these parties to exercise our rights under such loans, including rights with respect to amendment of loan documentation, enforcement proceedings in the event of default and the institution of, and control over, foreclosure proceedings. Similarly, a majority of the participants may be able to take actions to which we object but to which we will be bound if our participation interest represents a minority interest. We may be adversely affected by this lack of full control.

We may not control the special servicing of the mortgage loans or other debt underlying the debt securities in which we have invested, and, in such cases, the special servicer may take actions that could adversely affect our interest.

In circumstances where we do not maintain a first mortgage position, overall control over the special servicing of the mortgage loans or other debt underlying the debt securities in which we have invested may be held by a directing certificate holder which is typically appointed by the holders of the most subordinate class of such debt security then outstanding. We ordinarily do not have the right to appoint the directing certificate holder. In connection with the servicing of the specially serviced loans, the related special servicer may, at the direction of the directing certificate holder, take actions that could adversely affect our interest.

Our cash flow loans involve increased risk of loss.

Certain of our commercial mortgage loans, mezzanine loans and preferred equity interests provide for the accrual of interest at specified rates that differ from current payment terms. We refer to these loans as cash flow loans. Although a cash flow loan accrues interest at a stated rate, pursuant to forbearance or other agreements, the borrower is only required to pay interest each month at a minimum rate (which could be zero) plus additional interest up to the stated rate to the extent of all cash flow from the property underlying the loan after the payment of property operating expenses. Interest income is recognized on our cash flow loans at the specified rates that differ from current payment terms. In the event our borrowers on our cash flow loans do not ultimately pay these accrued interest receivables, our financial performance will be adversely affected.

Risks related to our investments in real estate

A significant tenant ceasing to operate at a retail property could adversely affect its value and cash flow.

The value of retail properties is significantly affected by the quality of the tenants as well as fundamental aspects of real estate, such as location and market demographics. The correlation between the success of tenant business and a retail property's value may be more direct with respect to retail properties than other types of commercial property because a component of the total rent paid by certain retail tenants is often tied to a percentage of gross sales.

There is no guarantee that any tenant will continue to occupy space in the related retail property. The presence of significant tenants or anchor tenants is an important consideration at a retail property. A retail "anchor tenant" or "shadow-anchor tenant" plays a key role in attracting customers to a retail property and making a retail property a desirable location for other tenants, whether or not it is located on the mortgaged property. A significant tenant or anchor tenant ceasing to do business at a retail property could result in realized losses on the mortgage loans or real property that we own. The loss of a significant tenant or anchor tenants may result from the tenant's voluntary decision not to renew a lease or to terminate it in accordance with its terms, the bankruptcy or economic decline of the tenant, the tenant's general cessation of business activities or other reasons (including co-tenancy provisions permitting a tenant to terminate a lease prior to its term).

Some tenants at retail properties may be entitled to terminate their leases or pay reduced rent if sales are below certain target levels, or if an anchor tenant or one or more of the larger tenants cease operations at that property or fail to open. If anchor stores in a mortgaged property or real property that we own were to close, the borrower or we may be unable to replace those anchor tenants in a timely manner on similar terms, and customer traffic may be reduced, possibly affecting sales at the remaining retail tenants. The lack of replacement anchors and a reduction in rental income from remaining tenants may adversely affect the borrower's or our ability to pay current debt service or successfully refinance the mortgage loan or sell the property at or prior to maturity. These risks with respect to an anchored retail property may be increased when the property is a single tenant property.

In addition, various anchor parcels and/or anchor improvements at a mortgaged property may be owned by the anchor tenant (or an affiliate of the anchor tenant) or by a third party, rather than the related borrower or us, and therefore not be part of the related mortgaged property or real property that we own and the related borrower or we may not receive rental income from such anchor tenant.

Current levels of property income may not be maintained due to varying tenant occupancy.

Rental payments from tenants of retail properties typically comprise the largest portion of the net operating income of those mortgaged properties or real property that we own. Tenants at our retail properties may be paying rent but are not yet in occupancy or have signed leases but have not yet started paying rent and/or are not yet in occupancy. Tenants at our retail properties may be in a rent abatement period. There can be no assurance that such tenants will be in a position to pay full rent when the abatement period expires. Risks applicable to anchor tenants (such as bankruptcy, failure to renew leases, early terminations of leases and vacancies) also apply to other tenants. We cannot assure you that the rate of occupancy at the stores will remain at the current levels or that the net operating income contributed by our retail properties will remain at its current or past levels.

Competition may adversely affect the value and cash flow from retail properties.

Retail properties face competition from sources outside their local real estate market. For example, all of the following compete with more traditional retail properties for consumer business:

- factory outlet centers;
- discount shopping centers and clubs;
- video shopping networks;
- video stores;
- book stores;
- catalogue retailers;
- online retailers
- home shopping networks;
- direct mail;
- internet websites; and
- telemarketers.

Continued growth of these alternative retail outlets (which often have lower operating costs) could adversely affect the rents collectible at our retail properties that operate as retail properties as well as the market value of our retail properties. Moreover, additional competing retail properties have been and may in the future be built in the areas where the retail properties are located. Such competition could result in a reduction of income from our retail properties.

In addition, although renovations and expansion at our retail properties will generally enhance the value of those properties over time, in the short term, construction and renovation work at such properties may negatively impact net operating income as customers may be deterred from shopping at or near a construction site.

Economic decline in tenant businesses or changes in demographic conditions could adversely affect the value and cash flow from office properties.

Economic decline in the businesses operated by the tenants of office properties may increase the likelihood that the tenants may be unable to pay their rent, which could result in realized losses on the mortgage loans or real property that we own. A number of economic and demographic factors may adversely affect the value of office properties, including:

- the quality and diversity of an office building's tenants (or reliance on a single or dominant tenant);
- the quality of property management;
- provisions in tenant leases that may include early termination provisions;
- an economic decline in the business operated by the tenants;
- the physical attributes of the building in relation to competing buildings (e.g., age, condition, design, location, access to transportation and ability to offer certain amenities, including, without limitation, current business wiring requirements);
- the desirability of the area as a business location;
- the strength and nature of the local economy (including labor costs and quality, tax environment and quality of life for employees);
- an adverse change in population, patterns of telecommuting or sharing of office space, and employment growth (which creates demand for office space);
- competition from other office properties in the same market could decrease occupancy or rental rates at office properties; and
- decreased occupancy or rental revenues could adversely affect property cash flow.

Moreover, the cost of refitting office space for a new tenant is often higher than the cost of refitting other types of property.

These risks may be increased if rental revenue depends on a single tenant, on a few tenants, if the property is owner occupied or if there is a significant concentration of tenants in a particular business or industry. In addition, adverse developments in the local, regional and national economies can affect the ability of a landlord to incur the cost of providing services at an office property, and the ability of a landlord to provide services to an office property can have a significant effect on the success of the property. Further, technological developments can affect the viability of office properties by rendering facilities obsolete or by reducing the size of the workforce necessary to perform office tasks, thus reducing demand for office space.

If one or more of the larger tenants at a particular office property were to close or remain vacant, we cannot assure you that such tenants would be replaced in a timely manner or that such replacement tenants would be without incurring material additional costs to the related borrower or us, thus adversely affecting property cash flow.

Reduction in occupancy and rent levels on multifamily properties could adversely affect their value and cash flow.

Occupancy and rent levels at a multifamily property may be adversely affected by:

- local, regional or national economic conditions, which may limit the amount of rent that can be charged for rental units or result in a reduction in timely rent payments;
- construction of additional housing units in the same market;
- local military base or industrial/business closings;
- in the case of student housing facilities, the financial wellbeing of and/or developments at, the college or university to which it relates, competition from on-campus housing units, the physical layout of the housing, and a higher turnover rate than other types of multifamily tenants, which in certain cases is compounded by the fact that student leases are available for periods of less than 12 months;
- the tenant mix (such as tenants being predominantly students, military personnel, corporate tenants or employees of a particular business);
- national, regional and local politics, including current or future rent stabilization and rent control laws and agreements;
- trends in the senior housing market;
- the level of mortgage interest rates, which may encourage tenants in multifamily properties to purchase housing; and
- a lack of amenities, unattractive physical attributes or bad reputation of the mortgaged property.

Risks particular to industrial properties could adversely affect the value and cash flow from industrial properties.

Industrial properties may be adversely affected by reduced demand for industrial space occasioned by a decline in a particular industry segment (for example, a decline in defense spending), and a particular industrial property that suited the needs of its original tenant may be difficult to re-let to another tenant or may become functionally obsolete relative to newer properties. Furthermore, lease terms with respect to industrial properties are generally for shorter periods of time and may result in a substantial percentage of leases expiring in the same year at any particular industrial property. In addition, industrial properties are often more prone to environmental concerns due to the nature of items being stored or type of work conducted at the property. Further, industrial properties may have tenants that are subject to risks unique to their business, such as cold storage facilities. Because of seasonal use, leases at such facilities are customarily for shorter terms, making income potentially more volatile than for properties with longer term leases. In addition, such facilities may require customized refrigeration design, which in those cases would render them less readily convertible to alternative uses.

Site characteristics at industrial properties may impose restrictions that may limit the properties' suitability for tenants and affect the value of the properties. Site characteristics which affect the value of an industrial property include:

- clear ceiling heights;
- column spacing;
- number of bays (loading docks) and bay depths;
- truck turning radius;
- divisibility;
- zoning restrictions; and
- overall functionality and accessibility.

An industrial property also requires availability of labor sources, proximity to supply sources and customers, and accessibility to rail lines, major roadways and other distribution channels.

Properties used for industrial purposes may be more prone to environmental concerns than other property types. Increased environmental risks could adversely affect the value and cash flow from industrial properties.

Risks associated with tenants generally could adversely affect the cash flow from properties

Cash flow from our properties will be affected by the expiration of leases and our ability to renew the leases or to relet the space on comparable terms. We generally rely on periodic lease or rental payments or guest fees from tenants to pay for maintenance and other operating expenses of the building, to fund capital improvements and to service the related obligation and any other debt or obligations it may have outstanding. There can be no assurance that tenants will renew leases upon expiration or that, if renewed, the terms would be similar to or more favorable than the terms of the prior lease or that the tenants will continue operations throughout the term of their leases. Our properties may have significant portions of month-to-month tenants or may have leases of short duration. Such leases do not provide the same stability as longer-term leases. Cash flow from properties would be adversely affected if tenants were unable to pay rent or if space was unable to be rented on favorable terms or at all. Changes in payment patterns by tenants may result from a variety of social, legal and economic factors, including, without limitation, the rate of inflation and unemployment levels and may be reflected in the rental rates offered for comparable space. In addition, upon re-letting or renewing existing leases, we will likely be required to pay leasing commissions and tenant improvement costs, which may adversely affect cash flow from the relevant property.

We cannot assure you that (1) leases that expire can be renewed, (2) the space covered by leases that expire or are terminated can be re-let in a timely manner at comparable rents or on comparable terms or (3) we will have the cash or be able to obtain the financing to fund any required tenant improvements. Further, lease provisions among tenants may conflict in certain instances, or leases may contain restrictions on the use of parcels near the related property for which there is no corresponding restrictive covenant of record, in each case creating termination or other risks. Income from and the market value of the relevant properties would be adversely affected if vacant space in such properties could not be leased for a significant period of time, if tenants were unable to meet their lease obligations or if, for any other reason, rental payments could not be collected or if one or more tenants ceased operations at such property. Upon the occurrence of an event of default by a tenant, delays and costs in enforcing the lessor's rights could occur.

If we are not able to re-let the expiring or terminated space under as favorable conditions due to a decrease in the market rate for similar space, then cash flow from the relevant property may be adversely affected. Similarly, our inability to fully or favorably re-let the premises may adversely impact our ability to finance or sell the related property in order to make any required balloon payment.

Uninsured and underinsured losses may affect the value of, or our return from, our real estate.

Our properties, and the properties underlying our loans, have comprehensive insurance in amounts we believe are sufficient to permit the replacement of the properties in the event of a total loss, subject to applicable deductibles. There are, however, certain types of losses, such as earthquakes, sinkholes, floods, hurricanes and terrorism that may be insurable with very high deductibles, uninsurable or not economically insurable. Also, inflation, changes in building codes and ordinances, environmental considerations and other factors might make it impractical to use insurance proceeds to replace a damaged or destroyed property. If any of these or similar events occurs, it may reduce our return from an affected property and the value of our investment. If we suffered substantial losses with applicable deductibles, we may not have sufficient resources to pay such deductibles which would adversely affect our ability to recover from such losses.

Real estate with environmental problems may create liabilities and exposure to losses.

The existence of hazardous or toxic substances on a property will adversely affect its value and our ability to sell or borrow against the property. Contamination of real estate by hazardous substances or toxic wastes not only may give rise to a lien on that property to assure payment of the cost of remediation, but also can result in liability to us as owner, operator or lender for that cost. Many environmental laws can impose liability whether we know of, or are responsible for, the contamination. In addition, if we arrange for the disposal of hazardous or toxic substances at another site, we may be liable for the costs of cleaning up and removing those substances from the site, even if we neither own nor operate the disposal site. Environmental laws may require us to incur substantial expenses and may materially limit our use of our properties and our ability to make distributions to our shareholders. In addition, future or amended laws, or more stringent interpretations or enforcement policies with respect to existing environmental requirements, may increase our exposure to environmental liability.

If we are unable to improve the performance of commercial real estate properties we take control of in connection with restructurings, workouts and foreclosures of investments, our financial performance may be adversely affected.

We have taken control of properties underlying our commercial real estate investments in connection with restructurings, workouts and foreclosures of these investments. If we are unable to improve the performance of these properties from their performance under their prior owners, our cash flow may be adversely affected if the properties' cash flow is insufficient to support payments due on any related debt and we may not be able to sell these properties at a price that will allow us to recover our investment.

We may need to make significant capital improvements to our properties in order to remain competitive.

Our investments in real estate may face competition from newer, more updated properties. In order to remain competitive, we may need to make significant capital improvements to these properties. In addition, if we need to re-lease a property, we may need to make significant tenant improvements. Any financing of such improvements may reduce our ability to operate the property profitably and, if financing is not available, we may use our available cash resources which would reduce our cash flow, liquidity and ability to make distributions to shareholders.

Lease expirations, lease defaults and lease terminations may adversely affect our revenue.

Lease expirations, lease defaults and lease terminations may result in reduced revenue from our real estate if the lease payments received from replacement tenants are less than the lease payments received from the expiring, defaulting or terminating tenants. In addition, lease defaults by one or more significant tenants, lease terminations by tenants following events causing significant damage to the property or takings by eminent domain, or the failure of tenants under expiring leases to elect to renew their leases, could cause us to experience long periods with reduced or no revenue from a property and to incur substantial capital expenditures in order to obtain replacement tenants. See Item 2— "Properties," for a ten-year lease expiration schedule for our non-residential properties as of December 31, 2018.

Risks relating to use of derivatives and hedging instruments

Complying with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Code may limit our ability to hedge our assets and operations. Under these provisions, any income that we generate from transactions intended to hedge our interest rate risk will be excluded from gross income for purposes of the REIT 75% and 95% gross income tests if the instrument hedges interest rate risk on liabilities used to carry or acquire real estate assets, and such instrument is properly identified under applicable Treasury Regulations. Income from hedging transactions that do not meet these requirements will generally constitute nonqualifying income for purposes of both the REIT 75% and 95% gross income tests. As a result of these rules, we may have to limit our use of hedging techniques that might otherwise be advantageous or implement those hedges through a TRS. This could increase the cost of our hedging activities because our TRSs would be subject to

tax on gains or expose us to greater risks associated with changes in interest rates than we would otherwise want to bear. In addition, losses in our TRSs will generally not provide any tax benefit, except for being carried forward against future taxable income in the TRSs.

Hedging may adversely affect our earnings, which could reduce our cash available for distribution to our shareholders.

Subject to maintaining our qualification as a REIT, we may pursue various hedging strategies to seek to reduce our exposure to adverse changes in interest rates. Our hedging activity will vary in scope based on the level and volatility of interest rates, the type of assets held, compliance with REIT rules, and other changing market conditions. Interest rate hedging may fail to protect or could adversely affect us because, among other things:

- interest rate hedging can be expensive, particularly during periods of rising and volatile interest rates;
- available interest rate hedges may not correspond directly with the interest rate risk for which protection is sought;
- due to a credit loss or other factors, the duration of the hedge may not match the duration of the related liability;
- applicable law may require mandatory clearing of certain interest rate hedges we may wish to use, which may raise costs;
- the credit quality of the hedging counterparty owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign its side of the hedging transaction;
- the hedging counterparty owing money in the hedging transaction may default on its obligation to pay;
- we may fail to recalculate, readjust and execute hedges in an efficient manner; and
- legal, tax and regulatory changes could occur and may adversely affect our ability to pursue our hedging strategies and/or increase the costs of implementing such strategies.

Any hedging activity in which we engage may materially and adversely affect our results of operations and cash flows. Therefore, while we may enter into such transactions seeking to reduce risks, unanticipated changes in interest rates or credit spreads may result in poorer overall investment performance than if we had not engaged in any such hedging transactions. In addition, the degree of correlation between price movements of the instruments used in a hedging strategy and price movements in the portfolio positions or liabilities being hedged may vary materially. Moreover, for a variety of reasons, we may not seek to establish a perfect correlation between such hedging instruments and the portfolio positions or liabilities being hedged. Any such imperfect correlation may prevent us from achieving the intended hedge and furthermore may expose us to risk of loss.

In addition, some hedging instruments involve additional risk because they are not traded on regulated exchanges, guaranteed by an exchange or its clearing house, or regulated by any U.S. or foreign governmental authorities. Consequently, we cannot assure you that a liquid secondary market will exist for hedging instruments purchased or sold, and we may be required to maintain a position until exercise or expiration, which could result in significant losses. In addition, regulatory requirements with respect to derivatives, including eligibility of counterparties, reporting, recordkeeping, exchange of margin, financial responsibility or segregation of customer funds and positions are still under development and could impact our hedging transactions and how we and our counterparty must manage such transactions.

If we resume hedging activities, we will be subject to associated counterparty risk.

In the event we resume any hedging activities, we would be subject to credit risk with respect to the counterparties to derivative contracts (whether a clearing corporation in the case of exchange-traded instruments or another third party in the case of OTC instruments). If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative contract due to financial difficulties, we may experience significant delays in obtaining any recovery under the derivative contract in a dissolution, assignment for the benefit of creditors, liquidation, winding-up, bankruptcy, or other analogous proceeding. In the event of the insolvency of a counterparty to a derivative transaction, the derivative transaction would typically be terminated at its fair market value. If we are owed this fair market value in the termination of the derivative transaction and its claim is unsecured, we will be treated as a general creditor of such counterparty and will not have any claim with respect to the underlying security. We may obtain only a limited recovery or may obtain no recovery in such circumstances. In addition, the business failure of a counterparty with whom we enter into a hedging transaction will most likely result in its default, which may result in the loss of potential future value and the loss of our hedge and force us to cover our commitments, if any, at the then current market price.

We may enter into hedging transactions that could expose us to contingent liabilities in the future.

Subject to maintaining our qualification as a REIT, part of our investment strategy may involve entering into hedging transactions that could require us to fund cash payments in certain circumstances (such as the early termination of the hedging instrument caused by an event of default or other early termination event, or the decision by a counterparty to request margin securities it is contractually owed under the terms of the hedging instrument). The amount due with respect to an early termination

would generally be equal to the unrealized loss of such open transaction positions with the respective counterparty and could also include other fees and charges. These economic losses will be reflected in our results of operations, and our ability to fund these obligations will depend on the liquidity of our assets and access to capital at the time, and the need to fund these obligations could adversely affect our results of operations and financial condition.

We may fail to qualify for, or choose not to elect, hedge accounting treatment, which could adversely affect our operating results.

We intend to record derivative and hedging transactions in accordance with Topic 815 of the Financial Accounting Standards Board's Accounting Standard Codification, or Topic 815. Under these standards, we may fail to qualify for, or choose not to elect, hedge accounting treatment for a number of reasons, including if we use instruments that do not meet the Topic 815 definition of a derivative (such as short sales), we fail to satisfy Topic 815 hedge documentation and hedge effectiveness assessment requirements or our instruments are not highly effective. If we fail to qualify for, or choose not to elect, hedge accounting treatment, our operating results may suffer because losses on the derivatives that we enter into may not be offset by a change in the fair value of the related hedged transaction or item.

Rules under the Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010, or Dodd-Frank Act, may require that we post cash collateral to secure our hedging transactions and any posting of such collateral could reduce our liquidity or limit our ability to hedge.

The Dodd-Frank Act covers certain hedging instruments we may use in our risk management activities. The Dodd-Frank Act and related SEC and U.S. Commodity Futures Trading Commission, or CFTC, regulations that have been adopted to date include significant provisions regarding the regulation of derivatives (including mandatory clearing and margin requirements). Mandatory central clearing requires that we post cash collateral to secure our hedging transactions. Any posting of such collateral could reduce our liquidity or limit our ability to hedge.

If we enter into certain hedging transactions or otherwise invest in certain derivative instruments, failure to obtain and maintain an exemption from being regulated as a commodity pool operator could subject us to additional regulation and compliance requirements which could materially adversely affect our business and financial condition.

Rules under the Dodd-Frank Act establish a comprehensive regulatory framework for derivative contracts commonly referred to as "swaps." Under this regulatory framework, mortgage real estate investment trusts, or REITs, that trade in commodity interest positions (including swaps) are considered "commodity pools" and the operators of such REITs would be considered "commodity pool operators," or CPOs. Absent relief, a CPO must register with the CFTC and become a member of the National Futures Association, or NFA, which requires compliance with NFA's rules and renders such CPO subject to regulation by the CFTC, including with respect to disclosure, reporting, recordkeeping and business conduct. We may from time to time, directly or indirectly, invest in instruments that meet the definition of "swap" under the new Dodd-Frank Act rules, which may subject us to oversight by the CFTC.

In the event that we invest in commodity interests, absent relief, we would be required to register as a CPO. We believe RAIT and its affiliates that could be considered CPOs have taken and will continue to take all appropriate steps needed to maintain such relief. In addition, RAIT and its affiliates may in the future claim a different exemption from registration as a CPO with the CFTC. Therefore, unlike a registered CPO, we will not be required to provide prospective investors with a CFTC compliant disclosure document, nor will we be required to provide investors with periodic account statements or certified annual reports that satisfy the requirements of CFTC rules applicable to registered CPOs, in connection with any offerings of shares.

As an alternative to an exemption from registration, RAIT or its affiliates may register as a CPO with the CFTC and avail itself of certain disclosure, reporting and record-keeping relief under CFTC Rule 4.7.

The CFTC has substantial enforcement power with respect to violations of the laws over which it has jurisdiction, including anti-fraud and anti-manipulation provisions. Among other things, the CFTC may suspend or revoke the registration of a person who fails to comply, prohibit such a person from trading or doing business with registered entities, impose civil money penalties, require restitution and seek fines or imprisonment for criminal violations. Additionally, a private right of action exists against those who violate the laws over which the CFTC has jurisdiction or who willfully aid, abet, counsel, induce or procure a violation of those laws. In the event we fail to receive interpretive relief from the CFTC on this matter, are unable to claim an exemption from registration and fail to comply with the regulatory requirements of these new rules, we may be unable to use certain types of hedging instruments or we may be subject to significant fines, penalties and other civil or governmental actions or proceedings, any of which could adversely affect our results of operations and financial condition.

During 2016, interest rate swap agreements relating to RAIT I terminated in accordance with their terms which could expose us to increased interest rate risk.

During 2016, interest rate swap agreements relating to RAIT I terminated in accordance with their terms. This could expose us to the risk that interest RAIT I pays on its respective CDO notes will be higher than the interest paid on the assets collateralizing the CDO notes.

Tax Risks

If we were to experience an "ownership change," we could be limited in our ability to use net operating losses arising prior to the ownership change to offset future taxable income.

If we were to experience an "ownership change," as determined under section 382 of the Internal Revenue Code, our ability to offset taxable income arising after the ownership change with net operating losses (NOLs) arising prior to the ownership change would be limited, possibly substantially. An ownership change would establish an annual limitation on the amount of our pre-change NOLs we could utilize to offset our taxable income in any future taxable year to an amount generally equal to the value of our stock immediately prior to the ownership change multiplied by the long-term tax-exempt rate.

We and our REIT affiliates may fail to qualify as a REIT, and such failure to qualify would have significant adverse consequences on the value of our common shares. In addition, if we fail, or any REIT Affiliate fails, to qualify as a REIT, our respective dividends will not be deductible, and the entity will be subject to corporate-level tax on its net taxable income, which would reduce the cash available to make distributions.

We believe that we have been organized and operated in a manner that will allow us to qualify as a REIT. We have not requested, and do not plan to request, a ruling from the IRS that we and our REIT affiliates qualify as a REIT and any statements in our filings or the filings of our REIT affiliates with the SEC are not binding on the IRS or any court. Qualification as a REIT involves the application of highly technical and complex Internal Revenue Code provisions, for which there are only limited judicial and administrative interpretations. The determination of various factual matters and circumstances not entirely within our control may also affect our abilities and those of our REIT affiliates to qualify as a REIT. In order to qualify as a REIT, we and our REIT affiliates must each satisfy a number of requirements, including requirements regarding the composition of our respective assets and sources of our respective gross income. Also, we must each make distributions to our respective shareholders aggregating annually at least 90% of our respective net taxable incomes, excluding net capital gains. In addition, our respective ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership or REIT for U.S. federal income tax purposes. As an example, to the extent we have invested in preferred equity securities of other REIT issuers, our qualification as a REIT will depend upon the continued qualification of such issuers as REITs under the Internal Revenue Code. Accordingly, unlike other REITs, we and our REIT affiliates may be subject to additional risk regarding our respective ability to qualify and maintain our respective qualification as a REIT. The suspension of our origination of new assets pursuant to the 2019 strategic steps, our operations and our liquidity may adversely impact our and our REIT affiliates' ability to meet REIT requirements and we and our REIT affiliates may be less able to make changes to our respective investment portfolios to adjust our respective REIT qualifying assets and income depending on our respective ability to deploy capital and maintain assets under management. RAIT has entered into three Cooperation Agreements and waivers of the ownership limits in RAIT's Declaration of Trust permitting the counterparties in those agreements to hold, in the aggregate, up to almost 40% of our outstanding preferred shares and almost 40% of our outstanding common shares. This may increase the chance we may not comply with the Internal Revenue Code requirement that at no time during the last half of any taxable year may 5 or fewer individuals own directly or indirectly more than 50% in value of our outstanding stock.

There can be no assurance that we and our REIT affiliates will be successful in operating in a manner that will allow us to each qualify as a REIT. Because we receive significant distributions from TRFT and may in the future receive significant distributions from other of our REIT affiliates, the failure of one or more of such REIT affiliates to maintain its REIT status could cause us to lose our REIT status. In addition, legislation, new regulations, administrative interpretations or court decisions may adversely affect our investors, our respective ability to qualify as a REIT or the desirability of an investment in a REIT relative to other investments.

If we or any of our REIT affiliates fail to qualify as a REIT or lose our respective qualification as a REIT at any time, we, or such REIT affiliate, would face serious tax consequences that would substantially reduce the funds available for distribution to our respective shareholders for each of the years involved because:

- we, or such REIT affiliate, would not be allowed a deduction for distributions to our respective shareholders in computing taxable income and would be subject to U.S. federal income tax at regular corporate rates;

- we, or such REIT affiliate, also could be subject to the U.S. federal alternative minimum tax and possibly increased state and local taxes; and
- unless statutory relief provisions apply, we, or such REIT affiliate, could not elect to be taxed as a REIT for four taxable years following the year of disqualification.

In addition, if we, or such REIT affiliate, fail to qualify as a REIT, such entity will not be required to make distributions to its shareholders, and all distributions to shareholders will be subject to tax as regular corporate dividends to the extent of current and accumulated earnings and profits.

Complying with REIT requirements may cause us to forgo otherwise attractive opportunities.

To qualify as a REIT, we and our REIT affiliates must each continually satisfy various tests regarding sources of income, nature and diversification of assets, amounts distributed to shareholders and the ownership of common shares. In order to satisfy these tests, we and our REIT affiliates may be required to forgo investments that might otherwise be made. Accordingly, compliance with the REIT requirements may hinder our and our REIT affiliates' investment performance.

In particular, at least 75% of our and our REIT affiliates total assets at the end of each calendar quarter must each consist of real estate assets, government securities, and cash or cash items. For this purpose, "real estate assets" generally include interests in real property, such as land, buildings, leasehold interests in real property, stock of other entities that qualify as REITs, interests in mortgage loans secured by real property, investments in stock or debt instruments during the one-year period following the receipt of new capital and regular or residual interests in a real estate mortgage investment conduit, or REMIC. In addition, the amount of securities of a single issuer that we and each of our REIT affiliates hold must generally not exceed either 5% of the value of our gross assets or 10% of the vote or value of the issuer's outstanding securities.

Certain of the assets that we or our REIT affiliates hold or intend to hold will not be qualified real estate assets for the purposes of the REIT asset tests. In addition, although preferred equity securities of REITs should generally be treated as qualified real estate assets, this will require that (i) they are treated as equity for U.S. tax purposes, and (ii) their issuers maintain their qualification as REITs. CMBS should generally qualify as real estate assets. However, to the extent that we or our REIT affiliates own non-REMIC collateralized mortgage obligations or other debt instruments secured by mortgage loans (rather than by real property) or secured by non-real estate assets, or debt securities issued by corporations that are not secured by mortgages on real property, those securities will likely not be qualifying real estate assets for purposes of the REIT asset tests.

We and our REIT affiliates generally will be treated as the owner of any assets that collateralize a securitization transaction to the extent that we or such affiliates retain all of the equity of the securitization entity and do not make an election to treat such securitization entity as a TRS, as described in further detail below.

As noted above, in order to comply with the REIT asset tests and 75% gross income test, at least 75% of each of our respective total assets and 75% of gross income must be derived from qualifying real estate assets, whether or not such assets would otherwise represent our respective best investment alternative.

A REIT's net income from prohibited transactions is subject to a 100% penalty tax. In general, prohibited transactions are sales or other dispositions of property, other than foreclosure property, but including any mortgage loans, held in inventory or primarily for sale to customers in the ordinary course of business. The prohibited transaction tax may apply to any sale of assets to a securitization and to any sale of securitization securities, and therefore may limit our respective ability to sell assets to or equity in securitizations and other assets.

It may be possible to reduce the impact of the prohibited transaction tax and the holding of assets not qualifying as real estate assets for purposes of the REIT asset tests by conducting certain activities, holding non-qualifying REIT assets or engaging in securitization transactions through our TRSs, subject to certain limitations as described below. To the extent that we and our REIT affiliates engage in such activities through TRSs, the income associated with such activities may be subject to full U.S. federal corporate income tax.

We have federal and state tax obligations which could reduce our ability to pay distributions to our shareholders.

Even if we qualify as REITs for U.S. federal income tax purposes, we will be required to pay U.S. federal, state and local taxes on income and property. In addition, our domestic TRSs are fully taxable corporations that will be subject to taxes on their income, and they may be limited in their ability to deduct interest payments made to us. We also will be subject to a 100% penalty tax on certain amounts if the economic arrangements among us and TRSs are not comparable to similar arrangements among unrelated parties or if we receive payments for inventory or property held for sale to customers in the ordinary course of business. We may be

taxable at the highest corporate income tax rate on a portion of the income arising from a taxable mortgage pool that is allocable to shares held by "disqualified organizations." In addition, under certain circumstances we could be subject to a penalty tax for failure to meet certain REIT requirements but nonetheless maintains its qualification as a REIT. For example, we may be required to pay a penalty tax with respect to income earned in connection with securitization equity in the event such income is determined not to be qualifying income for purposes of the REIT 95% gross income test but we are otherwise able to remain qualified as a REIT. To the extent that we or the TRSs are required to pay U.S. federal, state or local taxes, we will have less to distribute to shareholders.

Failure to make required distributions would subject us to tax, which would reduce the ability to pay distributions to our shareholders.

In order to qualify as a REIT, we and our REIT affiliates must each distribute to our respective shareholders each calendar year at least 90% of our respective REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gain. To the extent that we and our REIT affiliates each satisfy the 90% distribution requirement, but distribute less than 100% of net taxable income, we or such affiliate will be subject to U.S. federal corporate income tax. In addition, we or our REIT affiliates will incur a 4% nondeductible excise tax on the amount, if any, by which our respective distributions in any calendar year are less than the sum of:

- 85% of ordinary income for that year;
- 95% of capital gain net income for that year; and
- 100% undistributed taxable income from prior years.

We and our REIT affiliates each intend to distribute our respective net income to our respective shareholders in a manner intended to satisfy the 90% distribution requirement and to avoid both corporate income tax and the 4% nondeductible excise tax. There is no requirement that any TRS of ours or our REIT affiliates distribute their after-tax net income to us or our REIT affiliates and such TRSs may, to the extent consistent with maintaining our or our REIT affiliates' qualification as a REIT, determine not to make any current distributions to us or our REIT affiliates.

Our or our REIT affiliates' respective taxable income may substantially exceed our or their respective net income as determined by accounting principles generally accepted in the United States, or GAAP, because, for example, expected capital losses will be deducted in determining our respective GAAP net income, but may not be deductible in computing our or their respective taxable income. GAAP net income may also be reduced to the extent we or our REIT affiliates have to "markdown" the value of our respective assets to reflect their current value. Prior to the sale of such assets, those mark-downs do not comparably reduce taxable income. In addition, we or our REIT affiliates have invested in assets including the equity of securitization entities that generate taxable income in excess of economic income or in advance of the corresponding cash flow from the assets. This taxable income may arise for us in the following ways:

- Repurchase of our debt at a discount, including our convertible senior notes, if any, or CDO notes payable, will generally result in our recognizing REIT taxable income in the form of cancellation of indebtedness income generally equal to the amount of the discount.
- Origination of loans with appreciation interests may be deemed to have original issue discount for federal income tax purposes. Original issue discount is generally equal to the difference between an obligation's issue price and its stated redemption price at maturity. This "discount" must be recognized as income over the life of the loan even though the corresponding cash will not be received until maturity.
- Our or our REIT affiliates' loan terms may provide for both an interest "pay" rate and "accrual" rate. When this occurs, we recognize interest based on the accrual rate, subject to management's determination of collectability, but may only receive cash at the pay rate until maturity of the loan, at which time all accrued interest is due and payable.
- Our or our REIT affiliates' loans or unconsolidated real estate may contain provisions whereby the benefit of any principal amortization of the underlying senior debt inures to us or our REIT affiliates. We or our REIT affiliates recognize this benefit as income as the amortization occurs, with no related cash receipts until repayment of our loan.
- Sales or other dispositions of investments in real estate, as well as significant modifications to loan terms may result in timing differences between income recognition and cash receipts.

Although some types of taxable income are excluded to the extent they exceed 5% of our net income in determining the 90% distribution requirement, we will incur corporate income tax and the 4% nondeductible excise tax with respect to any taxable income items if we do not distribute those items on an annual basis. As a result of the foregoing, we may generate less cash flow than taxable income in a particular year. In that event, we may be required to use cash reserves, incur debt, or liquidate non-cash assets at rates or times that we or it regard as unfavorable in order to satisfy the distribution requirement and to avoid U.S. federal corporate income tax and the 4% deductible excise tax in that year.

If we were to make a taxable distribution of shares of our stock, shareholders may be required to sell such shares or sell other assets owned by them in order to pay any tax imposed on such distribution.

We may distribute taxable dividends that are payable in shares of our stock. If we were to make such a taxable distribution of shares of our stock, shareholders would be required to include the full amount of such distribution as income. As a result, a shareholder may be required to pay tax with respect to such dividends in excess of cash received. Accordingly, shareholders receiving a distribution of our shares may be required to sell shares received in such distribution or may be required to sell other stock or assets owned by them, at a time that may be disadvantageous, in order to satisfy any tax imposed on such distribution. If a shareholder sells the shares it receives as a dividend in order to pay such tax, the sale proceeds may be less than the amount included in income with respect to the dividend. Moreover, in the case of a taxable distribution of shares of our stock with respect to which any withholding tax is imposed on a non-U.S. shareholder, we may have to withhold or dispose of part of the shares in such distribution and use such withheld shares or the proceeds of such disposition to satisfy the withholding tax imposed. While the IRS in certain private letter rulings has ruled that a distribution of cash or shares at the election of a REIT's shareholders may qualify as a taxable stock dividend if certain requirements are met, it is unclear whether and to what extent we will be able to pay taxable dividends in cash and shares of common shares in any future period. In addition, if a significant number of our shareholders determine to sell common shares in order to pay taxes owed on dividends, it may put downward pressure on the trading price of our common shares.

Legislative, regulatory or administrative changes could adversely affect us or our shareholders.

Legislative, regulatory or administrative changes could be enacted or promulgated at any time, either prospectively or with retroactive effect, and may adversely affect us and/or our shareholders.

On December 22, 2017 the Tax Cuts and Jobs Act ("TCJA") was signed into law. The TCJA makes significant changes to the U.S. federal income tax rules for taxation of individuals and corporations. In addition to reducing corporate and individual tax rates, the TCJA eliminates or restricts various deductions. Most of the changes applicable to individuals are temporary and apply only to taxable years beginning after December 31, 2017 and before January 1, 2026. The TCJA makes numerous large and small changes to the tax rules that do not affect the REIT qualification rules directly but may otherwise affect us or our shareholders.

While the changes in the TCJA generally appear to be favorable with respect to REITs, the extensive changes to non-REIT provisions in the Code may have unanticipated effects on us or our shareholders. Moreover, Congressional leaders have recognized that the process of adopting extensive tax legislation in a short amount of time without hearings and substantial time for review is likely to have led to drafting errors, issues needing clarification and unintended consequences that will have to be revisited in subsequent tax legislation. At this point, it is not clear if or when Congress will address these issues or when the Internal Revenue Service will issue administrative guidance on the changes made in the TCJA.

We urge you to consult with your own tax advisor with respect to the status of the TCJA and other legislative, regulatory or administrative developments and proposals and their potential effect on an investment in shares of our stock.

Dividends paid by REITs do not qualify for the reduced tax rates provided under current law.

Dividends paid by REITs are generally not eligible for the reduced 15% maximum tax rate for dividends paid to individuals (20% for those with taxable income above certain thresholds that are adjusted annually under current law). The more favorable rates applicable to regular corporate dividends could cause stockholders who are individuals to perceive investments in REITs to be relatively less attractive than investments in the stock of non-REIT corporations that pay dividends to which more favorable rates apply, which could reduce the value of the stock of REITs. However, under the TCJA regular dividends from REITs are treated as income from pass-through entity and are eligible for a 20% deduction. As a result, our regular dividends will be taxed at 80% of an individual marginal tax rate. The current maximum rate is 37% resulting in a maximum tax rate of 29.6% on our dividends. Dividends from REITs as well as regular corporate dividends will also be subject to a 3.8% Medicare surtax for taxpayers with modified adjusted gross income above $200,000 (if single) for $250,000 (if married and filing jointly).

Qualifying as a REIT involves highly technical and complex provisions of the Code.

Qualification as a REIT involves the application of highly technical and complex Code provisions for which only limited judicial and administrative authorities exist. Even a technical or inadvertent violation could jeopardize our REIT qualification. Our qualification as a REIT depends on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition, our ability to satisfy the requirements to qualify as a REIT depends in part on the actions of third parties over which we have no control or only limited influence, including in cases where we own an equity interest in an entity that is classified as a partnership for federal income tax purposes. In the event of our bankruptcy, we may forfeit our qualification as a REIT.

The tax on prohibited transactions will limit our ability to engage in transactions, including certain methods of structuring collateral mortgage obligations ("CMOs"), which would be treated as prohibited transactions for federal income tax purposes.

Net income that we derive from a prohibited transaction is subject to a 100% tax. The term ''prohibited transaction'' generally includes a sale or other disposition of property (including agency securities, but other than foreclosure property, as discussed below) that is held primarily for sale to customers in the ordinary course of a trade or business by us or by a borrower that has issued a shared appreciation mortgage or similar debt instrument to us. We could be subject to this tax if we were to dispose of or structure CMOs in a manner that was treated as a prohibited transaction for federal income tax purposes. The 100% tax does not apply to gains from the sale of property that is held through a TRS or other taxable corporation, as is the case with our securitization business, although such income will be subject to tax in the hands of the corporation at regular corporate rates.

We intend to conduct our operations at the REIT level so that no asset that we own (or are treated as owning) will be treated as, or as having been, held for sale to customers, and that a sale of any such asset will not be treated as having been in the ordinary course of our business. As a result, we may choose not to engage in certain transactions at the REIT level, and may limit the structures we utilize for our CMO transactions, even though the sales or structures might otherwise be beneficial to us. In addition, whether property is held ''primarily for sale to customers in the ordinary course of a trade or business'' depends on the particular facts and circumstances. We intend to structure our activities to avoid prohibited transaction characterization, but no assurance can be given that any property that we sell will not be treated as property held for sale to customers, or that we can comply with certain safe-harbor provisions of the Code that would prevent such treatment.

Our taxable income is calculated differently than net income based on GAAP.

Our taxable income may substantially differ from our net income based on GAAP. For example, interest income on our mortgage related securities does not necessarily accrue under an identical schedule for U.S. federal income tax purposes as for accounting purposes. Please see Part II, Item 8, "Financial Statements and Supplementary Data—Note 13: Income Taxes" for further information.

Rapid changes in the values of our target assets may make it more difficult for us to maintain our qualification as a REIT or our exemption from the Investment Company Act.

If the fair market value or income potential of our assets declines as a result of increased interest rates, prepayment rates, general market conditions, government actions or other factors, we may need to increase our real estate assets and income or liquidate our non-REIT-qualifying assets to maintain our REIT qualification or our exemption from the Investment Company Act. If the decline in real estate asset values or income occurs quickly, this may be especially difficult to accomplish. We may have to make decisions that we otherwise would not make absent the REIT and Investment Company Act considerations.

Our qualification as a REIT and exemption from U.S. federal income tax with respect to certain assets may be dependent on the accuracy of legal opinions or advice rendered or given or statements by the issuers of assets that RAIT has acquired or hereafter acquires, if any, and the inaccuracy of any such opinions, advice or statements may adversely affect RAIT's REIT qualification and result in significant corporate-level tax.

When purchasing securities, if any, RAIT may rely on opinions or advice of counsel for the issuer of such securities, or statements made in related offering documents, for purposes of determining whether such securities represent debt or equity securities for U.S. federal income tax purposes, and also to what extent those securities constitute REIT real estate assets for purposes of the REIT asset tests and produce income which qualifies for purposes of the REIT income tests. In addition, when purchasing the equity tranche of a securitization, if any, RAIT may rely on opinions or advice of counsel regarding the qualification of the securitization for exemption from U.S. corporate income tax and the qualification of interests in such securitization as debt for U.S. federal income tax purposes. The inaccuracy of any such opinions, advice or statements may adversely affect RAIT's REIT qualification and result in significant corporate-level tax.

If our securitizations are subject to U.S. federal income tax at the entity level, it would greatly reduce the amounts those entities would have available to distribute to us and pay their creditors.

We own foreign securitizations. There is a specific exemption from U.S. federal income tax for non-U.S. corporations that restrict their activities in the United States to trading stock and securities (or any activity closely related thereto) for their own account whether such trading (or such other activity) is conducted by the corporation or its employees through a resident broker, commission agent, custodian or other agent. We intend that the consolidated securitization subsidiaries and any other non-U.S. securitizations that are TRSs will rely on that exemption or otherwise operate in a manner so that they will not be subject to U.S. federal income tax on their net income at the entity level. If the IRS were to succeed in challenging the tax treatment of our securitizations, it could greatly

reduce the amount that those securitizations would have available to distribute to their shareholders and to pay to their creditors. Any reduced distributions would reduce amounts available for distribution to our shareholders.

Our and our REIT affiliates' ownership of and relationship with TRSs will be limited, and a failure to comply with the limits would jeopardize our and its REIT qualification and may result in the application of a 100% excise tax.

A REIT may own up to 100% of the stock of one or more TRSs. A TRS may hold assets and earn income that would not be qualifying assets or income if held or earned directly by a REIT. Both the subsidiary and the REIT must jointly elect to treat the subsidiary as a TRS. A corporation of which a TRS directly or indirectly owns more than 35% of the voting power or value of the stock will automatically be treated as a TRS. Overall, no more than 20% of the value of a REIT's assets may consist of stock or securities of one or more TRSs. In addition, the TRS rules limit the deductibility of interest paid or accrued by a TRS to its parent REIT to assure that the TRS is subject to an appropriate level of corporate taxation. The rules also impose a 100% excise tax on certain transactions between a TRS and its parent REIT that are not conducted on an arm's-length basis.

Any domestic TRSs that we or our REIT affiliates own or that we or our REIT affiliates acquire in the future, if any, will pay U.S. federal, state and local income tax on their taxable income, and their after-tax net income will be available for distribution but will not be required to be distributed.

The value of the securities that we or our REIT affiliates hold in TRSs may not be subject to precise valuation. Accordingly, there can be no assurance that we or our REIT affiliates will be able to comply with the 25% limitation discussed above or avoid application of the 100% excise tax discussed above.

Compliance with REIT requirements may limit our ability to hedge effectively.

The REIT provisions of the Internal Revenue Code limit our ability to hedge mortgage-backed securities, preferred securities and related borrowings. Except to the extent provided by the regulations promulgated by the U.S. Treasury Department, or the Treasury regulations, any income from a hedging transaction we enter into in the normal course of business primarily to manage risk of interest rate or price changes or currency fluctuations with respect to borrowings made or to be made, or ordinary obligations incurred or to be incurred, to acquire or carry real estate assets, which is clearly identified as specified in the Treasury regulations before the close of the day on which it was acquired, originated, or entered into, including gain from the sale or disposition of such a transaction, will not constitute gross income for purposes of the 95% gross income test (and will generally constitute non-qualifying income for purposes of the 75% gross income test). To the extent that we enter into other types of hedging transactions, the income from those transactions is likely to be treated as non-qualifying income for purposes of both of the gross income tests. As a result, we might have to limit use of advantageous hedging techniques or implement those hedges through TRSs. This could increase the cost of our hedging activities or expose it or us to greater risks associated with changes in interest rates than we or it would otherwise want to bear.

Fees that we or our REIT affiliates receive will not be REIT qualifying income.

We and our REIT affiliates must satisfy two gross income tests annually to maintain qualification as a REIT. First, at least 75% of a REIT's gross income for each taxable year must consist of defined types of income that derive, directly or indirectly, from investments relating to real property or mortgages on real property or temporary investment income. Qualifying income for purposes of that 75% gross income test generally includes:

- rents from real property,
- interest on debt secured by mortgages on real property or on interests in real property, and
- dividends or other distributions on and gain from the sale of shares in other REITs.

Second, in general, at least 95% of a REIT's gross income for each taxable year must consist of income that is qualifying income for purposes of the 75% gross income test, dividends, other types of interest, gain from the sale or disposition of stock or securities, income from certain interest rate hedging contracts, or any combination of the foregoing. Gross income from any origination fees we or our REIT affiliates obtain or from our sale of property that are held primarily for sale to customers in the ordinary course of business is excluded from both income tests.

Any origination fees we or our REIT affiliates receive will not be qualifying income for purposes of the 75% or 95% gross income tests applicable to REITs under the Internal Revenue Code. We have typically received, and our REIT affiliates have received, initial payments, or "points," from borrowers as commitment fees or additional interest. So long as the payment is for the use of money, rather than for other services provided by us or our REIT affiliates, we believe that this income should not be classified as non-qualifying origination fees. However, the Internal Revenue Service may seek to reclassify this income as origination fees instead

of commitment fees or interest. If we cannot satisfy the Internal Revenue Code's income tests as a result of a successful challenge of our classification of this income, we may not qualify as a REIT. Any fees for services, such as advisory fees or broker-dealer fees, received by us or our REIT affiliates will not qualify for either income test. Any such fees earned by a TRS of ours or of one of our REIT affiliates would not be subject to tax, and any distributions from TRSs would be qualifying income for purposes of the 95% gross income test but not for the 75% gross income test.

A portion of the dividends we distribute may be deemed a return of capital for federal income tax purposes.

The amount of dividends we distribute to our common and preferred shareholders in a given quarter may not correspond to our taxable income for such quarter. Consequently, a portion of the dividends we distribute may be deemed a return of capital for federal income tax purposes and will not be taxable but will reduce shareholders' basis in the underlying common or preferred shares.

Our ability to use TRSs, and consequently our ability to establish fee-generating businesses and invest in securitizations, will be limited by the election made by us to be taxed as a REIT, which may adversely affect returns to our shareholders.

Overall, no more than 20% of the value of a REIT's assets may consist of securities of one or more TRSs. We and TRFT currently own, and we, TRFT and any other REIT affiliates may own in the future, interests in additional TRSs. However, our ability to expand the fee-generating businesses of our and TRFT's current TRSs and future TRSs we or our REIT affiliates may form, will be limited by our and our REIT affiliates need to meet this 25% test, which may adversely affect distributions we pay to our shareholders.

If TRFT fails to qualify as a REIT, then we also would very likely fail to qualify as a REIT and if any other significant REIT affiliate fails to qualify as a REIT, it would adversely affect our ability to qualify as a REIT.

TRFT is a REIT subject to all of the risks discussed above with respect to RAIT. If TRFT fails to qualify as a REIT, then we also would very likely fail to qualify as a REIT, because the income we receive from, and assets we hold through, TRFT make up a significant portion of our total income and assets and materially affect our ability to meet REIT qualification tests. The same would be true with respect to other REIT affiliates if the income derived from such REIT affiliate becomes a significant part of our income.

Other Regulatory and Legal Risks of Our Business

Our reputation, business and operations could be adversely affected by regulatory compliance failures.

Potential regulatory action poses a significant risk to our reputation and thereby to our business. Our business is subject to extensive regulation in the United States. We operate our business so as to comply with the Internal Revenue Code's REIT rules and regulations and so as to remain exempt from registration as an investment company under the Investment Company Act. In addition, we are subject to regulation under the Exchange Act and various other statutes. A number of our investing activities are subject to regulation by various U.S. state regulators. Each of the regulatory bodies with jurisdiction over us has regulatory powers dealing with many aspects of our business, including the authority to grant, and in specific circumstances to cancel, permissions to carry on particular businesses. A failure to comply with the obligations imposed by any of the regulations binding on us or to maintain any of the licenses required to be maintained by us could result in investigations, sanctions, monetary penalties and reputational damage.

Loss of our Investment Company Act exemption would affect us adversely.

We seek to conduct our operations so that we are not required to register as an investment company. Under Section 3(a)(1) of the Investment Company Act, a company is not deemed to be an "investment company" if:

- it neither is, nor holds itself out as being, engaged primarily, nor proposes to engage primarily, in the business of investing, reinvesting or trading in securities; and
- it neither is engaged nor proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities and does not own or propose to acquire "investment securities" having a value exceeding 40% of the value of its total assets exclusive of government securities and cash items on an unconsolidated basis, which we refer to as the 40% test. "Investment securities" excludes U.S. government securities and securities of majority-owned subsidiaries that are not themselves investment companies and are not relying on the exception from the definition of investment company under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act (relating to issuers whose securities are held by not more than 100 persons or whose securities are held only by qualified purchasers, as defined).

We rely on the 40% test because we are a holding company that conducts our businesses through wholly-owned or majority-owned subsidiaries. As a result, the securities issued by our subsidiaries that are excepted from the definition of "investment company" under Section 3(c)(1) or Section 3(c)(7) of the Investment Company Act, together with any other investment securities we

may own, may not have a combined value in excess of 40% of the value of our total assets exclusive of government securities and cash items on an unconsolidated basis. Based on the relative value of our investment in TRFT, on the one hand, and our investment in RAIT Partnership, on the other hand, we can comply with the 40% test only if RAIT Partnership itself complies with the 40% test (or an exemption other than those provided by Sections 3(c)(1) or 3(c)(7)). Because the principal exemptions that RAIT Partnership relies upon to allow it to meet the 40% test are those provided by Sections 3(c)(5)(C) or 3(c)(6) (relating to subsidiaries primarily engaged in specified real estate activities), we are limited in the types of businesses in which we may engage through our subsidiaries.

Because RAIT Partnership and the two wholly-owned subsidiaries through which we hold 100% of the partnership interests in RAIT Partnership—RAIT General, Inc. and RAIT Limited, Inc.—will not be relying on Section 3(c)(1) or 3(c)(7) for their respective Investment Company Act exemptions, our investments in these securities will not constitute "investment securities" for purposes of the 40% test if RAIT Partnership is otherwise exempt from the Investment Company Act.

RAIT Partnership, our subsidiary that holds, directly and through wholly-owned or majority-owned subsidiaries, a substantial portion of our assets, intends to conduct its operations so that it is not required to register as an investment company in reliance on the exemption from Investment Company Act regulation provided under Section 3(c)(5)(C). RAIT Partnership may also from time to time rely on the exemption from Investment Company Act regulation provided under Section 3(c)(6).

Any entity relying on Section 3(c)(5)(C) for its Investment Company Act exemption must have at least 55% of its portfolio invested in qualifying assets (which in general must consist of mortgage loans, mortgage backed securities that represent the entire ownership in a pool of mortgage loans and other liens on and interests in real estate) and another 25% of its portfolio invested in other real estate-related assets. Based on no-action letters issued by the staff of the SEC, we classify our investments in mortgage loans as qualifying assets, as long as the loans are "fully secured" by an interest in real estate. That is, if the loan-to-value ratio of the loan is equal to or less than 100%, then we consider the loan to be a qualifying asset. We do not consider loans with loan-to-value ratios in excess of 100% to be qualifying assets that come within the 55% basket, but only real estate-related assets that come within the 25% basket. Based on a no-action letter issued by the staff of the SEC, we treat most of our mezzanine loans as qualifying assets because we usually obtain a first lien position on the entire ownership interest of a special purpose entity, or SPE, that owns only real property, or that owns the entire ownership interest in a second SPE that owns only real property, and otherwise comes within the conditions of the no-action letter, and we treat any remaining mezzanine loans as real estate-related assets that come within the 25% basket. The treatment of other investments as qualifying assets and real estate-related assets, including equity investments in subsidiaries, is based on the characteristics of the underlying asset, in the case of a directly held investment, or the characteristics of the assets of the subsidiary, in the case of equity investments in subsidiaries.

Any entity relying on Section 3(c)(6) for its Investment Company Act exemption must be primarily engaged, directly or through majority-owned subsidiaries, in one or more specified businesses, including a business described in Section 3(c)(5)(C), or in one or more of such businesses (from which not less than 25% of its gross income during its last fiscal year was derived), together with an additional business or businesses other than investing, reinvesting, owning, holding or trading in securities.

TRFT, like RAIT, is a holding company that conducts its operations through subsidiaries. Accordingly, we intend to monitor TRFT's holdings such that it will satisfy the 40% test. Similar to securities issued to us, the securities issued to TRFT by its subsidiaries that are excepted from the definition of "investment company" by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities TRFT may own, may not have a combined value in excess of 40% of the value of its total assets on an unconsolidated basis. This requirement limits the types of businesses in which TRFT may engage through these subsidiaries.

We make the determination of whether an entity is a majority-owned subsidiary of RAIT, RAIT Partnership or TRFT. The Investment Company Act defines a majority-owned subsidiary of a person as a company 50% or more of the outstanding voting securities of which are owned by such person, or by another company which is a majority-owned subsidiary of such person. The Investment Company Act further defines voting securities as any security presently entitling its owner or holder to vote for the election of trustees of a company. We treat companies, including future securitization subsidiaries, in which we own at least a majority of the outstanding voting securities as majority-owned subsidiaries for purposes of the 40% test. Neither RAIT, RAIT Partnership nor TRFT has requested the SEC to approve our treatment of any company as a majority-owned subsidiary and the SEC has not done so. If the SEC were to disagree with our treatment of one or more companies, including securitizations, as majority-owned subsidiaries, we would need to adjust our respective investment strategies and invest our respective assets in order to continue to pass the 40% test. Any such adjustment in its investment strategy could have a material adverse effect on TRFT and us.

A majority of TRFT's subsidiaries are limited by the provisions of the Investment Company Act and the rules and regulations promulgated under the Act with respect to the assets in which they can invest to avoid being regulated as an investment company. In particular, TRFT's subsidiaries that are securitizations generally rely on Rule 3a-7, an exemption from the Investment Company Act provided for certain structured financing vehicles that pool income-producing assets and issue securities backed by those assets. Such

structured financings may not engage in portfolio management practices resembling those employed by mutual funds. Accordingly, each TRFT securitization subsidiary that relies on Rule 3a-7 is subject to an indenture which contains specific guidelines and restrictions limiting the discretion of the securitization. The indenture prohibits the securitization from acquiring and disposing of assets primarily for the purpose of recognizing gains or decreasing losses resulting from market value changes. Certain sales and purchases of assets, such as dispositions of collateral that has gone into default or is at risk of imminent default, may be made so long as they do not violate the guidelines contained in each indenture and are not based primarily on changes in market value. The proceeds of permitted dispositions may be reinvested in collateral that is consistent with the credit profile of the securitization under specific and predetermined guidelines. In addition, absent obtaining further guidance from the SEC, substitutions of assets may not be made solely for the purpose of enhancing the investment returns of the holders of the equity securities issued by the securitization. As a result of these restrictions, TRFT's securitization subsidiaries may suffer losses on their assets and TRFT may suffer losses on its investments in its securitization subsidiaries.

If the combined value of the investment securities issued to TRFT by its subsidiaries that are excepted by Section 3(c)(1) or 3(c)(7) of the Investment Company Act, together with any other investment securities TRFT may own, exceeds 40% of TRFT's total assets on an unconsolidated basis, TRFT may be required either to substantially change the manner in which it conducts its operations or to rely on Section 3(c)(1) or 3(c)(7) to avoid having to register as an investment company. As a result of the relative values of RAIT Partnership and TRFT, it is likely that TRFT would rely on the Section 3(c)(1) or 3(c)(7) exemptions, which would increase the assets we hold included in the 40% basket for purposes of the 40% test, which would increase the effects that variations in the value of RAIT Partnership's assets would have on its ability to comply with the 40% test and, accordingly, our ability to remain exempt from registration as an investment company.

None of RAIT, RAIT Partnership or TRFT has received a no-action letter from the SEC regarding whether it complies with the Investment Company Act or how its investment or financing strategies fit within the exclusions from regulation under the Investment Company Act that it is using. To the extent that the SEC provides more specific or different guidance regarding, for example, the treatment of assets as qualifying real estate assets or real estate-related assets, we may be required to adjust these investment and financing strategies accordingly. Any additional guidance from the SEC could provide additional flexibility to us and TRFT, or it could further inhibit the ability of TRFT and our combined company to pursue our respective investment and financing strategies which could have a material adverse effect on us. See Item 1— "Business—Certain REIT and Investment Company Act Limits On Our Strategies-Investment Company Act Limits."

Our ownership limitation may restrict business combination opportunities.

To qualify as a REIT under the Internal Revenue Code, no more than 50% in value of our outstanding capital shares may be owned, directly or indirectly, by five or fewer individuals during the last half of each taxable year. To preserve our REIT qualification, our declaration of trust generally prohibits any person from owning more than 8.3% or, with respect to our original promoter, Resource America, Inc., 15%, of our outstanding common shares and provides that:

- A transfer that violates the limitation is void.
- A transferee gets no rights to the shares that violate the limitation.
- Shares acquired that violate the limitation transfer automatically to a trust whose trustee has all voting and other rights.
- Shares in the trust will be sold and the record holder will receive the net proceeds of the sale.

The ownership limitation may discourage a takeover or other transaction that our shareholders believe to be desirable. In the event of our bankruptcy, we may fail to meet the ownership limitation and forfeit our qualification as a REIT.

Preferred shares may prevent change in control.

Our declaration of trust authorizes our board of trustees to issue preferred shares, to establish the preferences and rights of any preferred shares issued, to classify any unissued preferred shares and reclassify any previously classified but unissued preferred shares, without shareholder approval. The issuance of preferred shares could delay or prevent a change in control, apart from the ownership limitation, even if a majority of our shareholders want control to change.

Maryland anti-takeover statutes may restrict business combination opportunities.

As a Maryland REIT, we are subject to various provisions of Maryland law which impose restrictions and require that specified procedures be followed with respect to the acquisition of "control shares" representing at least ten percent of our aggregate voting power and certain takeover offers and business combinations, including, but not limited to, combinations with persons who own one-tenth or more of our outstanding shares. While we have elected to "opt out" of the control share acquisition statute, our board of trustees has the right to rescind the election at any time without notice to our shareholders.

If our subsidiaries that are not registered as investment advisers under the Investment Advisers Act that provide collateral management, servicing or advisory services to securitizations or other investment vehicles were required to so register, it could hinder our operating performance and negatively impact our business and subject us to additional regulatory burdens and costs that we are not currently subject to.

Where our subsidiary provides collateral management, servicing or advisory services solely to one or more entities that do not invest in "securities" or regarding assets that are not "securities portfolios" that provide sufficient "regulatory assets under management", as such terms are defined in the Investment Advisers Act, such subsidiary will not engage in activities that would require it to register as an investment adviser under the Investment Advisers Act. We have determined that RAIT Partnership does not need to register as an investment adviser for RAIT Partnership's collateral management services to RAIT I or RAIT Partnership's affiliates providing servicing to the FL securitizations, and RAIT I. We have not requested the SEC to approve our determination that these subsidiaries do not need to register as investment advisers under the Investment Advisers Act and the SEC has not done so. If the SEC or any applicable state regulatory authority were to disagree with our determination, we would need to register those companies as investment advisers and comply with all applicable requirements, which might require those subsidiaries to adjust the manner in which they provide services which could hinder their respective operating performance and negatively impact their respective business and subject them to additional regulatory burdens and costs that they are not currently subject to.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

For our investments in real estate, we had disposed of our remaining multi-family properties by December 31, 2018, which generally had leases with terms of one-year or less, and leases for our office and retail properties are operating leases. The following table represents a ten-year lease expiration schedule for our non-residential properties as of December 31, 2018.

Year of Lease Expiration (December 31,)	Number of Leases Expiring during the Year	Rentable Square Feet Subject to Expiring Leases	Final Annualized Rent under Expiring Leases (in 000's) (a)	Final Annualized Rent per Square Foot under Expiring Leases	Percentage of Total Final Annualized Base Rent Under Expiring Leases	Cumulative Total
2019	46	80,959	$ 1,945,601	$ 24.03	19.2%	19.2%
2020	20	181,927	1,882,056	10.35	18.5%	37.7%
2021	24	123,012	2,069,401	16.82	20.4%	58.1%
2022	18	129,283	1,430,494	11.06	14.1%	72.2%
2023	15	88,212	1,591,316	18.04	15.7%	87.8%
2024	3	13,552	223,667	16.50	2.2%	90.0%
2025	2	24,002	308,307	12.85	3.0%	93.1%
2026	4	9,147	154,061	16.84	1.5%	94.6%
2027	0	0	0	0.00	0.0%	94.6%
2028	1	10,425	160,232	15.37	1.6%	96.2%
2029 and thereafter	2	24,352	390,319	16.03	3.8%	100.0%
Total	135	684,871	$ 10,155,454	$ 14.83	100%	

(a) "Final Annualized Rent" for each lease scheduled to expire represents the cash rental rates of the respective tenants for the final month prior to expiration multiplied by 12.

For a description of our investments in real estate, see Item 1—"Business—Our Investment Portfolio—Investments in real estate" and Item 8—"Financial Statements and Supplementary Data—Schedule III."

Item 3. Legal Proceedings

General

We are involved from time to time in litigation on various matters, including disputes with tenants of owned properties, disputes arising out of agreements to purchase or sell properties, disputes arising out of our loan portfolio, negligence, discrimination, and similar tort claims related to owned properties or employment related disputes. Given the nature of our business activities, these

lawsuits are considered routine to the conduct of our business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. We do not expect that the liabilities, if any, that may ultimately result from such routine legal actions will have a material adverse effect on our consolidated financial position, results of operations or cash flows, except as described below.

RAIT Preferred Funding II, Ltd. v. CWCapital Asset Management LLC, et al.–Index No. 651729/2016 (Sup. Ct. N.Y.)

On September 20, 2017, RAIT Preferred Funding II, Ltd., or RAIT II, filed an amended complaint against CWCapital Asset Management, LLC, or CWCapital, Wells Fargo Bank N.A., or Wells Fargo, and U.S. Bank N.A., or U.S. Bank. This action concerns a loan, or the mortgage loan, to a non-party borrower, or the borrower, in 2007. RAIT II purchased $18.5 million of the mortgage loan for which it held a promissory note, or note B. U.S. Bank is the trustee for a securitization trust that purchased the remaining $190.0 million of the mortgage loan and for which it held a promissory note, or note A. CWCapital is the special servicer and Wells Fargo is the master servicer for the mortgage loan (including note A and note B). The parties' rights and obligations are governed by, among other things, a pooling and servicing agreement and a co-lender agreement. The mortgage loan was repaid in May of 2017, and the defendants have alleged that RAIT II was not entitled to receive any payoff of principal under note B pursuant to the subordination and other provisions of the co-lender agreement. In the amended complaint, RAIT II alleges, among other things, that the defendants breached certain of their obligations under the operative documents and RAIT II should have received, among other things, all of its $18.5 million principal under note B.

On October 11, 2017, CWCapital and U.S. Bank moved to dismiss the amended complaint and on November 13, 2017 Wells Fargo moved to dismiss the amended complaint. RAIT II filed its opposition to the motions to dismiss on November 27, 2017. By Decision and Order dated January 29, 2018, the Court denied the defendants' motions to dismiss the contract claims, leaving intact RAIT II's breach of contract claims against all defendants. The Court dismissed RAIT II's non-contract claims (unjust enrichment, conversion, money had and received, and declaratory judgment) as duplicative of the surviving contract claims. The parties have concluded discovery. Defendants filed a motion for summary judgment on March 18, 2019, and the Court will set a briefing schedule for RAIT's response and Defendants' reply. Trial is currently set for June 10, 2019.

On December 17, 2018, RAIT II assigned its interest in note B to TRFT in connection with TRFT's redemption of RAIT II described below, see Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Securitization Summary." In connection therewith, TRFT is in the process of being substituted for RAIT II as the plaintiff in this litigation.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

Item 5. Market for Our Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities

Our common shares trade on the OTCQB Venture Market, or the OTCQB, of the OTC Markets Group under the symbol "RASF." The OTCQB is not a stock exchange and any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down or commission and may not necessarily represent actual transactions. Our common shares were delisted from the NYSE in December 2018. As of March 1, 2019, there were 1,850,441 of our common shares outstanding held by 345 holders of record.

We have adopted a Code of Business Conduct and Ethics, which we refer to as the Code, for our trustees, officers and employees intended to satisfy NYSE listing standards and the definition of a "code of ethics" set forth in Item 406 of Regulation S-K. We have continued to require compliance with the Code after such delisting. The Code is available on our website at http://www.rait.com. Any information relating to amendments to the Code or waivers of a provision of the Code otherwise required to be disclosed pursuant to Item 5.05 of Form 8-K will be disclosed through our website.

The board determined to suspend paying a dividend on RAIT's common shares on November 1, 2017. The board currently expects to continue to review and determine whether to declare any dividends on RAIT's common shares on a quarterly basis. For further discussion of our dividend policies, see Item 7—"Management's Discussion and Analysis of Financial Condition and Results of Operations-REIT Taxable Income."

The board determined that it would suspend the dividend on RAIT's outstanding preferred shares on June 12, 2018. The board currently expects to continue to review and determine whether to declare any dividends on RAIT's preferred shares on a quarterly basis. Our Series A Preferred Shares are quoted on the OTCQB and traded under the symbol "RASFP." As of December 31, 2018, $8.3 million of dividends on these shares were unpaid and in arrears. Our Series B Preferred Shares are quoted on the OTCQB and traded under the symbol "RASFO." As of December 31, 2018, $4.0 million of dividends on these shares were unpaid and in arrears. Our Series C Preferred Shares are quoted on the OTCQB and traded under the symbol "RASFN." As of December 31, 2018, $2.9 million of dividends on these shares were unpaid and in arrears.

Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 6. Selected Financial Data

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are an internally-managed Maryland real estate investment trust, or REIT, focused on managing a portfolio of commercial real estate, or CRE, loans and properties. As described in "Part I-Item 1. Business" above, or the business description, we are currently engaged in the 2019 strategic steps, which include, without limitation, reviewing potential strategic and financial alternatives for RAIT and engaging in related preliminary negotiations with various third parties, undertaking steps to increase liquidity and reduce costs within our businesses and continuing to opportunistically divest a portion of our owned real estate, or REO, portfolio and certain of our loans, while continuing to service and manage our existing CRE loan portfolio. We were formed in August 1997 and commenced operations in January 1998.

See Part I, Item 1, "Business" above, or the business description, which is incorporated herein by reference, for further description of our company, business strategy, 2018 business developments and financial results and other matters.

For further discussion of RAIT's liquidity, including its near-term obligations and current and potential future sources of liquidity, see "Liquidity and Capital Resources" below.

Trends That May Affect Our Business

The following trends may affect our business:

Impact of Evolution of Our Business Strategy. We expect that our continued execution of the 2019 strategic steps may result in downward pressure on the price of our common and preferred shares and our recourse indebtedness and may have varying benefits to, or material adverse effects on, our various stakeholders in accordance with their respective interests, including, without limitation, effects resulting from the bankruptcy risks.

Trends relating to capital markets. We are seeing high volatility in the capital markets with respect to our publicly traded common and preferred shares and our senior notes, which are thinly traded.

Trends Relating to Investments in Loans. We are expecting a moderate to high level of loan repayments in 2019 as borrowers continue to take advantage of relatively strong real estate market fundamentals and either sell or refinance their properties.

Trends Relating to Investments in Real Estate. We have sold the majority of our REO property portfolio. From a performance perspective, we expect the occupancy and rental rates of our remaining office properties to remain relatively stable during 2019. The retail property sector has continued to experience challenges in 2018, and we expect that to continue in 2019.

Interest rate environment. Interest rates rose and volatility increased in 2018 as the Federal Reserve began to tighten monetary policies. We believe market participants expect that the future interest rate environment will be higher than 2018. In the event interest rates rise significantly, we may be impacted. We have historically used floating rate facilities and long-term floating rate securitization bonds to finance our investments. As we seek to sell or divest a portion of our remaining REO properties in 2019, a rising interest rate environment may adversely affect the value of the properties we seek to sell if capitalization rates rise as a result and potential purchasers' borrowing costs increase.

Prepayment rates. Prepayment rates generally increase when interest rates fall and decrease when interest rates rise, but changes in prepayment rates are difficult to predict. Prepayment rates on our assets also may be affected by other factors, including, without limitation, conditions in the housing, real estate and financial markets, general economic conditions and the relative interest rates on adjustable-rate and fixed-rate loans. See "Securitization Summary" below for a discussion of the impact of prepayments on the returns we receive from our retained interests in our consolidated securitizations. As a result of the relatively low current interest rate environment, there may be an increase in prepayment rates in our commercial loan portfolio, which could decrease our net investment income. Our CRE loan portfolio continues to experience elevated levels of loan payoffs as borrowers are taking advantage of the strong real estate markets to either sell or refinance their properties. These factors have contributed to the decline in our net interest margin through 2018 as loans repay and leverage declines. Loan repayments were $391.2 million during 2018.

Increasing Credit Risk in Our Investment Portfolio. RAIT's business strategy since early 2018 emphasized RAIT's increased sale of assets to generate liquidity while suspending new investment activity. This has resulted in a reduction of RAIT's assets and an increase in the portion of RAIT's remaining assets having an increased credit risk profile in this period. This is due in part to RAIT generally focusing on selling its assets with relatively better credit risk profiles, where practicable, to generate more immediate returns of investment with lower transaction execution risk, rather than trying to sell assets with relatively higher credit risk profiles. As a

result, a larger portion of RAIT's remaining assets have an increasing risk of requiring loan loss reserves and charge-offs and recognizing impairments related to these credit risks. RAIT does not expect to be able to reverse this trend unless and until it is able to resume making new investments with historically comparable credit risk profiles, which may not occur.

Securitization Summary

Overview. We have used securitizations to match fund the interest rates and maturities of our assets with the interest rates and maturities of the related financing. This strategy has helped us reduce interest rate and funding risks on our portfolios for the long-term. A securitization is a structure in which multiple classes of debt and equity are issued by a special purpose entity to finance a portfolio of assets. Cash flow from the portfolio of assets is used to repay the securitization liabilities sequentially, in order of seniority. The most senior classes of debt typically have credit ratings of "AAA" through "BBB–" and therefore can be issued at yields that are lower than the average yield of the loans collateralizing the securitization. The debt tranches are typically rated based on portfolio quality, diversification and structural subordination. The equity securities issued by the securitization are the "first loss" piece of the capital structure, but they are entitled to all residual amounts available for payment after the obligations to the debt holders have been satisfied. Historically, the stated maturity of the debt issued by a securitization we have sponsored and consolidated has been between 15 and 19 years for our FL securitizations and approximately 40 years for RAIT I and RAIT II. However, we expect the weighted average life of such debt to be shorter than the stated maturity due to the financial condition of the borrowers on the underlying loans and the characteristics of such loans, including the existence and frequency of exercise of any permitted prepayment, the prevailing level of interest rates, the actual default rate and the actual level of any recoveries on any defaulted loans. Debt issued by these securitizations is non-recourse to RAIT and payable solely from the payments by the borrowers on the loans collateralizing these securitizations. These assets are in most cases "non-recourse" or limited recourse loans secured by commercial real estate assets or real estate entities. This means that we look primarily to the assets securing the loan for repayment, subject to certain standard exceptions.

As of December 31, 2018, we had sponsored three outstanding securitizations with varying amounts of retained or residual interests held by us which we consolidate in our financial statements as follows: RAIT I, RAIT 2017-FL7 Trust, or RAIT-FL7 and RAIT 2017-FL8 Trust, or RAIT-FL8. We refer to RAIT FL7 and RAIT FL8 as the FL securitizations. We previously exercised our rights and unwound five other securitizations we had sponsored, RAIT 2013-FL1 Trust, or RAIT FL1, in 2015, RAIT 2014-FL2 Trust, or RAIT FL2, in 2016, RAIT 2014-FL3 Trust, or RAIT FL3, and RAIT 2015-FL4 Trust, or RAIT FL4, in 2017, and RAIT Preferred Funding II, Ltd., or RAIT II, in December 2018. During the year ended December 31, 2018, we deconsolidated RAIT 2015-FL5 Trust or RAIT FL5 and RAIT 2016-FL6 or RAIT FL6 as described above. We originated substantially all the loans collateralizing RAIT I and the FL securitizations. We serve as the collateral manager, servicer and special servicer on RAIT I and as servicer and special servicer for each of the FL securitizations.

Over time, our returns on and cash flows from our retained interests in our securitizations generally decrease as the senior classes of debt bearing relatively lower interest rates are paid down by collateral pool payments and other proceeds leaving more junior classes of debt bearing relatively higher interest rates on the smaller collateral pool. As a result, we continue to evaluate strategies to manage the returns on our capital allocated to our retained interests in each of our securitizations consistent with our rights and obligations under our securitizations and relevant market conditions, which may include, without limitation, unwinding a securitization and rolling the remaining collateral over to a new securitization and may involve, where applicable, selling our properties securing loans included in the collateral pool and repaying such loans. With respect to our floating rate CMBS securitizations described below, we have implemented a process of unwinding the FL securitizations when, because of loan repayments, the securitizations become inefficient and we have the means and desire to do so. Under the terms of FL7 and FL8, the earliest that we could unwind these securitizations are June 2019 and December 2019, respectively.

Securitization Performance. RAIT I contains interest coverage triggers, or IC triggers, and over collateralization triggers, or OC triggers. If the IC triggers or OC triggers are not met in a given period, then the cash flows are redirected from lower rated tranches and used to repay the principal amounts to the senior tranches of CDO notes payable. These conditions and the re-direction of cash flow continue until the triggers are met by curing the underlying cause of the IC trigger or OC trigger failure, which may include curing payment defaults, paying down the CDO notes payable, or other actions permitted under the relevant securitization indenture. Since January 2019, the Class F/G/H OC test for RAIT I has not been met. As a result, certain interest payments that would have otherwise been distributed to the Class J notes and equity, which are owned by us, are instead being redirected to pay principal on the most senior class of CDO notes payable that are outstanding. The failure of this OC test does not represent an event of default under the RAIT I securitization indenture. All other applicable IC triggers and OC triggers continue to be met for RAIT I. The FL securitizations do not have IC triggers or OC triggers.

Repayment of the loans collateralizing RAIT I outside their contractual maturities is expected to be slower than 2018 levels for the foreseeable future. We continue to evaluate our real estate portfolio with regards to identifying other possible properties to sell as part of our previously disclosed debt reduction plan. Because we own properties that are financed, in part, by loans collateralizing

RAIT I, sales of our properties could result in a reduction of our securitization notes payable. These repayments have reduced our returns from this securitization and we expect future repayments to continue to reduce these returns.

If the CDO notes issued by RAIT I have not been redeemed in full prior to the distribution date occurring in May 2019, then an auction of the collateral assets of RAIT I will continue to be conducted by the trustee periodically thereafter and, if certain conditions set forth in the indenture are satisfied, such collateral assets will be sold at the auction and the CDO notes will be redeemed, in whole, but not in part, on such distribution date. Ten auctions for RAIT I have been held but no sales occurred as not all of the conditions precedent were satisfied.

In March 2018, DBRS announced that it had placed all classes of the floating rate notes issued by RAIT FL5, RAIT FL6 and RAIT FL8 under review with negative implications. DBRS did this citing concerns over RAIT's ability to continue to effectively service and special service these transactions due to RAIT's announcement of the 2018 strategic steps. DBRS announced it would revisit the ratings once additional information becomes available. RAIT's ability to act as servicer and special servicer for RAIT FL8 could be materially adversely affected if RAIT is unable to address DBRS' concerns.

A summary of the investments in our consolidated securitizations as of the most recent payment information is as follows:

Our Legacy Securitizations

We sponsored two securitizations in 2006 and 2007.

- *RAIT I*—We closed RAIT I in 2006. RAIT I is collateralized by $176.7 million principal amount of commercial real estate loans and participations, of which $32.8 million is defaulted. The current Class F/G/H OC test is failing at 107.9% with an OC trigger of 116.2%. The current Class C/D/E OC test is passing at 136.3% with an OC trigger of 123.0%. The current Class A/B OC test is passing at 436.9% with an OC trigger of 136.1%. All of the current IC tests are passing, including the Class F/G/H IC test at 153.1% with an IC trigger of 120.0%. All of the notes issued by this securitization are performing in accordance with their terms. We currently own $39.4 million of the securities that were originally rated investment grade and $165.0 million of the non-investment grade securities issued by this securitization. Except for any interest distributions being re-directed to more senior classes of notes as a result of the Class F/G/H OC test failure referenced above, we are currently receiving all distributions required by the terms of our retained interests in this securitization. We pledged $24.0 million of the securities of RAIT I we own as collateral for the junior subordinated note, at fair value. We have converted certain of the loans that collateralize RAIT I to real estate owned, thereby acquiring ownership of the related real estate property and leaving the loans and any other indebtedness encumbering the property outstanding. Upon these conversions, we consolidate the assets, liabilities and operations of the real estate properties, including any loans secured by the properties owed to unaffiliated lenders, and the loans collateralizing RAIT I secured by these properties remain outstanding, but are eliminated in consolidation. For a description of the encumbrances on our investments in real estate held by RAIT I, see Item 8—"Financial Statements and Supplementary Data—Schedule III."

- *RAIT II*— We closed RAIT II in 2007. During the year ended December 31, 2018, TRFT exercised its right to unwind RAIT II and satisfied the outstanding notes, all of which were owned by TRFT at the time of the unwind. The remaining assets of RAIT II were transferred to TRFT's balance sheet and are unencumbered.

Our Floating Rate CMBS Securitizations

We have issued eight non-recourse floating rate CMBS securitizations since 2013 as follows:

- *RAIT FL1*— During the third quarter of 2015, RAIT exercised its right to unwind RAIT 2013-FL1 Trust, or RAIT FL1, and repaid the outstanding notes. We refinanced the $55.0 million of remaining loans through one of our prior warehouse financing arrangements. Loan repayments in RAIT FL1 decreased the efficiency of the securitization and by unwinding this securitization, we increased our returns on our remaining assets.

- *RAIT FL2*— During the third quarter of 2016, RAIT exercised its right to unwind RAIT 2014-FL2, or RAIT FL2, and repaid the outstanding notes. We refinanced the $99.8 million of remaining loans through one of our prior warehouse financing arrangements. Loan repayments in RAIT FL 2 decreased the efficiency of the securitization and by unwinding this securitization, we increased our returns on our remaining assets.

- RAIT FL3— During the second quarter of 2017, RAIT exercised its right to unwind RAIT 2014-FL3 Trust, or RAIT FL3, and satisfied the outstanding notes. We refinanced a majority of the $85.7 million of remaining loans through one of our

prior warehouse financing arrangements. Loan repayments in RAIT FL3 decreased the efficiency of the securitization and by unwinding this securitization, we increased our returns on our remaining assets.

- *RAIT FL4*— During the third quarter of 2017, RAIT exercised its right to unwind RAIT 2015-FL4 Trust, or RAIT FL4, and satisfied the outstanding notes. We refinanced a majority of the $98.6 million of remaining loans through one of our prior warehouse financing arrangements. Loan repayments in RAIT FL4 decreased the efficiency of the securitization and by unwinding this securitization, we increased our returns on our remaining assets.

- *RAIT FL5 & RAIT FL6*— On June 27, 2018, RAIT IV completed the sale of its FL5 Interests and FL6 Interests for an aggregate purchase price of $54.6 million. See Part I, Item 1, "Business" for further discussion.

- *RAIT FL7*— We closed RAIT FL7 in 2017. RAIT FL7 has $224.1 million of total collateral at par value, $9.0 million of which is in default. RAIT FL7, has classes of investment grade senior notes with an aggregate principal balance outstanding of approximately $158.6 million to investors. We currently own the less than investment grade classes of junior notes, including a class with an aggregate principal balance of $65.5 million, and the equity, or the retained interests, of RAIT FL7.

- *RAIT FL8*— We closed RAIT FL8 in 2017. RAIT FL8 has $168.0 million of total collateral at par value, none of which is in default. RAIT FL8, has classes of investment grade senior notes with an aggregate principal balance outstanding of approximately $123.8 million to investors. We currently own the less than investment grade classes of junior notes, including a class with an aggregate principal balance of $44.2 million, and the equity, or the retained interests, of RAIT FL8.

The below table summarizes the current outstanding balances in our consolidated securitizations as of the most recent payment date:

($ in millions)	RAIT I	FL 7	FL 8
Total Collateral Outstanding (Par)	$ 176.7	$ 224.1	$ 168.0
Total Bonds Outstanding (Par)	$ 181.5	$ 224.1	$ 168.0
Bonds Held by 3rd Parties Outstanding (Par)	$ 107.0	$ 158.6	$ 123.8
RAIT Investment Grade Bond Ownership (Par) (1)	$ 39.3	$ -	$ -
RAIT Below Investment Grade Bond Ownership (Par) (1)	$ 35.2	$ 65.5	$ 44.2
RAIT Equity Interest Ownership (Par)	$ 165.0	$ -	$ -

(1) Investment grade and below investment grade determinations made based upon ratings of bonds upon their issuance.

REIT Taxable Income

To qualify as a REIT, we are required to make annual dividend payments to our shareholders in an amount at least equal to 90% of our REIT taxable income, determined without regard to the deduction for dividends paid and excluding net capital gains. In addition, to avoid certain U.S. federal excise taxes, we are required to make dividend payments to our shareholders in an amount at least equal to 90% of our REIT taxable income for each year. Because we expect to pay dividends based on the foregoing requirements, and not based on our earnings computed in accordance with accounting principles generally accepted in the United States (GAAP), our dividends may at times be more or less than our reported earnings as computed in accordance with GAAP.

Our board of trustees monitors RAIT's REIT taxable income and all available net operating losses not utilized in prior years. The board has determined to suspend paying a dividend on RAIT's common shares and on RAIT's preferred shares. The board currently expects to continue to review and determine the dividends on RAIT's common shares and on RAIT's preferred shares on a quarterly basis. Our board determines the amount and timing of any distributions. In making this determination, our trustees consider a variety of relevant factors, including, without limitation, REIT minimum distribution requirements, the amount of cash available for distribution, restrictions under Maryland law, capital expenditures and reserve requirements and general operational requirements. Our board of trustees reserves the right to change its dividend policy at any time or from time to time in its sole discretion but expects to declare dividends, if any, in at least the amount necessary to maintain RAIT's REIT status.

Total taxable income and REIT taxable income are non-GAAP financial measurements, and do not purport to be an alternative to reported net income determined in accordance with GAAP as a measure of operating performance or to cash flows from operating activities determined in accordance with GAAP as a measure of liquidity. Our total taxable income represents the aggregate amount of taxable income generated by us and by our domestic and foreign TRSs. REIT taxable income is calculated under U.S. federal tax laws in a manner that, in certain respects, differs from the calculation of net income pursuant to GAAP. REIT taxable income excludes the undistributed taxable income of our domestic TRSs, which is not included in REIT taxable income until distributed to us. Subject to TRS value limitations, there is no requirement that our domestic TRSs distribute their earnings to us. REIT taxable income, however, generally includes the taxable income of our foreign TRSs because we will generally be required to recognize and report our taxable income on a current basis. Since we are structured as a REIT and the Internal Revenue Code requires that we distribute substantially all of our net taxable income in the form of dividends to our shareholders, we believe that presenting the information management uses to calculate REIT net taxable income is useful to investors in understanding the amount of the minimum dividends, if any, that we must make to our shareholders so as to comply with the rules set forth in the Internal Revenue Code. Because not all companies use identical calculations, this presentation of total taxable income and REIT taxable income may not be comparable to other similarly titled measures as determined and reported by other companies.

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act, the Act, was enacted. In accordance with the accounting guidance for income taxes, we recognized the effect of tax law changes in the period of enactment. Among other things, this law reduced the corporate income tax rate from 35% to 21% as well as repealed the corporate Alternative Minimum Tax ("AMT"), both effective as of January 1, 2018. As a result, we adjusted the federal tax rate for calculating deferred tax items to be 21% for the TRS entities and released the valuation allowance on our TRS entities' AMT credit carryforward as those have become refundable credits under the new tax law. In accordance with the accounting guidance related to the Act, for the year ended December 31, 2018, we recognized 50% of the refundable AMT credit.

The table below reconciles the differences between reported net income (loss), total taxable income and estimated REIT taxable income for the two years ended December 31, 2018 (dollars in thousands):

	For the Years Ended December 31	
	2018	2017
Net income (loss), as reported	$ (123,458)	$ (151,803)
Add (deduct):		
Provision for losses	32,875	45,614
Charge-offs on allowance for losses	(25,422)	(43,084)
Domestic TRS book-to-total taxable income differences:		
Income tax provision (benefit)	186	(861)
Stock compensation, forfeitures and other temporary tax differences	(58)	1,363
Impairment of intangible assets	—	5,866
Taxable income adjustment for JV entities	2,290	12,499
Book-to-tax differences on gain from sale of assets	(62,453)	(30,548)
Depreciation and amortization differences on real estate	1,482	13,726
Change in fair value of financial instruments	(276)	(13,422)
Net (gains) losses on deconsolidation of VIEs	7,304	(5,855)
Amortization of intangible assets	—	9,939
Book-to-tax difference on extinguishment of debt	—	(4,089)
Asset impairments	47,572	96,625
Other book to tax differences	(577)	161
Total taxable income (loss)	(120,535)	(63,869)
Taxable (income) loss attributable to domestic TRS entities	5,159	4,829
Estimated REIT taxable income (loss) (1)	$ (115,376)	$ (59,040)

(1) Federal and State tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an "ownership change" for tax purposes, as defined in Section 382 of the Internal Revenue Code. During the period ended December 31, 2018, we conducted an analysis to determine whether such an ownership change had occurred due to significant stock transactions that occurred during that period. The analysis indicated that an ownership change occurred on June 27, 2018, which results in a limitation of amounts of net operating loss carryforwards generated prior to June 27, 2018.

For the year ended December 31, 2018, there were no dividends on our common shares.

The preferred dividends that we paid in 2018 were classified as 100.0% return of capital.

For the year ended December 31, 2017, the tax classification of our dividends on common shares was as follows:

Declaration Date	Record Date	Payment Date	Dividend Paid	Ordinary Income	Qualified Dividend	Capital Gain Distribution	Unrecaptured Sec. 1250 Gain	Return of Capital
12/16/2016	1/10/2017	1/31/2017	$ 0.0900	$ 0.0001	$ 0.0001	$ 0.0011	$ 0.0011	$ 0.0888
5/2/2017	5/26/2017	6/15/2017	0.0900	0.0000	0.0000	0.0000	0.0000	0.0900
8/2/2017	8/25/2017	9/15/2017	0.0500	0.0000	0.0000	0.0000	0.0000	0.0500
			$ 0.2300	$ 0.0001	$ 0.0001	$ 0.0011	$ 0.0011	$ 0.2288

The preferred dividends that we paid in 2017 were classified as 11.59% ordinary dividend including 6.04% (of total preferred distributions) that was eligible for qualified dividend treatment and 88.41% as return of capital including 86.94% (of total preferred distributions) classified as unrecaptured Internal Revenue Code section 1250 gain.

Results of Operations

Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

	For the Year Ended December 31,			
	2018	2017	$ Variance	% Variance
Revenue:				
Investment interest income	$ 48,872	$ 70,215	$ (21,343)	-30%
Investment interest expense	(31,122)	(40,932)	9,810	-24%
Net interest margin	17,750	29,283	(11,533)	-39%
Property income	28,467	64,184	(35,717)	-56%
Fee and other income	3,044	6,251	(3,207)	-51%
Total revenue	49,261	99,718	(50,457)	-51%
Expenses:				
Interest expense	23,108	35,544	(12,436)	-35%
Real estate operating expense	18,801	37,198	(18,397)	-49%
Property management expenses	4,207	8,853	(4,646)	-52%
General and administrative expenses:				
Compensation expense	10,557	13,426	(2,869)	-21%
General and administrative expense	15,930	11,816	4,114	35%
Total general and administrative expenses	26,487	25,242	1,245	5%
Acquisition and integration expenses	146	455	(309)	-68%
Provision for loan losses	32,875	45,614	(12,739)	-28%
Depreciation and amortization expense	9,665	28,173	(18,508)	-66%
Shareholder activism expenses	-	2,464	(2,464)	-100%
Employee separation expenses	1,825	575	1,250	217%
IRT internalization and management transition expenses	-	736	(736)	-100%
Total expenses	117,114	184,854	(67,740)	-37%
Operating (Loss) Income	(67,853)	(85,136)	17,283	-20%
Interest and other income (expense), net	1,116	100	1,016	1016%
Gains on assets	2,496	23,439	(20,943)	-89%
Gains (losses) on deconsolidation of properties and VIEs	(7,304)	5,855	(13,159)	-225%
Gain on sale of retail property manager	1,262	-	1,262	N/M
Gains (losses) on extinguishments of debt	(5,773)	488	(6,261)	-1283%
Asset impairment	(47,492)	(102,490)	54,998	-54%
Goodwill impairment	-	(8,342)	8,342	-100%
Change in fair value of financial instruments	276	13,422	(13,146)	-98%
Income (loss) before taxes	(123,272)	(152,664)	29,392	-19%
Income tax benefit (provision)	(186)	861	(1,047)	-122%
Net income (loss)	(123,458)	(151,803)	28,345	-19%
(Income) loss allocated to preferred shares	(9,662)	(32,816)	23,154	-71%
(Income) loss allocated to noncontrolling interests	-	(76)	76	-100%
Net income (loss) allocable to common shares	$ (133,120)	$ (184,695)	$ 51,575	-28%

Revenue

Net interest margin. Net interest margin decreased $11.5 million, or 39%, to $17.8 million for the year ended December 31, 2018 from $29.3 million for the year ended December 31, 2017 mainly due to the deconsolidation of $266.5 million of loans due to the sale of the FL5 Interests and the FL6 Interests on June 27, 2018 and the $526.6 million of loan repayments and loan sales during the year ended December 31, 2018. An additional decrease of $5.7 million was due to write-offs of accrued interest receivable related to seven loans whose interest was determined to be not probable of collection during the year ended December 31, 2018 based on current valuations of the properties which collateralize the assets for six of the loans and a loan amendment that included a discounted payoff feature for one of the loans.

Property income. Property income decreased $35.7 million, or 56% to $28.5 million for the year ended December 31, 2018 from $64.2 million for the year ended December 31, 2017. The decrease is primarily attributable to the 6 properties disposed of or deconsolidated after December 31, 2017 and the 29 properties disposed of or deconsolidated after December 31, 2016.

Fee and other income. Fee and other income decreased $3.2 million to $3.0 million for the year ended December 31, 2018 from $6.3 million for the year ended December 31, 2017. The decrease is primarily attributable to the sale of our retail property management subsidiary in August 2018 as well as lower property management fees earned by our retail property management subsidiary prior to the sale.

Expenses

Interest expense. Interest expense decreased $12.4 million, or 35% to $23.1 million for the year ended December 31, 2018 from $35.5 million for the year ended December 31, 2017. This decrease is primarily attributable to $125.9 million of recourse debt reductions since December 31, 2017 and $21.6 million of repayments of loans payable on real estate since December 31, 2017.

Real estate operating expense. Real estate operating expense decreased $18.4 million, or 49%, to $18.8 million for the year ended December 31, 2018 from $37.2 million for the year ended December 31, 2017. The decrease is primarily attributable to the 6 properties disposed of or deconsolidated after December 31, 2017 and the 29 properties disposed of or deconsolidated after December 31, 2016.

Property management expense. Property management expense decreased $4.7 million to $4.2 million for the year ended December 31, 2018 from $8.9 million for the year ended December 31, 2017. The decrease is primarily attributable to sale of our retail property management subsidiary in August 2018 and a decrease in the number of employees at our retail property management subsidiary prior to the sale.

Compensation expense. Compensation expense decreased $2.9 million to $10.6 million for the year ended December 31, 2018 from $13.4 million for the year ended December 31, 2017. This is primarily due to less compensation expense as a result of a decrease in the number of employees.

General and administrative expense. General and administrative expense increased $4.1 million, or 35%, to $15.9 million for the year ended December 31, 2018 from $11.8 million for the year ended December 31, 2017. This increase is primarily due to increase in legal and consulting fees incurred as part of our prior strategic alternatives process, the 2018 strategic steps, and the redemption of the Series D preferred shares.

Acquisition expense. Acquisition expense decreased $0.3 million to $0.2 million for the year ended December 31, 2018 from $0.5 million for the year ended December 31, 2017.

Provision for loan losses. Provision for loan losses decreased $12.7 million, or 28%, to $32.9 million for the year ended December 31, 2018 from $45.6 million for the year ended December 31, 2017. During the year ended December 31, 2018, our provision for loan losses was primarily driven by nine loans, where the borrower and/or property experienced an unfavorable event or events during the period, which resulted in probable, incurred losses.

Depreciation and amortization expense. Depreciation and amortization expense decreased $18.5 million, or 66%, to $9.7 million for the year ended December 31, 2018 from $28.2 million for the year ended December 31, 2017. The decrease is primarily attributable to the 6 properties disposed of or deconsolidated after December 31, 2017 and the 29 properties disposed of or deconsolidated after December 31, 2016.

Shareholder activism expenses. During the year ended December 31, 2017, we incurred $2.5 million of expenses related to shareholder activism. We incurred no such expenses during 2018.

Employee separation expenses. During the year ended December 31, 2018, we incurred a $1.8 million expense related to the settlement agreement with the former chief executive officer. During the year ended December 31, 2017, we incurred a $0.6 million expense related to the settlement agreement with the former chief financial officer.

Other income (expense)

Interest and other income(expense), net: Interest and other income(expense), net increased $1.0 million to $1.1 million for the year ended December 31, 2018 from $0.1 million for the year ended December 31, 2017.

Gains (losses) on assets: During the year ended December 31, 2018, we incurred a net $2.5 million gain on assets. This includes a $4.2 million net loss related to loans held for sale that were either sold or repaid during 2018, $2.2 million of losses on three held for sale loans measured at the lower of cost or market as of December 31, 2018, a $0.9 million gain on the sale of one office property and an $8.0 million gain on the sale of one multi-family property.

Gains (losses) on deconsolidation of properties and VIEs. During the year ended December 31, 2018, we completed the sale of the FL5 Interests and the FL6 Interests as described in Note 1 and Note 8. As a result of the sale, we are no longer the primary beneficiary of the RAIT Venture VIEs, FL5 and FL6. Therefore, RAIT deconsolidated those entities as of June 27, 2018 and recognized an $8.2 million loss on the deconsolidation as the purchase price of the $54.6 million was less than our net investment in our FL5 and FL6 securitization of $62.8 million. Additionally, during the year ended December 31, 2018, we recognized a $0.9 million gain on the surrender of our ground leasehold interest in one property to the ground lessor.

Gain on sale of retail property manager. During the year ended December 31, 2018, we recognized a $1.3 million gain on sale of our retail property management subsidiary.

Gain on extinguishment of debt. During the year ended December 31, 2018, we recognized a loss on extinguishment of debt of $5.8 million. This includes a $1.9 million loss related to defeasance of mortgage indebtedness upon the sale of one office property and a $4.4 million loss due to the write-off of the unamortized deferred financing cost and discounts associated with the related extinguished indebtedness offset by a net $0.6 million gain on the redemption or repurchase of indebtedness.

Asset impairment. During the year ended December 31, 2018, we recognized non-cash asset impairment charges of $47.5 million, which primarily related to real estate assets where it was more likely than not we would dispose of the assets before the end of their previously estimated useful lives and a portion of our recorded investment in these assets was determined to not be recoverable.

Change in fair value of financial instruments. During the year ended December 31, 2018, the change in fair value of financial instruments decreased our net income by $0.3 million. The fair value adjustments we recorded were as follows (dollars in thousands):

Description	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Change in fair value of junior subordinated notes	$ (194)	$ 3,701
Change in fair value of derivatives	470	(179)
Change in fair value of warrants and investor SARs	—	9,900
Change in fair value of financial instruments	$ 276	$ 13,422

The changes in the fair value for the year ended December 31, 2018 for the junior subordinated notes for which the fair value option was elected was primarily attributable to changes in interest rates. The changes in the fair value for the year ended December 31, 2017 for the junior subordinated notes for which the fair value option was elected was primarily attributable to changes in interest rates and instrument specific credit risks. The changes in the fair value of derivatives for the year ended December 31, 2018 and 2017 was primarily attributable to changes in interest rates. The changes in the fair value of the warrants and investor SARs for the year ended December 31, 2017 was primarily attributable to changes in the reference stock price and volatility.

Income tax benefit (provision). For the year ended December 31, 2018, the income tax provision was related to insignificant activity in our TRS entities. For the year ended December 31, 2017, the income tax benefit was driven by the release of the valuation allowance on our TRS entities' AMT credit carryforward as those became refundable credits under the new tax law.

Liquidity and Capital Resources

Liquidity is a measure of our ability to meet potential cash requirements, including ongoing commitments to repay borrowings, fund and maintain investments, pay dividends and other general business needs.

Our primary cash requirements are as follows:

- to pay debt service on, repay, repurchase or redeem our indebtedness;
- to pay our expenses, including compensation to our employees and fees to our legal and financial advisors;
- to pay U.S. federal, state, and local taxes of our taxable REIT subsidiaries; and
- to distribute a minimum of 90% of our REIT taxable income and to make investments in a manner that enables us to maintain our qualification as a REIT.

We intend to meet these liquidity requirements primarily through the following:

- the use of our cash and cash equivalent balance, which was $42.5 million as of December 31, 2018 and $40.2 million as of March 15, 2019;
- cash generated from operating activities, including net investment income from our investment portfolio;
- cash generated from sales of or distributions on our retained interests we hold related to RAIT I, RAIT FL7 and RAIT FL8; and
- proceeds from the sales of assets and repayments of the loans we hold.

We may consider selling our retained interests in RAIT FL7 and/or RAIT FL8 to generate liquidity, which we expect would significantly affect our financial position and financial results.

The financial statements included in this report have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities and other commitments in the normal course of business. As described in Part I, Item1, "Financial Statements —Note 2: Summary of Significant Accounting Policies—Going Concern Considerations", our ability to continue to operate as a going concern is subject to certain risks and uncertainties.

In evaluating RAIT's potential cash requirements over the next 12 months and pursuant to the 2019 strategic steps, management considered our 7.125% senior notes which mature in August 2019 and have an unpaid principal balance of $65.4 million as of December 31, 2018, the financial covenant compliance requirements that are included in the indentures that govern our 7.625% senior notes and our 7.125% senior notes, and RAIT's recurring costs of operating its business. Our ability to incur new indebtedness is limited due to the financial covenants that are included in the indentures that govern our 7.625% senior notes and our 7.125% senior notes.

As previously disclosed, RAIT has undertaken steps to increase liquidity and reduce costs within our businesses. As such, RAIT plans to control costs, to sell certain loans, to sell certain real estate properties and to continue to receive repayments of loans as they become due. Consistent with these steps and plans, RAIT has suspended new investment activity and the Board has not declared any dividends on the outstanding common shares since August 2, 2017 or preferred shares since March 13, 2018.

Based on proceeds generated from asset sales and loan repayments that have occurred before the date these financial statements were issued, RAIT's current financial condition and currently available sources of repayment would not enable RAIT to meet its obligations under the 7.125% senior notes due in August 2019. RAIT's ability to satisfy its obligations under the 7.125% senior notes depends on management's ability to sell certain of RAIT's remaining real estate assets releasing cash from those sales and/or distributions on our retained interests in our RAIT I securitization, to continue to control costs, to sell certain loans, to sell retained interests in RAIT FL7 and to continue to receive repayments of loans as they become due. While controlling costs are within management's control to some extent, selling real estate assets, selling loans, selling other assets and the timing of loan repayments involve performance by third parties. Since many of the real estate assets, loans and other assets that management plans to sell or receive repayment from to satisfy its obligations are not subject to an executed purchase and sale agreement or other contractual agreement as of the date hereof, the sale of those assets cannot be considered probable of occurring.

If these plans or other alternative plans are not successfully implemented, RAIT's financial condition, liquidity and ability to continue as a going concern would be materially adversely affected. Subject to the considerations outlined in Part I, Item 1, "Financial Statements —Note 2: Summary of Significant Accounting Policies—Going Concern Considerations" and under this Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources," if RAIT's plans are successfully implemented in the normal course of business, we believe our available cash balances, proceeds from the sales of assets, and cash flows from operations will be sufficient to fund our liquidity requirements over the next twelve months.

In connection with the 2019 strategic steps, we have engaged in preliminary discussions with third parties, including various stakeholders, and are pursuing or considering a number of actions, but there can be no assurance that sufficient liquidity can be obtained from one or more of these actions, that these actions can be consummated within the period needed to meet certain obligations or that these actions can be or will be effectuated outside of Chapter 11. We could be required, or elect to seek relief under Chapter 11. We have engaged financial and legal advisors to assist us in, among other things, analyzing various strategic alternatives to address our liquidity and capital structure in connection with the 2019 strategic steps, including strategic and refinancing alternatives through one or more private restructurings and may include seeking relief under Chapter 11. Seeking bankruptcy relief may be unavoidable and may have a material adverse effect on our business, financial condition, results of operations, liquidity and returns to our stakeholders, depending on the respective interests of these stakeholders.

As a result of these discussions engaged in as a result of the 2019 strategic steps, or otherwise, we may seek to acquire, redeem, repurchase, restructure, refinance or otherwise enter into transactions to satisfy our debt or redeem our preferred shares which may include any combination of material payments of cash, issuances of our debt and/or equity securities, sales or exchanges of our assets or other methods. From time to time our indebtedness and preferred shares may trade at discounts to their respective face amounts. In order to reduce future cash interest payments, as well as future principal amounts due upon any applicable put dates, at maturity or upon redemption, or payments on preferred shares, or to otherwise benefit RAIT, we may, from time to time, purchase such indebtedness or preferred shares for cash, in exchange for our equity or debt securities, or for any combination of cash and our equity or debt securities, in each case in open market purchases, privately negotiated transactions, exchange offers and consent solicitations or otherwise. We will evaluate any such transactions in light of then-existing market conditions, contractual restrictions and other factors, taking into account our current liquidity and prospects for future access to capital. The amounts involved in any such transactions, individually or in the aggregate, may be material and may materially reduce our liquidity or reduce or eliminate our ability to convert assets into liquidity. Any material issuances of our equity securities may have a material dilutive effect on our current shareholders. These transactions may not be sufficient to address the concerns outlined in Part I, Item 1, "Financial Statements —Note 2: Summary of Significant Accounting Policies—Going Concern Considerations" and we could be required to seek or elect to seek relief under Chapter 11 of Title 11.

As disclosed above, the 7.625% senior notes and 7.125% senior notes contain financial covenants consisting of a maximum leverage ratio covenant and a minimum fixed charge ratio covenant. These covenants must be met in the event RAIT or any subsidiary meeting the definition thereof in the indentures related to these notes were to incur debt, as defined in such indentures, and are measured immediately after giving pro forma effect to the incurrence of such debt and the application of the proceeds thereof. If RAIT failed to comply with these financial covenants, that would constitute an event of default under these indentures permitting the acceleration of the applicable senior notes in defined circumstances. If RAIT failed to repay any senior notes that were accelerated, it could trigger cross defaults under, and ultimately the acceleration of, other RAIT indebtedness. RAIT expects that these financial covenants will restrict RAIT's and these subsidiaries' ability to incur such debt for the foreseeable future because RAIT does not expect that these financial covenants would be met on such pro forma basis in the event RAIT or such subsidiaries incurred such debt. RAIT and these subsidiaries do not plan to incur any such debt, absent a pro forma use of proceeds that would permit compliance with these covenants.

Cash Flows

As of December 31, 2018, and 2017, we maintained cash and cash equivalents of $42.5 million and $53.4 million, respectively. Our cash and cash equivalents, inclusive of cash and cash equivalents related to discontinued operations, were generated or used from the following activities (dollars in thousands):

	For the Year Ended December 31,	
	2018	2017
Cash flow from operating activities	$ 7,401	$ 10,979
Cash flow from investing activities	510,315	232,415
Cash flow from financing activities	(623,490)	(332,810)
Net change in cash, cash equivalents and restricted cash	(105,774)	(89,416)
Cash, cash equivalents and restricted cash at beginning of year	211,294	300,710
Cash, cash equivalents and restricted cash at end of year	$ 105,520	$ 211,294

Cash flows from operating activities for the year ended December 31, 2018, as compared to the same period in 2017, decreased $3.6 million primarily due to our reduced number and amount of loans and properties which contributed to lower cash flows from operations.

The cash inflow for investing activities for the year ended December 31, 2018 was substantially due to proceeds from property dispositions of $95.5 million as well as loan repayments of $393.3 million and loan sales of $108.5 million offset by new investments in loans of $52.8 million. The cash inflow for investing activities for the year ended December 31, 2017 is substantially due to loan repayments of $453.8 million and proceeds from property dispositions of $238.8 million exceeding new investments in loans of $460.7 million.

The cash outflow from our financing activities during the year ended December 31, 2018 was primarily due to repayments and repurchases of indebtedness of $549.8 million, repurchase of the Series D preferred shares of $62.1 million and distributions to shareholders and noncontrolling interests of $11.3 million. The cash outflow from our financing activities during the year ended December 31, 2017 was primarily due to repayments and repurchases of indebtedness of $751.3 million and distributions to shareholders and noncontrolling interests of $49.0 million exceeding proceeds from the issuance of indebtedness of $507.6 million.

As a REIT, we evaluate our dividend coverage based on our cash flow from operating activities, excluding acquisition and integration expenses, the origination and sale of conduit loans, and changes in assets and liabilities. During the year ended December 31, 2018, we paid distributions to our preferred shareholders, common shareholders, and noncontrolling interests of $11.3 million and generated cash flows from operating activities, before acquisition expenses, origination and sale of conduit loans, and changes in assets and liabilities of $(17.0) million. The $28.3 million of excess funds needed to make those distributions was generated through cash flows from the disposition of real estate assets, principal repayments on loans and sales of loans, which are included in cash flows from investing activities in the consolidated statements of cash flows and totaled $95.5 million, $393.3 million, and $108.5 million, respectively, during the year ended December 31, 2018.

Capitalization

A discussion of our capitalization is incorporated by reference to Note 5: Indebtedness, Note 9: Series D Preferred Shares and Note 10: Shareholders' Equity of Notes to Consolidated Financial Statements set forth in Part II, Item 8, "Financial Statements and Supplementary Data."

Due to the current trading levels of our publicly traded securities and other factors, we do not expect for the foreseeable future to generate liquidity from the proceeds from future offerings of our securities, including through our dividend reinvestment and share purchase plan, the 2014 Preferred ATM agreement or the COD sales agreement. With respect to sales pursuant to the 2014 Preferred ATM agreement or the COD sales agreement, these factors include our need to prepare and file a current prospectus supplement to our current universal shelf registration statement on Form S-3, or the shelf registration statement, to register any such sales. In addition, we do not currently meet the eligibility requirements to use our shelf registration statement to offer securities on our own behalf for cash. As a result, unless and until we are able to satisfy the relevant eligibility requirements to use Form S-3, we expect we would have to follow more expensive and time-consuming alternatives to register any securities we wish to offer publicly or rely on exemptions from such registration.

Critical Accounting Estimates and Policies

We consider the accounting policies discussed below to be critical to an understanding of how we report our financial condition and results of operations because their application places the most significant demands on the judgment of our management. Please see Part II, Item 8, "Financial Statements —Note 2: Summary of Significant Accounting Policies" for information regarding recent accounting pronouncements.

Our financial statements are prepared on the accrual basis of accounting in accordance with GAAP. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The items that include significant estimates are fair value of financial instruments and allowance for loan losses. Actual results could differ from those estimates.

Revenue Recognition for Interest Income. We recognize interest income from investments in commercial mortgage loans, mezzanine loans, and preferred equity interests on a yield to maturity basis. Some of our commercial mortgage loans, mezzanine loans and preferred equity interests provide for the accrual of interest at specified rates which differ from current payment terms. Interest income is recognized on such loans at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible. Management will cease accruing interest on these loans when it determines that the interest income is not collectible based on the ultimate value of the underlying collateral using discounted cash flow models and market based assumptions.

Allowance for Loan Losses, Impaired Loans and Non-accrual Status. We maintain an allowance for loan losses on our investments in commercial mortgage loans, mezzanine loans and preferred equity interests. Management's periodic evaluation of the adequacy of the allowance is based upon expected and inherent risks in the portfolio, the estimated value of underlying collateral, and current economic conditions. Management reviews loans for impairment and establishes specific reserves when a loss is probable under the provisions of FASB ASC Topic 310, "Receivables." A loan is impaired when it is probable that we may not collect all principal and interest payments according to the contractual terms. As part of the detailed loan review, we consider many factors about the specific loan, including payment history, asset performance, borrower's financial capability and other characteristics. Management evaluates loans for non-accrual status each reporting period. A loan is placed on non-accrual status when the loan payment deficiencies exceed 90 days. Payments received for non-accrual or impaired loans are applied to principal until the loan is removed from non-accrual status or no longer impaired. Past due interest is recognized on non-accrual loans when they are removed from non-accrual status and are making current interest payments. The allowance for loan losses is increased by charges to operations and decreased by charge-offs (net of recoveries). We charge off a loan when we determine that all commercially reasonable means of recovering the loan balance have been exhausted. This may occur at a variety of times, including when we receive cash or other assets in a pre-foreclosure sale or take control of the underlying collateral in full satisfaction of the loan upon foreclosure. We consider circumstances such as these to indicate that the loan collection process has ceased and that a loan is uncollectible.

Investments in Real Estate. Investments in real estate are shown net of accumulated depreciation. We capitalize those costs that have been evaluated to improve the real property and depreciate those costs on a straight-line basis over the useful life of the asset. We depreciate real property using the following useful lives: buildings and improvements—30 to 40 years; furniture, fixtures, and equipment—5 to 10 years; and tenant improvements—shorter of the lease term or the life of the asset. Costs for ordinary maintenance and repairs are charged to expense as incurred.

Acquisitions of real estate assets and any related intangible assets are recorded initially at fair value under FASB ASC Topic 805, "Business Combinations." Fair value is determined by management based on market conditions and inputs at the time the asset is acquired. The fair value of the real estate acquired is allocated to the acquired tangible assets, consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases for acquired in-place leases and the value of tenant relationships, based in each case on their fair values. Transaction costs and fees incurred related to acquisitions are expensed as incurred.

Upon the acquisition of properties, we estimate the fair value of acquired tangible assets (consisting of land, building and improvements) and identified intangible assets and liabilities (consisting of above and below-market leases, in-place leases and tenant relationships), and assumed debt at the date of acquisition, based on the evaluation of information and estimates available at that date. In determining the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the differences between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the lease. The capitalized above-market lease values and the capitalized below-market lease values are amortized as an adjustment to rental income over the lease term.

The aggregate value of in-place leases is determined by evaluating various factors, including an estimate of carrying costs during the expected lease-up periods, current market conditions and similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions, legal and other related costs. The value assigned to this intangible asset is amortized over the assumed lease up period.

Management reviews our investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property.

Transfers of Financial Assets. We account for transfers of financial assets under FASB ASC Topic 860, "Transfers and Servicing", as either sales or financings. Transfers of financial assets that result in sales accounting are those in which (1) the transfer legally isolates the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee's right to pledge or exchange the assets and provides more than a trivial benefit to the transferor, and (3) the transferor does not maintain effective control over the transferred assets. If the transfer does not meet these criteria, the transfer is accounted for as a financing. Financial assets that are treated as sales are removed from our accounts with any realized gain (loss) reflected in earnings during the period of sale. Financial assets that are treated as financings are maintained on the balance sheet with proceeds received from the legal transfer reflected as securitized borrowings.

Fair Value of Financial Instruments. In accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity for disclosure purposes. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined in FASB ASC Topic 820, "Fair Value Measurements and Disclosures" and directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities, are as follows:

- **Level 1**: Valuations are based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at level 1 fair value generally are equity securities listed in active markets. As such, valuations of these investments do not entail a significant degree of judgment.

- **Level 2**: Valuations are based on quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

  Fair value assets and liabilities that are generally included in this category are unsecured REIT note receivables, commercial mortgage-backed securities, or CMBS, receivables and certain financial instruments classified as derivatives where the fair value is based on observable market inputs.

- **Level 3**: Inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. Generally, assets and liabilities carried at fair value and included in this category are TruPs and subordinated debentures, trust preferred obligations and CDO notes payable where observable market inputs do not exist.

  The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of investment, whether the investment is new, whether the investment is traded on an active exchange or in the secondary market, and the current market condition. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments categorized in level 3.

  Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that management believes market participants would use in pricing the asset or liability at the measurement date. We use prices and inputs that management believes are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be transferred from Level 1 to Level 2 or Level 2 to Level 3.

  Many financial instruments have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that buyers in the market are willing to pay for an asset. Ask prices represent the lowest price that sellers in the market are willing to accept for an asset. For financial instruments whose inputs are based on bid-ask prices, we do not require that fair value always be a predetermined point in the bid-ask range. Our policy is to allow for mid-market pricing and adjusting to the point within the bid-ask range that results in our best estimate of fair value.

  Fair value for certain of our Level 3 financial instruments is derived using internal valuation models. These internal valuation models include discounted cash flow analyses developed by management using current interest rates, estimates of the term of the particular instrument, specific issuer information and other market data for securities without an active market. In accordance with FASB ASC Topic 820, “Fair Value Measurements and Disclosures”, the impact of our own credit spreads is also considered when measuring the fair value of financial assets or liabilities, including derivative contracts. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality and market liquidity. These adjustments are applied on a consistent basis and are based on observable inputs where available. Management’s estimate of fair value requires significant management judgment and is subject to a high degree of variability based upon market conditions, the availability of specific issuer information and management’s assumptions.

For further discussion on fair value of our financial instruments, see Item 8- “Financial Statements and Supplementary Data. Note 7: Fair Value of Financial Instruments.”

Off-Balance Sheet Arrangements and Commitments

As of December 31, 2018, we did not have any off-balance sheet arrangements.

Contractual Commitments

The table below summarizes our contractual obligations as of December 31, 2018 (dollars in thousands):

	Payment due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Recourse indebtedness:					
Senior notes	121,680	65,356	—	—	56,324
Junior subordinated notes	43,771	—	—	—	43,771
Total recourse indebtedness	165,451	65,356	—	—	100,095
Non-recourse indebtedness					
CDO notes payable	116,102	—	—	—	116,102
CMBS securitization	320,282	—	—	—	320,282
Loans payable on real estate	40,724	749	39,975	—	—
Total non-recourse indebtedness	477,108	749	39,975	—	436,384
Total indebtedness	642,559	66,105	39,975	—	536,479
Interest payable (1)(2)	414,682	28,215	49,707	46,408	290,352
Operating lease obligations	6,911	479	885	921	4,626
Funding commitments to borrowers (3)	9,431	9,431	—	—	—
Total	$ 1,073,583	$ 104,230	$ 90,567	$ 47,329	$ 831,457

(1) All variable-rate indebtedness assumes a one month LIBOR rate of 2.50%, which was the one month LIBOR rate at December 31, 2018.

(2) Interest payable is comprised of interest expense related to our indebtedness. Interest payments related to recourse indebtedness are due by period as follows: $9.8 million-less than one year, $13.5 million-one to three years, $13.5 million-three to five years and $68.3 million-more than five years. Interest payments related to non-recourse indebtedness are due by period as follows: $18.4 million-less than one year, $36.2 million-one to three years, $32.9 million-three to five years and $258.8 million-more than five years. Interest payable on non-recourse, securitization related notes assumes no collateral repayments and that interest is paid on the amount outstanding as of December 31, 2018 through the respective maturity dates.

(3) Amounts represent the commitments we have made to fund borrowers in our existing lending arrangements as of December 31, 2018.

Item 7A. ***Quantitative and Qualitative Disclosures About Market Risk***

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

Item 8. ***Financial Statements and Supplementary Data.***

RAIT FINANCIAL TRUST
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Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Trustees
RAIT Financial Trust:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of RAIT Financial Trust and subsidiaries (the Company) as of December 31, 2018 and 2017, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the years in the two-year period ended December 31, 2018, and the related notes and financial statement schedules II to IV (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2018, in conformity with U.S. generally accepted accounting principles.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the consolidated financial statements, the Company's current liquidity is not sufficient to meet its obligations within one year of the date of issuance of the financial statements, which raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for changes in instrument-specific credit risk of its junior subordinated notes, at fair value due to the adoption of an accounting standard classified under FASB ASC Topic 825, *Financial Instruments*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2014.

Philadelphia, Pennsylvania
March 26, 2019

RAIT Financial Trust

Consolidated Balance Sheets
(Dollars in thousands, except share and per share information)

	As of December 31, 2018	As of December 31, 2017
Assets		
Investment in mortgage loans, held for investment:		
Commercial mortgage loans, mezzanine loans, and preferred equity interests	$ 502,397	$ 1,270,607
Allowance for loan losses	(22,336)	(14,883)
Total investment in mortgage loans, held for investment, net (including $467,656 and $1,174,827 held by consolidated VIEs, respectively)	480,061	1,255,724
Investment in mortgage loans, held for sale	4,873	-
Investments in real estate, net of accumulated depreciation of $8,768 and $28,768, respectively (including $18,020 and $18,634 held by consolidated VIEs, respectively)	107,824	245,904
Investments in real estate, held for sale	4,918	-
Cash and cash equivalents	42,453	53,380
Restricted cash	63,067	157,914
Accrued interest receivable	18,044	29,664
Other assets	10,807	43,871
Intangible assets, net of accumulated amortization of $5,703 and $6,831, respectively	1,717	5,376
Total assets	$ 733,764	$ 1,791,833
Liabilities and Equity		
Indebtedness, net of unamortized discounts, premiums and deferred financing costs of $16,643 and $29,465 respectively (including $440,776 and $1,038,864 held by consolidated VIEs, respectively)	$ 625,916	$ 1,390,188
Accrued interest payable	2,401	4,688
Accounts payable and accrued expenses	3,330	9,641
Borrowers' escrows	31,343	117,070
Deferred taxes and other liabilities	2,268	12,116
Total liabilities	665,258	1,533,703
Series D cumulative redeemable preferred shares, $0.01 par value per share, 0 and 4,000,000 shares authorized, respectively, 0 and 3,133,720 shares issued and outstanding, respectively	-	78,343
Equity:		
Shareholders' equity:		
Preferred shares, $0.01 par value per share, 25,000,000 shares authorized;		
7.75% Series A cumulative redeemable preferred shares, liquidation preference $25.00 per share, 8,069,288 shares authorized, 5,727,500 and 5,344,353 shares issued and outstanding, respectively	57	53
8.375% Series B cumulative redeemable preferred shares, liquidation preference $25.00 per share, 4,300,000 shares authorized, 2,508,797 and 2,340,969 shares issued and outstanding, respectively	25	23
8.875% Series C cumulative redeemable preferred shares, liquidation preference $25.00 per share, 3,600,000 shares authorized, 1,758,030 and 1,640,425 shares issued and outstanding, respectively	18	17
Series E cumulative redeemable preferred shares, $0.01 par value per share, 0 and 4,000,000 shares authorized, respectively, 0 and 0 shares issued and outstanding, respectively	-	-
Common shares, $1.50 par value per share, 200,000,000 shares authorized 1,850,451 and 1,860,903 issued and outstanding, respectively, including 6,844 and 24,930 unvested restricted common share awards, respectively	2,776	2,791
Additional paid in capital	2,102,274	2,094,804
Accumulated other comprehensive income (loss)	11,473	-
Retained earnings (deficit)	(2,048,117)	(1,921,533)
Total shareholders' equity	68,506	176,155
Noncontrolling interests	-	3,632
Total equity	68,506	179,787
Total liabilities and equity	$ 733,764	$ 1,791,833

The accompanying notes are an integral part of these consolidated financial statements.

RAIT Financial Trust

Consolidated Statements of Operations
(Dollars in thousands, except share and per share information)

	For the Years Ended December 31	
	2018	**2017**
Revenue:		
Investment interest income	$ 48,872	$ 70,215
Investment interest expense	(31,122)	(40,932)
Net interest margin	17,750	29,283
Property income	28,467	64,184
Fee and other income	3,044	6,251
Total revenue	49,261	99,718
Expenses:		
Interest expense	23,108	35,544
Real estate operating expense	18,801	37,198
Property management expenses	4,207	8,853
General and administrative expenses:		
Compensation expense	10,557	13,426
Other general and administrative expense	15,930	11,816
Total general and administrative expenses	26,487	25,242
Acquisition and integration expenses	146	455
Provision for loan losses	32,875	45,614
Depreciation and amortization expense	9,665	28,173
IRT internalization and management transition expenses	—	736
Shareholder activism expenses	—	2,464
Employee separation expenses	1,825	575
Total expenses	117,114	184,854
Operating (Loss) Income	(67,853)	(85,136)
Interest and other income (expense), net	1,116	100
Gains on assets	2,496	23,439
Gains (losses) on deconsolidation of properties and VIEs	(7,304)	5,855
Gain on sale of retail property manager	1,262	—
Gains (losses) on extinguishments of debt	(5,773)	488
Asset impairment	(47,492)	(102,490)
Goodwill impairment	—	(8,342)
Change in fair value of financial instruments	276	13,422
Income (loss) before taxes	(123,272)	(152,664)
Income tax benefit (provision)	(186)	861
Net income (loss)	(123,458)	(151,803)
(Income) loss allocated to preferred shares	(9,662)	(32,816)
(Income) loss allocated to noncontrolling interests	—	(76)
Net income (loss) allocable to common shares	$ (133,120)	$ (184,695)
Earnings (loss) per share-Basic:		
Earnings (loss) per share-Basic	$ (72.37)	$ (100.99)
Weighted-average shares outstanding-Basic	1,839,544	1,828,778
Earnings (loss) per share-Diluted:		
Earnings (loss) per share-Diluted	$ (72.37)	$ (100.99)
Weighted average shares outstanding-Diluted	1,839,544	1,828,778

The accompanying notes are an integral part of these consolidated financial statements.

RAIT Financial Trust

Consolidated Statements of Comprehensive Income (Loss)
(Dollars in thousands)

	For the Years Ended December 31	
	2018	2017
Net income (loss)	$ (123,458)	$ (151,803)
Other comprehensive income (loss):		
Unrealized gains (losses) from change in fair value based on instrument specific credit risk	2,216	—
Total other comprehensive income (loss) from continuing operations	2,216	—
Comprehensive income (loss) before allocation to noncontrolling interests	(121,242)	(151,803)
Allocation to noncontrolling interests - net (income) loss	—	(76)
Allocation to noncontrolling interests - other comprehensive (income) loss	—	—
Comprehensive income (loss) allocable to common shares	$ (121,242)	$ (151,879)

The accompanying notes are an integral part of these consolidated financial statements.

RAIT Financial Trust

Consolidated Statements of Changes in Equity
(Dollars in thousands, except share information)

	Preferred Shares—Series A	Par Value Preferred Shares—Series A	Preferred Shares—Series B	Par Value Preferred Shares—Series B	Preferred Shares—Series C	Par Value Preferred Shares—Series C	Common Shares	Par Value Common Shares	Additional Paid In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings (Deficit)	Total Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance, December 31, 2016	5,344,353	53	2,340,969	23	1,640,425	17	92,295,478	2,769	2,093,257	—	(1,723,735)	372,384	5,386	377,770
Net income (loss)	—	—	—	—	—	—	—	—	—	—	(151,879)	(151,879)	76	(151,803)
Preferred dividends	—	—	—	—	—	—	—	—	—	—	(25,998)	(25,998)	—	(25,998)
Preferred Series D discount amortization	—	—	—	—	—	—	—	—	—	—	(6,818)	(6,818)	—	(6,818)
Common dividends declared	—	—	—	—	—	—	—	—	—	—	(13,103)	(13,103)	—	(13,103)
Other comprehensive income (loss), net	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share-based compensation	—	—	—	—	—	—	930,211	28	2,584	—	—	2,612	—	2,612
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	66	66
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(1,710)	(1,710)
Derecognition of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(186)	(186)
Disposal of discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Preferred shares issued, net	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common shares issued for equity compensation	—	—	—	—	—	—	(193,854)	(6)	(1,037)	—	—	(1,043)	—	(1,043)
Common shares issued, net	—	—	—	—	—	—	13,317	—	—	—	—	—	—	—
Balance, December 31, 2017	5,344,353	53	2,340,969	23	1,640,425	17	93,045,152	2,791	2,094,804	—	(1,921,533)	176,155	3,632	179,787
Cumulative effect adjustments from adoption of recently issued accounting pronouncements	—	—	—	—	—	—	—	—	—	9,257	(8,496)	761	—	761
Adjusted Balance, January 1, 2018	5,344,353	53	2,340,969	23	1,640,425	17	1,860,903	2,791	2,094,804	9,257	(1,930,029)	176,916	3,632	180,548
Net income (loss)	—	—	—	—	—	—	—	—	—	—	(123,458)	(123,458)	—	(123,458)
Preferred shares issued, net	383,147	4	167,828	2	117,605	1	—	—	4,359	—	—	4,366	—	4,366
Preferred dividends paid	—	—	—	—	—	—	—	—	—	—	(6,405)	(6,405)	—	(6,405)
Impact of Series D redemption (Note 9)	—	—	—	—	—	—	—	—	(11)	—	11,932	11,921	—	11,921
Common dividends declared	—	—	—	—	—	—	—	—	—	—	(157)	(157)	—	(157)
Other comprehensive income (loss), net	—	—	—	—	—	—	—	—	—	2,216	—	2,216	—	2,216
Share-based compensation	—	—	—	—	—	—	—	—	(58)	—	—	(58)	—	(58)
Issuance of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	76	76
Distribution to noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(15)	(15)
Acquisition of noncontrolling interests	—	—	—	—	—	—	—	—	3,239	—	—	3,239	(3,582)	(343)
Derecognition of noncontrolling interests	—	—	—	—	—	—	—	—	—	—	—	—	(111)	(111)
Common shares activity related to equity compensation	—	—	—	—	—	—	(10,452)	(15)	(59)	—	—	(74)	—	(74)
Balance, December 31, 2018	5,727,500	57	2,508,797	25	1,758,030	18	1,850,451	2,776	2,102,274	11,473	(2,048,117)	68,506	—	68,506

The accompanying notes are an integral part of these consolidated financial statements.

RAIT Financial Trust

Consolidated Statements of Cash Flows
(Dollars in thousands)

	For the Year Ended December 31,	
	2018	2017
Operating activities:		
Net income (loss)	$ (123,458)	$ (151,803)
Adjustments to reconcile net income (loss) to cash flow from operating activities:		
Provision for loan losses	32,875	45,614
Share-based compensation expense	(58)	2,612
Depreciation and amortization expense	9,665	28,173
Amortization of deferred financing costs and debt discounts	9,392	14,650
(Amortization)/Deferral of loan origination fees and costs, net	(1,985)	744
(Amortization) of above/below market leases	(350)	(1,148)
(Gains) Losses on assets	(2,496)	(23,439)
(Gains) Losses on extinguishments of debt	5,773	(488)
(Gains) Losses on deconsolidation of properties and VIEs	7,304	(5,855)
(Gain) on sale of retail property manager	(1,262)	—
Asset impairment	47,492	102,490
Goodwill impairment	—	8,342
Change in fair value of financial instruments	(276)	(13,422)
Provision (benefit) for deferred taxes	220	(577)
Changes in assets and liabilities:		
Decrease in accrued interest receivable	10,429	6,039
Decrease in other assets	3,163	4,508
(Decrease) increase in accrued interest payable	(1,707)	3,010
(Decrease) in accounts payable and accrued expenses	(1,602)	(5,392)
(Decrease) increase in other liabilities	17	(3,079)
Proceeds from sale of loans originated for sale	14,265	—
Cash flows provided by (used in) operating activities	7,401	10,979
Investing activities:		
Origination of loans for investment	(52,774)	(460,770)
Principal repayments on loans	393,343	453,771
Proceeds from sale of interests in floating rate securitizations, net of cash and restricted cash deconsolidated	31,837	—
Investments in real estate	(2,688)	(9,243)
Payments related to sale of retail property manager, including cash deconsolidated	(235)	—
Proceeds from sale of loans originated for investment	108,494	—
Proceeds from the disposition of real estate	95,516	238,770
(Decrease) increase in borrowers' escrows	(63,178)	9,887
Cash flows provided by (used in) investing activities	510,315	232,415
Financing activities:		
Repayments of warrants and SARs obligations	—	(20,500)
Repayments on secured credit facilities and loans payable on real estate	(1,011)	(1,295)
Repayments and repurchase of CDO notes payable and floating rate securitizations	(401,922)	(678,164)
Net proceeds from issuance of CDO notes and floating rate securitizations	—	490,550
Repurchase of convertible notes and senior notes	(113,046)	(17,285)
Repayments of senior secured notes	(11,500)	(50,500)
Net proceeds (repayments) related to floating rate loan repurchase agreements	(22,313)	(4,109)
Proceeds from issuance of other indebtedness	—	17,022
Distribution to noncontrolling interests	(15)	(1,710)
Acquisition of noncontrolling interests	(343)	—
Issuance of noncontrolling interests	76	66
Payments for deferred costs	—	(8,494)
Common share issuance, net of costs incurred	(74)	(1,043)
Repurchase of Series D preferred shares	(62,057)	(10,057)
Distributions paid to preferred shareholders	(11,129)	(25,990)
Distributions paid to common shareholders	(156)	(21,301)
Cash flows (used in) provided by financing activities	(623,490)	(332,810)
Net change in cash, cash equivalents, and restricted cash	(105,774)	(89,416)
Cash, cash equivalents, and restricted cash at the beginning of the period	211,294	300,710
Cash, cash equivalents, and restricted cash at the end of the period	$ 105,520	$ 211,294

The accompanying notes are an integral part of these consolidated financial statements.

RAIT Financial Trust

Notes to Consolidated Financial Statements
As of December 31, 2018
(Dollars in thousands, except share and per share amounts)

NOTE 1: THE COMPANY

RAIT Financial Trust is a self-managed and self-advised Maryland real estate investment trust, or REIT, focused on managing a portfolio of commercial real estate, or CRE, loans and properties. References to "RAIT", "we", "us", and "our" refer to RAIT Financial Trust and its subsidiaries, unless the context otherwise requires.

Beginning in the second half of 2018, RAIT's management, with direction from the Board, resumed the review of the potential strategic and financial alternatives for RAIT previously considered in the concluded Special Committee review. As part of this resumption, RAIT management began having preliminary discussions with various third parties to explore whether any of them were interested in any potential strategic and/or financial transaction or other action with respect to RAIT, its assets and/or its lending platform. This review and related preliminary discussions have continued through December 31, 2018, conducted with the support of financial and legal advisors, with the goals of seeking to maximize value for RAIT's stakeholders in accordance with their respective interests. We refer to our continued implementation of the 2018 strategic steps, combined with our resumption of such review and holding these preliminary discussions, including, without limitation, any transactions or other actions contemplated thereby, as the 2019 strategic steps.

Effective after the close of trading on August 13, 2018, we completed a one for fifty reverse stock split, or the Reverse Stock Split of RAIT's common shares, as previously authorized by RAIT's board of trustees, or the Board, pursuant to authority granted to the Board by RAIT's common shareholders. The par value of common shares changed to $1.50 per share after the Reverse Stock Split from $0.03 per share prior to the Reverse Stock Split and every fifty shares issued and outstanding prior to the Reverse Stock Split were combined into one common share after the Reverse Stock Split. The Reverse Stock Split did not change the number of authorized common shares. These financial statements give retroactive effect to such Reverse Stock Split and all share and per share amounts have been adjusted accordingly. The Reverse Stock Split did not affect RAIT's preferred shares, including the number of authorized or outstanding RAIT preferred shares or the dividend rate per share of any outstanding RAIT preferred shares.

On June 27, 2018, RAIT Asset Holdings IV, LLC, or RAIT IV, a subsidiary of RAIT, completed the sale of its FL5 Interests, as defined below, and FL6 Interests, as defined below (collectively, the Interests), to Melody RE II, LLC, or the FL Purchaser, for an aggregate purchase price of $54,632.

Prior to the sale, RAIT IV was the holder of:

- 60% of the units, or the FL5 Interests, of RAIT – Melody 2016 Holdings, LLC, or Holdings 2016, which controls RAIT – Melody 2016 Holdings Trust. This trust owned, at the time of sale, various classes of non-investment grade bonds and the equity of RAIT 2015-FL5 Trust, or FL5, with the remaining 40% of the units of Holdings 2016 being held by affiliates of the FL Purchaser; and
- 60% of the units, or the FL6 Interests, of RAIT – Melody 2017 Holdings, LLC, or Holdings 2017, which controls RAIT – Melody 2017 Holdings Trust. This trust owned, at the time of sale, various classes of non-investment grade bonds and the equity of RAIT 2016-FL6 Trust, or FL6, with the remaining 40% of the units of Holdings 2017 being held by affiliates of the FL Purchaser.

As a result of the sale, RAIT is no longer the primary beneficiary of Holdings 2016 or Holdings 2017 (collectively, the RAIT Venture VIEs), or FL5 or FL6. Therefore, RAIT deconsolidated those entities as of June 27, 2018. See Note 8: Variable Interest Entities for more information. After the sale of the Interests, RAIT retained its role as servicer and special servicer of the loans in FL5 and FL6.

Also on June 27, 2018, RAIT, several of RAIT's subsidiaries, including RAIT IV, and ARS VI Investor I, LP, or the Investor, entered into a Redemption and Exchange Agreement with the Investor whereby RAIT and RAIT IV redeemed and cancelled the remaining 2,939,190 preferred units of RAIT IV, or the preferred units, and RAIT's corresponding Series D cumulative redeemable preferred shares, or the Series D preferred shares, for $56,765 of cash received by RAIT IV from the sale of the Interests, defined available cash held by RAIT IV and $16,715 of liquidation preference of RAIT's publicly traded Series A cumulative redeemable preferred shares, or the Series A preferred shares, Series B cumulative redeemable preferred shares, or the Series B preferred shares, and Series C cumulative redeemable preferred shares, or the Series C preferred shares. See Note 9: Series D Preferred Shares for more information.

On September 7, 2017, we announced that our Board had formed a committee of independent trustees, or the Special Committee, to explore and evaluate a wide range of possible strategic and financial alternatives for RAIT. On February 20, 2018, we announced that the Special Committee had concluded this review and that the Board had determined that this review did not identify a strategic or financial transaction with another counterparty that was preferable to the steps described below. This review, conducted with the support of financial and legal advisors, evaluated a wide range of potential alternatives which included, but were not limited to, (i) refinements of RAIT's operations or strategy, (ii) financial transactions, such as a recapitalization or other change to RAIT's capital structure and (iii) strategic transactions, such as a sale of all or part of RAIT. As a result, the Board, after considering the recommendations and advice of the Special Committee, RAIT's management, and its legal and financial advisors, determined that RAIT should take steps to increase RAIT's liquidity and better position RAIT to meet its financial obligations as they come due. We refer to these steps as the 2018 strategic steps and they include, but are not limited to: (i) the suspension of RAIT's loan origination business along with the implementation of other steps to reduce costs within its other operating businesses; (ii) the continuation of the process of selling RAIT's owned real estate, or REO, portfolio, while continuing to service and manage its existing CRE loan portfolio; and (iii) the engagement of a financial advisor, M-III Advisory Partners, LP, to advise and assist RAIT in its ongoing assessment of its financial performance and financial needs and in evaluating strategic and financial transactions.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of Presentation

The accompanying consolidated financial statements have been prepared by management in accordance with U.S. generally accepted accounting principles, or GAAP. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary to present fairly our consolidated financial position and consolidated results of operations, equity and cash flows are included.

b. Going Concern Considerations

Under the accounting guidance related to the presentation of financial statements, an entity is required to evaluate on a quarterly basis whether the entity's current financial condition, including its liquidity sources at the date that the financial statements are issued, will enable the entity to meet its obligations arising within one year of the date the entity's financial statements are issued and to make a determination as to whether it is probable, under the application of this accounting guidance, that the entity will be able to continue as a going concern over the applicable period. The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. The financial statements do not include any adjustments that might be necessary should RAIT be unable to continue as a going concern. As a result of the considerations articulated below, there is substantial doubt about RAIT's ability to continue as a going concern within one year after the date that the financial statements are issued.

Analysis. In applying the accounting guidance, management considered RAIT's current financial condition and liquidity sources, including current funds available, forecasted future cash flows and RAIT's conditional and unconditional obligations due over the next twelve months. Management considered the following: i) our 7.125% senior notes which mature in August 2019 and have an unpaid principal balance of $65,356 as of December 31, 2018; ii) the financial covenant compliance requirements of RAIT's senior notes; and (iii) RAIT's recurring costs of operating its business.

RAIT plans to control costs, to sell certain loans, to sell certain real estate properties and to continue to receive repayments of loans as they become due. Consistent with these plans, RAIT has suspended new investment activity and the Board has not declared a dividend on RAIT's outstanding preferred shares for the three quarters ended June 30, 2018, September 30, 2018 and December 31, 2018. Due to the inherent risks, unknown results and significant uncertainties associated with each of these matters and the direct correlation between these matters and RAIT's ability to satisfy its financial obligations that may arise over the applicable twelve month period, RAIT is unable to conclude that it is probable that RAIT will be able to meet its obligations arising within twelve months of the date of issuance of these financial statements under the parameters set forth in this accounting guidance.

As a result, management evaluated whether this was mitigated by RAIT's approved plans and expectations for the applicable period under the second step of this accounting standard.

RAIT's ability to satisfy its obligations under the 7.125% senior notes, to maintain compliance with its debt covenants and to fund recurring costs of operations depends on management's ability to sell certain of RAIT's remaining real estate assets releasing cash from those sales and/or distributions on our retained interests in our RAIT I securitization, to continue to control costs, to sell certain loans, to sell retained interests in certain FL securitizations and to continue to receive repayments of loans as they become due. While controlling costs are within management's control to some extent, selling real estate assets, selling loans, selling other assets and the timing of loan repayments involve performance by third parties. Since many of the real estate assets, loans and other assets that management plans to sell or receive repayment from to satisfy its obligations are not subject to an executed purchase and sale agreement or other contractual agreement as of the date hereof, the sale of those assets cannot be considered probable of occurring.

c. Principles of Consolidation

The consolidated financial statements reflect our accounts and the accounts of our majority-owned and/or controlled subsidiaries. We also consolidate entities that are variable interest entities, or VIEs, where we have determined that we are the primary beneficiary of such entities. The portions of these entities that we do not own are presented as noncontrolling interests as of the dates and for the periods presented in the consolidated financial statements. All intercompany accounts and transactions have been eliminated in consolidation.

Under Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, Topic 810, "Consolidation", the determination of whether to consolidate a VIE is based on the power to direct the activities of the VIE that most significantly impact the VIE's economic performance together with either the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. We define the power to direct the activities that most significantly impact the VIE's economic performance as the ability to buy, sell, refinance, or recapitalize assets or entities, and solely control other material operating events or items of the entity. For our commercial mortgage loans, mezzanine loans, and preferred equity investments, certain rights we hold are protective in nature and would preclude us from having the power to direct the activities that most significantly impact the VIE's economic performance. Assuming both criteria are met, we would be considered the primary beneficiary and would consolidate the VIE. We will continually assess our involvement with VIEs and consolidate the VIEs when we are the primary beneficiary. See Note 8: Variable Interest Entities for additional disclosures pertaining to VIEs.

For entities that we do not consolidate, we account for our investment in them either under the equity method pursuant to ASC Topic 323, "Investments-Equity Method and Joint Ventures" or cost method pursuant to ASC Topic 325, "Investments – Other".

d. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting periods. The items that include significant estimates are fair value of financial instruments and allowance for loan losses. Actual results could differ from those estimates.

e. Cash and Cash Equivalents

Cash and cash equivalents include cash held in banks and highly liquid investments with maturities of three months or less when purchased. Cash, including amounts restricted, may at times exceed the Federal Deposit Insurance Corporation deposit insurance limit of $250 per institution. We attempt to mitigate credit risk by placing cash and cash equivalents with major financial institutions. To date, we have not experienced any losses on cash and cash equivalents.

f. Restricted Cash

Restricted cash consists primarily of tenant escrows and borrowers' funds held by us to fund certain expenditures or to be released at our discretion upon the occurrence of certain pre-specified events, and to serve as additional collateral for borrowers' loans. As of December 31, 2018 and 2017, we had $33,300 and $123,398, respectively, of tenant escrows and borrowers' funds.

Restricted cash also includes cash received from the sale, repayment and/or other disposition of assets held by the issuers of our securitizations that are awaiting to be distributed to holders of our CDO notes payable and CMBS securitizations, as well as the proceeds from the issuance of CDO notes payable by securitizations that are restricted for the purpose of funding additional investments in securities subsequent to the balance sheet date. As of December 31, 2018 and December 31, 2017, we had $29,767 and $34,516, respectively, of restricted cash held by securitizations.

g. Investments in Commercial Mortgage Loans, Mezzanine Loans and Preferred Equity Interests

We have invested in commercial mortgage loans, mezzanine loans and preferred equity interests. We account for our investments in commercial mortgage loans, mezzanine loans and preferred equity interests that we do not have the intention or ability to sell, at amortized cost. The carrying value of these investments is adjusted for origination discounts/premiums, nonrefundable fees and direct costs for originating loans which are amortized into income on a level yield basis over the terms of the loans.

Loans that we have the intention and ability to sell are classified as held for sale and are measured at the lower of amortized cost or fair value. If the amortized cost exceeds the loan's fair value, we establish a valuation allowance equal to the difference between the amortized cost and fair value.

h. Allowance for Loan Losses, Impaired Loans and Non-accrual Status

We maintain an allowance for loan losses on our investments in commercial mortgage loans, mezzanine loans and preferred equity interests. Management's periodic evaluation of the adequacy of the allowance is based upon expected and inherent risks in the portfolio, the estimated value of underlying collateral, and current economic conditions. The credit quality of our loans is monitored via quantitative and qualitative metrics. Quantitatively we evaluate items such as the current debt service coverage ratio and annual net operating income of the underlying property. Qualitatively we evaluate items such as recent operating performance of the underlying property and history of the borrower's ability to provide financial support. These items together are considered in developing our view of each loan's risk rating which are categorized as either impaired or satisfactory. Management reviews loans for impairment and establishes specific reserves when a loss is probable under the provisions of FASB ASC Topic 310, "Receivables." A loan is impaired when it is probable that we may not collect all principal and interest payments according to the contractual terms. As part of the detailed loan review, we consider many factors about the specific loan, including payment history, asset performance, borrower's financial capability and other characteristics. Management evaluates loans for non-accrual status each reporting period. A loan is placed on non-accrual status when the loan payment deficiencies exceed 90 days unless it is well secured and in the process of collection, or if the collection of principal and interest in full is not probable. Payments received for non-accrual loans are applied to principal until the loan is removed from non-accrual status. Loans are generally removed from non-accrual status when they are making current interest payments. The allowance for loan losses is increased by the provision for loan losses and decreased by charge-offs (net of recoveries). We charge off a loan when we determine that all commercially reasonable means of recovering the loan balance have been exhausted. This may occur at a variety of times, including when we receive cash or other assets in a pre-foreclosure sale or take control of the underlying collateral in full satisfaction of the loan upon foreclosure. We consider circumstances such as these to indicate that the loan collection process has ceased and that a loan is uncollectible.

Loans which experience a modification to their contractual terms which result in a concession being granted to a borrower experiencing financial difficulties are considered troubled debt restructurings, or TDRs. A concession is deemed granted when, as a result of the restructuring, we do not expect to collect all amounts due, including interest accrued, at the original contractual interest rate. As appropriate, we also consider other qualitative factors in determining whether a concession is deemed granted, including the value of the underlying collateral. We do not consider restructurings that result in a delay in payment, in timing or amount, which is insignificant to be a concession.

i. Investments in Real Estate

Investments in real estate are shown net of accumulated depreciation. We capitalize those costs that have been determined to improve the real property and depreciate those costs on a straight-line basis over the useful life of the asset. We depreciate real property using the following useful lives: buildings and improvements—30 to 40 years; furniture, fixtures, and equipment—5 to 10 years; and tenant improvements—shorter of the lease term or the life of the asset. Costs for ordinary maintenance and repairs are charged to expense as incurred.

Effective January 1, 2018, FASB ASC Topic 805, "Business Combinations" was amended to clarify the definition of a business by more clearly outlining the requirements for an integrated set of assets and activities to be considered a business and by establishing a practical framework to determine when the integrated set of assets and activities is a business. Prior to January 1, 2018, the properties we acquired were generally considered businesses and were accounted for as business combinations. Subsequent to January 1, 2018, we expect any properties that we acquire to generally not be considered businesses and, therefore, to be accounted for as asset acquisitions.

Under business combination accounting, the fair value of the real estate acquired is allocated to the acquired tangible assets, generally consisting of land, building and tenant improvements, and identified intangible assets and liabilities, consisting of the value of above-market and below-market leases for acquired in-place leases and the value of tenant relationships, based, in each case, on their fair values. Transaction costs and fees incurred related to the acquisition are expensed as incurred. Under asset acquisition accounting, the costs to acquire real estate, including transaction costs related to the acquisition, are accumulated and then allocated to the individual assets and liabilities acquired based upon their relative fair value.

In determining the fair value of the identified intangible assets and liabilities of an acquired property, above-market and below-market in-place lease values are recorded based on the present value (using an interest rate which reflects the risks associated with the leases acquired) of the differences between (i) the contractual amounts to be paid pursuant to the in-place leases and (ii) management's estimate of fair market lease rates for the corresponding in-place leases, measured over a period equal to the remaining term of the lease. The capitalized above-market lease values and the capitalized below-market lease values are amortized as an adjustment to property income over the lease term.

The aggregate value of in-place leases is determined by evaluating various factors, including an estimate of carrying costs during the expected lease-up periods, current market conditions and similar leases. In estimating carrying costs, management includes real estate taxes, insurance and other operating expenses, and estimates of lost rental revenue during the expected lease-up periods based on current market demand. Management also estimates costs to execute similar leases including leasing commissions, legal and other related costs. The value assigned to this intangible asset is amortized over the assumed lease up period.

Management reviews our investments in real estate for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The review of recoverability is based on an estimate of the future undiscounted cash flows (excluding interest charges) expected to result from the long-lived asset's use and eventual disposition. These cash flows consider factors such as expected future operating income, trends and prospects, as well as the effects of leasing demand, competition and other factors. If impairment exists due to the inability to recover the carrying value of a long-lived asset, an impairment loss is recorded to the extent that the carrying value exceeds the estimated fair value of the property.

j. Transfers of Financial Assets

We account for transfers of financial assets under FASB ASC Topic 860, "Transfers and Servicing", as either sales or financings. Transfers of financial assets that result in sales accounting are those in which (1) the transfer legally isolates the transferred assets from the transferor, (2) the transferee has the right to pledge or exchange the transferred assets and no condition both constrains the transferee's right to pledge or exchange the assets and provides more than a trivial benefit to the transferor, and (3) the transferor does not maintain effective control over the transferred assets. If the transfer does not meet these criteria, the transfer is accounted for as a financing. Financial assets that are treated as sales are removed from our accounts with any realized gain (loss) reflected in earnings during the period of sale. Financial assets that are treated as financings are maintained on the balance sheet with proceeds received from the legal transfer reflected as securitized borrowings or security-related receivables.

k. Revenue Recognition

1) *Interest income*—We recognize interest income from investments in commercial mortgage loans, mezzanine loans, and preferred equity interests, and other securities on a yield to maturity basis. Certain of our commercial mortgage loans, mezzanine loans and preferred equity interests provide for the accrual of interest at specified rates which differ from current payment terms (which may have minimum payment rates as low as zero percent). Interest income is recognized on such loans, the majority of which were originated prior to 2011, at the accrual rate subject to management's determination that accrued interest and outstanding principal are ultimately collectible. Management will cease accruing interest on these loans when it determines that the interest income is not collectible based on the value of the underlying collateral using discounted cash flow models and market-based assumptions. The accrued interest receivable associated with these loans

(Dollars in thousands, except share and per share amounts)

as of December 31, 2018 and 2017 was $15,870 and $23,801, respectively. During the year ended December 31, 2018, accrued interest receivable of $5,736 related to seven of these loans was determined to be uncollectible and was written off as a reduction to investment interest income. These loans are considered to be impaired when the total amount owed exceeds the estimated value of the underlying collateral. Seven of these loans, with an unpaid principal balance of $33,030 were considered to be impaired as of December 31, 2018. Four of these loans, with an unpaid principal balance of $28,904 were considered to be impaired as of December 31, 2017.

For investments that we do not elect to record at fair value under FASB ASC Topic 825, "Financial Instruments", origination fees and direct loan origination costs are deferred and amortized to net investment income, using the effective interest method, over the contractual life of the underlying loan security or loan, in accordance with FASB ASC Topic 310, "Receivables."

For investments that we elect to record at fair value under FASB ASC Topic 825, origination fees and direct loan costs are recorded in income and are not deferred.

2) *Property income*—We generate rental income from tenant rent and other tenant-related activities at our consolidated real estate properties. For multifamily real estate properties (which we owned none of as of December 31, 2018), property income is recorded when due from residents and recognized monthly as it is earned and realizable, under lease terms which are generally for periods of one year or less. For retail and office real estate properties, property income is recognized on a straight-line basis from the later of the date of the commencement of the lease or the date of acquisition of the property subject to existing leases, which averages minimum rents over the terms of the leases. For retail and office real estate properties, leases also typically provide for tenant reimbursement of a portion of common area maintenance and other operating expenses to the extent that a tenant's pro rata share of expenses exceeds a base year level set in the lease.

3) *Fee and other income*—We generate fee and other income through our various subsidiaries by (a) providing ongoing asset management services to investment portfolios under cancelable management agreements, and (b) prior to the sale of our retail property manager subsidiary in August 2018, providing property management services to third parties. We recognize revenue for these activities when the fees are fixed or determinable, are evidenced by an arrangement, collection is reasonably assured and the services under the arrangement have been provided. While we may receive asset management fees when they are earned, we eliminate earned asset management fee income from securitizations while such securitizations are consolidated. During the years ended December 31, 2018 and 2017, we received $533 and $915, respectively, of earned asset management fees, which were eliminated as they were associated with consolidated securitizations.

Certain components of property income and fee and other income fall within the scope of FASB ASC Topic 606, "Revenue from Contracts with Customers". This topic requires entities to disaggregate revenue into categories that depict how the nature, amount, timing, and uncertainty of revenue and cash flows are affected by economic factors. In the following table, revenue from contracts with customers is disaggregated by type of revenue.

	For the Year Ended December 31,	
Revenue from Contracts with customers	**2018**	**2017**
Property Management Fee income	$ 1,762	$ 3,108
Parking	514	1,780
Leasing Commission income	742	2,134
Other miscellaneous	952	2,526
Total	$ 3,970	$ 9,548

There have been no changes in the measurement of revenue from contracts with customers resulting from the adoption of ASC 606.

l. Derivative Instruments

We may use derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings. In accordance with FASB ASC Topic 815, "Derivatives and Hedging", we measure each derivative instrument (including certain derivative instruments embedded in other contracts) at fair value and record such amounts in our consolidated balance sheet as either an asset or liability. For derivatives designated as fair value hedges, derivatives not designated as hedges, or for derivatives designated as cash flow hedges associated with debt for which we elected the fair value option under FASB ASC Topic 825, "Financial Instruments", the changes in fair value of the derivative instrument are recorded in earnings. For derivatives designated as cash flow hedges, the changes in the fair value of the effective portions of the derivative are reported in other comprehensive income. Changes in the ineffective portions of cash flow hedges, if any, are recognized in earnings.

The Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH") made amendments to their respective rules that resulted in the prospective accounting treatment of variation margin payments (certain daily payments that were historically accounted for as collateral) being considered settlements of their related derivatives. While the CME rule, which became effective in January 2017, is mandatory, the LCH rule allows a clearing member institution the option to adopt the rule changes on an individual contract or portfolio basis. As of December 31, 2018, we had no derivative instruments outstanding. As of December 31, 2017, $12,650 of notional amount of our derivative contracts were cleared on the LCH. During the second quarter of 2017, our LCH clearing member institution adopted the new rule change. As of December 31, 2017, $103 of variation margin payments related to these derivatives had been accounted for as settlements of the derivatives.

m. Fair Value of Financial Instruments

In accordance with FASB ASC Topic 820, "Fair Value Measurements and Disclosures", fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instruments' complexity for disclosure purposes. Assets and liabilities recorded at fair value in the consolidated balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined in FASB ASC Topic 820, "Fair Value Measurements and Disclosures" and directly related to the amount of subjectivity associated with the inputs to fair valuations of these assets and liabilities, are as follows:

- **Level 1:** Valuations are based on unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date. The types of assets carried at level 1 fair value generally are equity securities listed in active markets. As such, valuations of these investments do not entail a significant degree of judgment.

- **Level 2:** Valuations are based on quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Fair value assets and liabilities that are generally included in this category are unsecured REIT note receivables, commercial mortgage-backed securities, or CMBS, receivables and certain financial instruments classified as derivatives where the fair value is based on observable market inputs.

- **Level 3:** Inputs are unobservable inputs for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability. Generally, assets and liabilities carried at fair value and included in this category are subordinated debentures, and historically included trust preferred obligations and CDO notes payable, where observable market inputs do not exist.

  The availability of observable inputs can vary depending on the financial asset or liability and is affected by a wide variety of factors, including, for example, the type of investment, whether the investment is new, whether the investment is traded on an active exchange or in the secondary market, and the current market condition. To the extent that valuation is based

on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by us in determining fair value is greatest for instruments
categorized in Level 3.

Fair value is a market-based measure considered from the perspective of a market participant who holds the asset or owes the liability rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, our own assumptions are set to reflect those that management believes market participants would use in pricing the asset or liability at the measurement date. We use prices and inputs that management believes are current as of the measurement date, including during periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many instruments. This condition could cause an instrument to be transferred from Level 1 to Level 2 or Level 2 to Level 3.

Many financial instruments have bid and ask prices that can be observed in the marketplace. Bid prices reflect the highest price that buyers in the market are willing to pay for an asset. Ask prices represent the lowest price that sellers in the market are willing to accept for an asset. For financial instruments whose inputs are based on bid-ask prices, we do not require that fair value always be a predetermined point in the bid-ask range. Our policy is to allow for mid-market pricing and adjusting to the point within the bid-ask range that results in our best estimate of fair value.

Fair value for certain of our Level 3 financial instruments is derived using internal valuation models. These internal valuation models include discounted cash flow analyses developed by management using current interest rates, estimates of the term of the particular instrument, specific issuer information and other market data for securities without an active market. In accordance with FASB ASC Topic 820, “Fair Value Measurements and Disclosures”, the impact of our own credit spreads is also considered when measuring the fair value of financial assets or liabilities, including derivative contracts. Where appropriate, valuation adjustments are made to account for various factors, including bid-ask spreads, credit quality and market liquidity. These adjustments are applied on a consistent basis and are based on observable inputs where available. Management’s estimate of fair value requires significant management judgment and is subject to a high degree of variability based upon market conditions, the availability of specific issuer information and management’s assumptions.

n. Income Taxes

RAIT, Taberna Realty Finance Trust, or TRFT, and the RAIT Venture REITs have each elected to be taxed as a REIT and to comply with the related provisions of the Internal Revenue Code of 1986, as amended, or the Internal Revenue Code. In February 2016 and January 2017, in conjunction with the ventures described in Note 5: Indebtedness and Note 8: Variable Interest Entities, we created two new entities that elected to be taxed as REITs, which we refer to as the RAIT Venture VIEs. These entities were created to hold the FL-5 and FL-6 junior notes for the aforementioned ventures. Accordingly, we generally will not be subject to U.S. federal income tax to the extent of our dividends to shareholders and as long as certain asset, income and share ownership tests are met. If we were to fail to meet these requirements, we would be subject to U.S. federal income tax, which could have a material adverse impact on our results of operations and amounts available for dividends to our shareholders. Management believes that all of the criteria to maintain RAIT’s, TRFT’s and the RAIT Venture VIEs REIT qualification have been met for the applicable periods, but there can be no assurance that these criteria will continue to be met in subsequent periods.

As discussed in Note 1: The Company, we completed the sale of our interests in the RAIT Venture VIEs on June 27, 2018, and, as a result, the purchaser is responsible for their REIT compliance from and after that date.

We maintain various taxable REIT subsidiaries, or TRSs, which may be subject to U.S. federal, state and local income taxes and foreign taxes. Current and deferred taxes are provided on the portion of earnings (losses) recognized by us with respect to our interest in domestic TRSs. Deferred income tax assets and liabilities are computed based on temporary differences between our GAAP consolidated financial statements and the federal and state income tax basis of assets and liabilities as of the consolidated balance sheet date. We evaluate the realizability of our deferred tax assets (e.g., net operating loss and capital loss carryforwards) and recognize a valuation allowance if, based on the available evidence, it is more likely than not that some portion or all of our deferred tax assets will not be realized. When evaluating the realizability of our deferred tax assets, we consider estimates of expected future taxable income, existing and projected book/tax differences, tax planning strategies available, and the general and industry specific economic outlook. This realizability analysis is inherently subjective, as it requires management to forecast our business and general economic environment in future periods. Changes in estimates of deferred tax asset realizability, if any, are included in income tax expense on the consolidated statements of operations.

In prior years, our TRS entities generated taxable revenue primarily from (i) advisory fees for services provided to IRT, (ii) property management fees for services provided to RAIT properties, IRT properties and third-party properties, and (iii) fees and other income from our CMBS lending business. In the current year, our TRS entities generated taxable revenue primarily from (i) property management fees for services provided to RAIT properties and third-party properties, and (ii) fees and other income from our CMBS lending business. On August 1, 2018, we sold the TRS entity that generates taxable revenue from property management fees. See item (q.) below for further discussion. In consolidation, the advisory fees and property management fees related to IRT were eliminated through October 5, 2016 and property management fees related to RAIT properties were eliminated in their entirety. Nonetheless, all income taxes are expensed and are paid by the TRSs in the year in which the revenue is received. These income taxes are not eliminated when the related revenue is eliminated in consolidation.

The TRS entities may be subject to tax laws that are complex and potentially subject to different interpretations by the taxpayer and the relevant governmental taxing authorities. In establishing a provision for income tax expense, we must make judgments and interpretations about the application of these inherently complex tax laws. Actual income taxes paid may vary from estimates depending upon changes in income tax laws, actual results of operations, and the final audit of tax returns by taxing authorities. Tax assessments may arise several years after tax returns have been filed. We review the tax balances of our TRS entities quarterly and, as new information becomes available, the balances are adjusted as appropriate.

As part of our change in strategic direction during the year ended December 31, 2016 and to decrease administrative processes, we moved four of our active TRS entities under a single holding company. We elected a November 30th taxable year end for the TRS holding company. We estimated the effective tax rate and current income tax liability as of December 31, 2016 by projecting activity for the full taxable year ended November 30, 2017. As we projected ordinary taxable income for the TRS holding company for its taxable year ended November 30, 2017, we recognized a current income tax liability as of December 31, 2016. During the nine months ended September 30, 2017, we updated our projections for 2017, which indicated an ordinary loss position for taxable year 2017 for the TRS holding company. As a result, we reversed the current income tax liability accrued as of December 31, 2016, which generated a current income tax benefit of $249 during the year ended December 31, 2017. During the year ended December 31, 2017, a current income tax benefit of $34 was also recognized related to insignificant activities occurring in our TRS entities during the period. During the year ended December 31, 2017, a deferred income tax benefit of $577 was recognized primarily related to the release of the valuation allowance on our TRS entities' AMT credit carryforward as those have become refundable credits under the new tax law. During the year ended December 31, 2018, a current income tax benefit of $34 was recognized related to our TRS entities, which was primarily the result of the half of the AMT credit refund becoming realizable in 2018 partially offset by activity related to our TRS entities which generated taxable income. During the year ended December 31, 2018, a deferred income tax expense of $220 was recognized, which was primarily the result of half of the AMT credit refund becoming realizable in 2018.

o. Share-Based Compensation

We account for our share-based compensation in accordance with FASB ASC Topic 718, "Compensation-Stock Compensation." We measure the cost of employee and trustee services received in exchange for an award of equity instruments based on the grant-date fair value of the award and record compensation expense for the entire award on a straight-line basis, over the related vesting period, for the entire award.

p. Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and classified within indebtedness and charged to interest expense over the terms of the related debt agreements, in a manner that approximates the effective interest method.

q. Intangible Assets

Intangible assets on our consolidated balance sheets represent identifiable intangible assets acquired in business acquisitions. We amortize identified intangible assets to expense over their estimated lives using the straight-line method. We evaluate intangible assets for impairment as events and circumstances change, in accordance with FASB ASC Topic 360, "Property, Plant, and Equipment." The gross carrying amount for our in-place leases and above-market leases, was $7,420 and $12,208 as of December 31, 2018 and December 31, 2017, respectively. The accumulated amortization for our intangible assets was $5,703 and $6,831 as of December 31, 2018 and December 31, 2017, respectively. We recorded amortization expense of $1,491, and $6,775 for the years ended December 31, 2018 and 2017, respectively. Based on the intangible assets identified above, we expect to record amortization expense of intangible assets of $658 for 2019, $454 for 2020, $250 for 2021, $145 for 2022, $72 for 2023 and $138 thereafter. As a result of the declining profitability of our retail property management subsidiary, which has been a product of the current challenges facing the retail property sector, we recognized impairment charges of $4,903 on our customer relationships and $963 on our retail property manager's trade name during the year ended December 31, 2017. These impairment charges are presented in asset impairment on our consolidated statements of operations. On August 1, 2018, we completed the sale of our retail property management subsidiary. See Note 2: (u) for further information.

r. Goodwill

Goodwill on our consolidated balance sheet represented the amounts paid in excess of the fair value of the net assets acquired from business acquisitions accounted for under FASB ASC Topic 805, "Business Combinations." Pursuant to FASB ASC Topic 350, "Intangibles-Goodwill and Other", goodwill is not amortized to expense but rather is analyzed for impairment. We evaluate goodwill for impairment on an annual basis and as events and circumstances change, in accordance with FASB ASC Topic 350. As a result of the declining profitability of our retail property management subsidiary, which had been a product of the current challenges facing the retail property sector, we concluded that a triggering event had occurred leading to a $8,342 impairment charge on our goodwill, which was recognized during the year ended December 31, 2017. This impairment charge is presented in goodwill impairment on our consolidated statements of operations. As a result of this charge, no goodwill remains on our consolidated balance sheets as of December 31, 2018 or 2017.

s. Shareholder Activism Expenses

During the year ended December 31, 2017, we incurred additional expenses beyond those normally associated with soliciting proxies for our annual meeting of shareholders as a result of responding to an unsolicited and nonbinding externalization of management proposal as well as an activist campaign threatened by an activist investor. On May 26, 2017, we entered into a cooperation agreement with this investor pursuant to which, among other things, the investor agreed to terminate its proxy contest against us and withdraw the notice of proposed trustee candidates it submitted to us and we agreed to reimburse the investor $250 for the out-of-pocket expenses incurred by the investor in connection with its unsolicited and nonbinding externalization of management proposal and its activist campaign against us. Refer to Note 14: Related Party Transactions for further discussion. Our expenses as a result of responding to an unsolicited and nonbinding externalization of management proposal as well as an activist campaign threatened by an activist investor totaled $2,464 for the year ended December 31, 2017 and are presented as shareholder activism expenses in our consolidated statements of operations.

t. Employee Separation Expense

On December 21, 2018, we entered into a settlement agreement and general release with our former chief executive officer, who was previously employed by RAIT as RAIT's Chief Executive Officer and President pursuant to an employment agreement and whose employment with RAIT ended on February 28, 2018. The settlement agreement was intended to resolve any and all claims arising out of the chief executive officer's employment with RAIT and separation therefrom. We incurred expenses related to this settlement agreement in the amount of $1,825 during the year ended December 31, 2018, which is presented as employee separation expense in our consolidated statements of operations.

On September 27, 2017, we entered into a settlement agreement and general release with our former chief financial officer, who was previously employed by RAIT as RAIT's Chief Financial Officer and Treasurer pursuant to an employment agreement executed

on February 17, 2017. The purpose of the settlement agreement, which provided for the termination of our former chief financial officer's employment from RAIT retroactive to August 20, 2017, was to provide for a complete and final settlement of all existing and potential disputes between RAIT and our former chief financial officer, including, but not limited to, all disputes related to our former chief financial officer's previous employment by RAIT and the termination of such employment. We incurred expenses related to this settlement agreement in the amount of $575 during the year ended December 31, 2017, which is presented as employee separation expense in our consolidated statements of operations.

u. Sale of Retail Property Manager

On August 1, 2018, we completed the sale of our retail property management subsidiary for nominal consideration. We recognized a gain of $1,262 during the year ended December 31, 2018 related to the sale as the liabilities associated with this business exceeded its assets.

v. Recent Accounting Pronouncements

Adopted within these Financial Statements

In May 2014, the FASB issued an accounting standard classified under FASB ASC Topic 606, "Revenue from Contracts with Customers". This accounting standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes the most current revenue recognition guidance, including industry-specific guidance. This accounting standard generally replaces existing guidance by requiring an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. This accounting standard applies to all contracts with customers, except those that are within the scope of other Topics in the FASB ASC. During 2016 and 2017, the FASB issued multiple amendments to this accounting standard that provide further clarification to this accounting standard. In February 2017, the FASB issued an accounting standard classified under FASB ASC Subtopic 610-20, "Other Income – Gains and Losses from the Derecognition of Nonfinancial Assets". The amendments in this accounting standard clarify what constitutes an "in substance nonfinancial asset" and changes the accounting for partial sales of nonfinancial assets to be more consistent with the accounting for a sale of a business. The amendments in this accounting standard also provide further guidance on accounting for the derecognition of non-financial assets by generally requiring the revenue recognition model under FASB ASC Topic 606 to be applied, which may allow for earlier gain recognition for certain sale transactions pursuant to which we have continuing involvement with the asset. These standards were effective for annual reporting periods beginning after December 15, 2017. We have adopted this new standard as of January 1, 2018, and have applied the modified retrospective method. The adoption of FASB ASC Topic 606 did not change our measurement of revenue from contracts with customers. The adoption of FASB ASC Subtopic 610-20 resulted in a cumulative effect adjustment as an increase to shareholders' equity in the amount of $761 as of the adoption date. This adjustment is related to a previously deferred gain on the sale of two land parcels in 2017 that would have qualified for recognition under this accounting standard.

In January 2016, the FASB issued an accounting standard classified under FASB ASC Topic 825, "Financial Instruments". This accounting standard addresses certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. Among other things, the amendment (i) eliminates certain disclosure requirements for financial instruments measured at amortized cost; (ii) requires the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes; (iii) requires separate presentation, in other comprehensive income, of the change in fair value of a liability, when the fair value option has been elected, resulting from a change in the instrument-specific credit risk; and (iv) requires separate presentation of financial instruments by measurement category and form. This standard is effective for annual periods beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for the separate presentation of changes in fair value due to changes in instrument-specific credit risk. We have adopted this new standard as of January 1, 2018, and have applied the modified retrospective method, which resulted in a cumulative effect adjustment as an increase to accumulated other comprehensive income (loss) and a decrease to retained earnings (deficit) in the amount of $9,257 as of the adoption date. This adjustment relates to the separate presentation of changes in instrument-specific credit risk on our junior subordinated notes, at fair value.

In August 2016, the FASB issued an accounting standard classified under FASB ASC Topic 230, "Statement of Cash Flows". This accounting standard provides guidance on eight specific cash flow issues; (i) debt prepayment or debt extinguishment costs; (ii) settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; (iii) contingent consideration payments made after a business combination; (iv) proceeds from

the settlement of insurance claims; (v) proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies; (vi) distributions received from equity method investees; (vii) beneficial interests in securitization transactions; and (viii) separately identifiable cash flows and application of the predominance principle. The amendments are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. This standard did not have an impact on our consolidated financial statements.

In October 2016, the FASB issued an accounting standard classified under FASB ASC Topic 740, "Income Taxes". The amendments in this accounting standard provide that the current and deferred income tax consequences of an intra-entity transfer of an asset other than inventory should be recognized when the transfer occurs rather than when the asset has been sold to an outside party. Two common examples of assets included in the scope of this accounting standard are intellectual property and property, plant, and equipment. The amendments in this standard are effective for annual reporting periods beginning after December 15, 2017, including interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities as of the beginning of an annual reporting period for which financial statements (interim or annual) have not been issued. The amendments in this accounting standard should be applied on a modified retrospective basis through a cumulative-effect adjustment directly to retained earnings as of the beginning of the period of adoption. This standard did not have an impact on our consolidated financial statements.

In November 2016, the FASB issued an accounting standard classified under FASB ASC Topic 230, "Statement of Cash Flows". The amendments in this accounting standard require that the statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The amendments in this update are effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, including adoption in an interim period. We have adopted this new standard as of January 1, 2018 and have utilized a retrospective transition method for each period presented in our consolidated financial statements. The adoption of this standard has resulted in the presentation of additional details regarding the changes in restricted cash in the consolidated statements of cash flows.

In January 2017, the FASB issued an accounting standard classified under FASB ASC Topic 805, "Business Combinations". The amendments in this accounting standard clarify the definition of a business by more clearly outlining the requirements for an integrated set of assets and activities to be considered a business and by establishing a practical framework to determine when the integrated set of assets and activities is a business. The amendments in this accounting standard are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption is permitted for transactions not yet reflected in the financial statements. We have adopted this new standard as of January 1, 2018 and have accounted for the acquisition of one real estate asset as an asset acquisition in accordance with this new standard.

In May 2017, the FASB issued an accounting standard classified under FASB ASC Subtopic 718, "Compensation – Stock Compensation". The amendments in this accounting standard are to provide guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic 718. The amendments in this accounting standard are effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. Early adoption of the amendments in this standard is permitted. This standard did not have an impact on our consolidated financial statements.

Not Yet Adopted Within These Financial Statements

In February 2016, the FASB issued an accounting standard classified under FASB ASC Topic 842, "Leases". This accounting standard states that a lessee should recognize the assets and liabilities that arise from all leases with a term greater than 12 months. The core principle requires the lessee to recognize a liability to make lease payments and a right-of-use ("ROU") asset. The accounting applied by the lessor is relatively unchanged. During 2017 and 2018, the FASB issued multiple amendments to this accounting standard that provide further clarification to this accounting standard. The new standard is effective for us on January 1, 2019, with early adoption permitted. A modified retrospective transition approach is required, applying the new standard to all leases existing at the date of initial application. An entity may choose to use either (1) its effective date or (2) the beginning of the earliest comparative period presented in the financial statements as its date of initial application. We have adopted the new standard effective January 1, 2019 and have used the effective date as our date of initial application. The new standard provides a number of optional practical expedients in transition. We have elected the "package of practical expedients" for all our leases that exist at the date of initial application. This package permits us not to reassess under the new standard our prior conclusions about lease identification, lease classification and initial direct costs. We also have elected the practical expedient to not separate lease and non-lease components for

(Dollars in thousands, except share and per share amounts)

all of our leases. We currently expect to recognize a lease liability as of the adoption date ranging from $2,000 to $4,000 and an offsetting ROU asset for one of our operating leases for which we are the lessee. We do not expect the standard to have a significant impact on any of our real estate leases for which we are the lessor.

In June 2016, the FASB issued an accounting standard classified under FASB ASC Topic 326, "Financial Instruments-Credit Losses". The amendments in this standard provide an approach based on expected losses to estimate credit losses on certain types of financial instruments. The amendments also modify the impairment model for available-for-sale debt securities and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. The amendments in this standard expand the disclosure requirements regarding an entity's assumptions, models, and methods for estimating the allowance for loan and lease losses. In addition, public business entities will need to disclose the amortized cost balance for each class of financial asset by credit quality indicator, disaggregated by the year of origination. This standard is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early application of the guidance will be permitted for all entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Management is currently evaluating the impact that this standard will have on our consolidated financial statements.

In July 2017, the FASB issued an accounting standard classified under FASB ASC Subtopic 260, "Earnings per Share", Subtopic 480, "Distinguishing Liabilities from Equity", and Subtopic 815, "Derivatives and Hedging". The amendments in this accounting standard change the classification analysis of certain equity-linked financial instruments (or embedded features) with down round features and recharacterize the indefinite deferral of certain provisions of Topic 480 to a scope exception. The amendments in this accounting standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the amendments in this standard is permitted. Management is currently evaluating the impact that this standard may have on our consolidated financial statements.

In August 2017, the FASB issued an accounting standard classified under FASB ASC Topic 815, "Derivatives and Hedging". This accounting standard states specific limitations in current GAAP by expanding hedge accounting for both nonfinancial and financial risk components and by refining the measurement of hedge results to better reflect an entity's hedging strategies. The amendments in this accounting standard are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption of the amendments in this standard is permitted. Management is currently evaluating the impact that this standard may have on our consolidated financial statements.

NOTE 3: INVESTMENTS IN COMMERCIAL MORTGAGE LOANS, MEZZANINE LOANS AND PREFERRED EQUITY INTERESTS

Loans Held for Investment

The following table summarizes our investments in commercial mortgage loans, mezzanine loans and preferred equity interests held for investment as of December 31, 2018:

	Unpaid Principal Balance	Unamortized (Discounts) Premiums	Carrying Amount	Number of Loans	Weighted-Average Coupon (1)	Range of Maturity Dates
Commercial Real Estate (CRE)						
Commercial mortgage loans	$ 453,283	$ (66)	$ 453,217	35	6.9%	Feb. 2019 to Jun. 2025
Mezzanine loans	21,114	164	21,278	3	13.3%	Jun. 2020 to Mar. 2023
Preferred equity interests	28,577	(1)	28,576	13	6.0%	Mar. 2023 to Jun. 2029
Total CRE (2)	502,974	97	503,071	51	7.2%	
Deferred fees and costs, net (3)	(674)	-	(674)			
Total	$ 502,300	$ 97	$ 502,397			

(1) Weighted-average coupon is calculated on the unpaid principal balance, which does not necessarily correspond to the carrying amount.
(2) Includes $54,621 of cash flow loans, of which $8,579 are commercial mortgage loans, $21,114 are mezzanine loans and $24,928 are preferred equity interests. See Note 2: Summary of Significant Accounting Policies, (k) Revenue Recognition, for further discussion of our cash flow loans.
(3) Includes $2,558 of deferred fees, net of $1,884 of deferred costs.

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The following table summarizes our investments in commercial mortgage loans, mezzanine loans and preferred equity interests held for investment as of December 31, 2017:

	Unpaid Principal Balance	Unamortized (Discounts) Premiums	Carrying Amount	Number of Loans	Weighted-Average Coupon (1)	Range of Maturity Dates
Commercial Real Estate (CRE)						
Commercial mortgage loans	$ 1,194,735	$ (719)	$ 1,194,016	95	6.3%	Jan. 2018 to Dec. 2025
Mezzanine loans	45,488	164	45,652	13	11.2%	May 2018 to May 2025
Preferred equity interests	33,284	(1)	33,283	15	9.1%	Nov. 2018 to Jan. 2029
Total CRE (2)	1,273,507	(556)	1,272,951	123	6.5%	
Deferred fees and costs, net (3)	(2,344)	-	(2,344)			
Total	$ 1,271,163	$ (556)	$ 1,270,607			

(1) Weighted-average coupon is calculated on the unpaid principal balance, which does not necessarily correspond to the carrying amount.
(2) Includes $106,136 of cash flow loans, of which $55,353 are commercial mortgage loans, $21,149 are mezzanine loans and $29,634 are preferred equity interests. See Note 2: Summary of Significant Accounting Policies, (k) Revenue Recognition, for further discussion of our cash flow loans.
(3) Includes $8,497 of deferred fees, net of $6,153 of deferred costs.

A loan is placed on non-accrual status if it is delinquent for 90 days or more or if there is uncertainty over full collection of principal and interest, which generally includes our impaired loans that have reserves. The following table summarizes the delinquency statistics of our commercial real estate loans held for investment as of December 31, 2018 and 2017:

	As of December 31, 2018					
Delinquency Status	**Current**	**30 to 59 days**	**60 to 89 days**	**90 days or more**	**Total**	**Non-accrual (1)**
Commercial mortgage loans	$ 414,735	$ —	$ —	$ 38,548	$ 453,283	$ 46,793
Mezzanine loans	12,222	—	—	8,892	21,114	8,892
Preferred equity interests	28,577	—	—	—	28,577	37,308
Total	$ 455,534	$ —	$ —	$ 47,440	$ 502,974	$ 92,993

(1) Includes five loans that are current but are on non-accrual due to uncertainty over whether we will fully collect principal and interest. Also includes three loans that are 90 days or more past due in accordance with their terms.

	As of December 31, 2017					
Delinquency Status	**Current**	**30 to 59 days**	**60 to 89 days**	**90 days or more**	**Total**	**Non-Accrual (1)**
Commercial mortgage loans	$ 1,149,501	$ —	$ —	$ 45,234	$ 1,194,735	$ 81,443
Mezzanine loans	40,258	—	—	5,230	45,488	13,510
Preferred equity interests	33,284	—	—	—	33,284	3,650
Total	$ 1,223,043	$ —	$ —	$ 50,464	$ 1,273,507	$ 98,603

(1) Includes five loans that were current in accordance with their terms but are on non-accrual due to uncertainty over whether we will fully collect principal and interest, and two loans that are 90 days or more past due in accordance with their terms.

As of December 31, 2018 and December 31, 2017, all of our commercial mortgage loans, mezzanine loans and preferred equity interests that were 90 days or more past due or in foreclosure were on non-accrual status. It is noted that as of December 31, 2018, $54,621 of our loans are cash flow loans, which provide for the accrual of interest at specified rates which differ from current payment terms, and in some cases, do not require current payments. See Note 2: Summary of Significant Accounting Policies, (k) Revenue Recognition, for further discussion of our cash flow loans. As of December 31, 2018, and December 31, 2017, $92,993 and $98,603, respectively, of our loans were on non-accrual status and had a weighted-average interest rate of 6.9% and 6.1%, respectively. Also, as of December 31, 2018 and December 31, 2017, five, and three loans with unpaid principal balances of $25,703 and $20,624, respectively, and weighted average interest rate of 11.4% and 12.9%, respectively, were not recognizing interest based on the estimated value of the underlying collateral. Additionally, as of December 31, 2018, one loan, with an unpaid principal balance of

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$7,948, which had previously been restructured in a troubled debt restricting, or TDR, did not accrue interest in accordance with its restructured terms.

The following table sets forth the maturities of our investments in commercial mortgage loans, mezzanine loans and preferred equity interests by year:

	Commercial	Mezzanine	Preferred equity	Total
2019	206,255	-	-	206,255
2020	225,670	8,775	-	234,445
2021	18,242	-	-	18,242
2022	-	-	-	-
2023	-	12,339	7,947	20,286
Thereafter	3,116	-	20,630	23,746
Total	$ 453,283	$ 21,114	$ 28,577	$ 502,974

Allowance for Loan Losses And Impaired Loans

During the year ended December 31, 2018, we recognized provision for loan losses of $32,875. Our provision for loan losses during the year ended December 31, 2018 was primarily driven by nine loans, where the borrower and/or property experienced an unfavorable event or events during the period, which resulted in probable, incurred losses and credit related impairments recognized on the loans transferred to loans held for sale that are further discussed below.

We closely monitor our loans, which require evaluation for loan loss in two categories: satisfactory and watchlist. Loans classified as satisfactory are loans that are performing consistent with our expectations. Loans classified as watchlist are generally loans that have performed below our expectations, have credit weaknesses or in which the credit quality of the collateral has deteriorated. This is determined by evaluating quantitative factors including debt service coverage ratios, net operating income of the underlying collateral and qualitative factors such as current performance of the underlying collateral. We have classified our loans held for investment by credit risk category as of December 31, 2018 and December 31, 2017 as follows:

	As of December 31, 2018			
Credit Status	Commercial Mortgage Loans	Mezzanine Loans	Preferred Equity	Total
Satisfactory	$ 314,104	-	$ 5,063	$ 319,167
Watchlist (1)	139,179	21,114	23,514	183,807
Total	$ 453,283	$ 21,114	$ 28,577	$ 502,974

(1) Includes $126,645 of loans that are considered to be impaired and $57,162 of loans that are not considered to be impaired.

	As of December 31, 2017			
Credit Status	Commercial Mortgage Loans	Mezzanine Loans	Preferred Equity	Total
Satisfactory	$ 1,083,741	$ 19,109	$ 21,879	$ 1,124,729
Watchlist (1)	110,994	26,379	11,405	148,778
Total	$ 1,194,735	$ 45,488	$ 33,284	$ 1,273,507

(1) Includes $126,478 of loans that are considered to be impaired and $22,300 of loans that are not considered to be impaired.

(Dollars in thousands, except share and per share amounts)

The following tables provide a roll-forward of our allowance for loan losses for our commercial mortgage loans, mezzanine loans and preferred equity interests for the years ended December 31, 2018 and 2017:

	For the Year Ended December 31, 2018			
	Commercial Mortgage Loans	Mezzanine Loans	Preferred Equity	Total
Beginning balance	$ 9,019	$ 5,622	$ 242	$ 14,883
Provision (benefit) for loan losses	25,740	3,449	3,686	32,875
Charge-offs, net of recoveries (1)	(22,847)	(2,575)	—	(25,422)
Ending balance	$ 11,912	$ 6,496	$ 3,928	$ 22,336

(1) Includes $5,331 of charge-offs related to loans transferred to held for sale during the year ended December 31, 2018.

	For the Year Ended December 31, 2017			
	Commercial Mortgage Loans	Mezzanine Loans	Preferred Equity	Total
Beginning balance	$ 10,640	$ —	$ 1,714	$ 12,354
Provision (benefit) for loan losses	18,193	28,010	(589)	45,614
Charge-offs, net of recoveries	(19,814)	(22,388)	(883)	$ (43,085)
Ending balance	$ 9,019	$ 5,622	$ 242	$ 14,883

Information on those loans considered to be impaired as of December 31, 2018 and December 31, 2017 was as follows:

	As of December 31, 2018			
Impaired Loans	Commercial Mortgage Loans	Mezzanine Loans	Preferred Equity	Total
Impaired loans expecting full recovery	$ 8,579	$ 12,869	$ 19,334	$ 40,782
Impaired loans with reserves	73,438	8,245	4,180	85,863
Total Impaired Loans (1)	82,017	21,114	23,514	126,645
Allowance for loan losses	$ 11,912	$ 6,496	$ 3,928	$ 22,336

(1) As of December 31, 2018, there was no unpaid principal relating to previously identified TDRs that are on accrual status.

	As of December 31, 2017			
Impaired Loans	Commercial Mortgage Loans	Mezzanine Loans	Preferred Equity	Total
Impaired loans expecting full recovery	$ 14,321	$ 12,869	$ 7,756	$ 34,946
Impaired loans with reserves	74,372	13,510	3,650	91,532
Total Impaired Loans (1)	88,693	26,379	11,406	126,478
Allowance for loan losses	$ 9,019	$ 5,622	$ 242	$ 14,883

(1) As of December 31, 2017, there was no unpaid principal relating to previously identified TDRs that are on accrual status.

The average unpaid principal balance and recorded investment of total impaired loans was $131,889, and $148,261 during the years ended December 31, 2018, and 2017, respectively. We recorded interest income from impaired loans of $1,025, and $968 for the years ended December 31, 2018, and 2017, respectively.

We have evaluated modifications to our commercial real estate loans to determine if the modification constitutes a troubled debt restructuring, or TDR, under FASB ASC Topic 310, “Receivables”. During the year ended December 31, 2018, there were two restructurings that were considered TDRs. We restructured one preferred equity interest with an unpaid principal balance totaling $7,948 in a TDR as the interest payment rate was decreased to zero percent and the maturity date was extended. Also, we restructured one mezzanine loan with an unpaid principal balance of $8,245 in a TDR as we agreed to accept a discounted payoff if the borrower satisfied certain conditions. During the year ended December 31, 2017, we determined that restructuring of two commercial real estate loans with unpaid principal balances totaling of $13,080 constituted TDRs as the maturity date of the loans were extended and the

(Dollars in thousands, except share and per share amounts)

borrowers were determined to be experiencing financial difficulty. As of December 31, 2017, there was one TDR that subsequently defaulted for restructurings that had been entered into within the previous 12 months. This loan had an unpaid principal balance of $45,234 as of December 31, 2017 and was greater than 90 days past due.

In February 2019, we determined that a restructuring of one commercial real estate loan with a principal balance of 29,478 constituted a TDR as the minimum payment rate was decreased through September 2019 although interest continues to accrue at the original contractual interest rate.

Loans Held for Sale

In February 2018, we began to pursue a sale of certain loans. In March 2018, we sold these loans, which had unpaid principal balance of $90,260 and received proceeds of $43,384 after repayment of $45,850 of secured warehouse facility debt and $349 of interest. We recognized a loss of $930 on the sale of these loans.

During March 2018, we transferred nine additional loans to held for sale as we had the intent and ability to sell these loans. The transfer was made at the lower of cost or fair value for each respective loan. During the year ended December 31, 2018, six of these loans were sold or repaid, resulting in a net loss of $3,280. As of December 31, 2018, the three remaining loans held for sale were measured at the lower of cost or fair value, resulting in a loss of $5,227, an unpaid principal balance of $7,012, and a carrying amount of $4,872.

In May 2018, we began to pursue a sale of one additional loan. In June 2018, we sold this loan, which had unpaid principal balance of $13,000 and received proceeds of $11,577. We recognized a provision for loan loss of $1,423 on the transfer of this loan to loans held for sale.

Loan-to-Real Estate Conversions

During the year ended December 31, 2018, we completed the conversion of a portion of a commercial mortgage loan portfolio with a carrying value of $5,096 to real estate owned property. The conversion resulted in approximately $5,096 of real estate related assets being reflected on our consolidated balance sheets. See Note 4: Investments in Real Estate for further information.

NOTE 4: INVESTMENTS IN REAL ESTATE

The table below summarizes our investments in real estate:

	Book Value	
	As of December 31, 2018	As of December 31, 2017
Multifamily real estate properties	$ —	$ 17,163
Office real estate properties	48,760	130,125
Retail real estate properties	49,088	106,817
Parcels of land	18,744	20,567
Subtotal	116,592	274,672
Less: Accumulated depreciation and amortization	(8,768)	(28,768)
Investments in real estate, net	$ 107,824	$ 245,904

As of December 31, 2018, and 2017, our investments in real estate were comprised of land of $36,905 and $73,003, respectively, and buildings and improvements of $79,687 and $201,669, respectively.

As of December 31, 2018, our investments in real estate of $116,592 were financed through $40,724 of mortgage loans or other debt held by third parties and $80,562 of mortgage loans held directly by RAIT or through our RAIT I CDO securitization. As of December 31, 2017, our investments in real estate of $274,672 were financed through $62,297 of mortgage loans or other debt held by third parties and $298,050 of mortgage loans held directly by RAIT or through our RAIT I and RAIT II CDO securitizations.

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Together, along with commercial real estate loans held by RAIT I, these mortgage loans serve as collateral for the CDO notes payable issued by the RAIT CDO securitizations. All intercompany balances and interest charges are eliminated in consolidation.

For our investments in real estate, the leases for our multifamily properties (which we had none of as of December 31, 2018) are generally one-year or less and leases for our office and retail properties are operating leases. The following table represents the minimum future rentals under expiring leases for our office and retail properties as of December 31, 2018.

2019	$ 1,946
2020	1,882
2021	2,069
2022	1,430
2023	1,591
2024 and thereafter	1,237
Total	$ 10,155

Investments in real estate, held for sale:

As of December 31, 2018, one of our retail properties, with a carrying amount of $4,918, was considered held-for-sale.

Acquisitions:

During the year ended December 31, 2018, we completed the conversion of a portion of a commercial mortgage loan portfolio with a carrying value of $5,096 to real estate owned property. The conversion resulted in approximately $5,096 of real estate related assets being reflected on our consolidated balance sheets.

During the year ended December 31, 2017, we completed the conversion of one commercial loan with a carrying value of $1,590 to real estate.

Property Sales:

During the year ended December 31, 2018, we sold two office properties, one multifamily property, and two retail properties. We also recognized $6 of losses on sales related to properties sold prior to December 31, 2017, as we settled remaining amounts with third parties subsequent to each sale date, respectively. The below table summarizes the current year dispositions recorded at sale and also presents each property's contribution to net income (loss) allocable to common shares, excluding the impact of the gain (loss) on sale:

Property Name	Property Type	Date of Sale	Sale Price	Gain (loss) on sale	Net income (loss) allocable to common shares For the Year Ended December 31, 2018
1501 Yamato Road (1)	Office	6/15/2018	$ 42,050	$ 906	$ (261)
Erieview Tower & Parking (2)	Office	8/1/2018	28,901	-	(195)
Erieview Galleria	Retail	8/1/2018	1,099	-	(14)
Lexington	Multifamily	8/31/2018	21,150	7,964	589
PlazAmericas Mall (2)	Retail	12/20/2018	12,950	-	(593)
Total			$ 106,150	$ 8,870	$ (474)

(1) We also recognized a loss on extinguishment of debt related to the sale of this property, resulting from a defeasance premium of $1,943, which is included in gains (losses) on extinguishment of debt on the accompanying consolidated statements of operations.

(2) This property was previously impaired.

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During the year ended December 31, 2017, we sold five multifamily properties, eight office properties, two retail properties (one sold as two parcels in two separate transactions), and three parcels of land. We also recognized $5 of losses on sales related to properties sold prior to December 31, 2016, as we settled remaining amounts with third parties subsequent to each sale date, respectively. The below table summarizes the current year dispositions recorded at sale and also presents each property's contribution to net income (loss) allocable to common shares, excluding the impact of the gain (loss) on sale:

Property Name	Property Type	Date of Sale	Sale Price	Gain (loss) on sale	Net income (loss) allocable to common shares For the Year Ended December 31, 2017
Tuscany Bay	Multifamily	01/06/2017	$ 36,650	$ 7,657	$ 2
Emerald Bay (1)	Multifamily	03/08/2017	23,750	772	135
Tiffany Square (1)	Office	03/09/2017	12,175	113	59
Oyster Point (1)	Multifamily	03/28/2017	11,500	(82)	1
Executive Center	Office	03/31/2017	10,600	437	123
MGS (1)	Land	03/31/2017	300	—	—
100 E. Lancaster (1)	Office	04/13/2017	4,575	14	70
UBS Tower (1)	Office	05/09/2017	14,150	—	(43)
South Plaza (2)	Retail	05/24/2017 & 09/29/2017	22,478	1,647	896
South Terrace	Multifamily	06/30/2017	42,950	9,189	250
Trails at Northpointe (1)	Multifamily	07/18/2017	6,450	(54)	(118)
Rutherford (1)	Office	09/29/2017	5,700	—	430
Treasure Island/Sunny Shores	Land	10/04/2017	12,125	—	(81)
McDowell Phase I/II (1)	Office	10/16/2017	53,150	206	1,612
May's Crossing	Retail	11/16/2017	8,150	298	242
Four Resource Square (1)	Office	12/29/2017	17,500	78	(573)
Reuss Federal Plaza (1)	Office	12/29/2017	19,500	47	995
Total			$ 301,703	$ 20,322	$ 4,000

(1) This property was previously impaired.
(2) Includes gain on sale in May and September 2017 of $1,481 and $166, respectively.

During the year ended December 31, 2017, we also recognized a gain of $3,122 related to a sale of a multifamily property that occurred during the second quarter of 2015. This gain was deferred as the buyer's initial investment was insufficient. As our loan, which financed the buyer's acquisition of this property, was paid off during the year ended December 31, 2017, we recognized the deferred gain.

During the year ended December 31, 2017, we disposed of two land parcels for $12,125 plus the reimbursement of capital expenditures associated with those parcels. The principal consideration received in the sale was a note from the buyer. We deferred a gain on the sale of these assets of $761 which was classified within other liabilities and was to be recognized under the cost recovery method as the buyer's initial investment was insufficient. As described in Note 2: Summary of Significant Accounting Policies, this deferred gain was recognized upon adoption of the accounting standard classified under FASB ASC Topic 610-20 on January 1, 2018.

During the year ended December 31, 2017, we incurred a net non-cash gain on deconsolidation of properties of $5,158 relating to an industrial real estate portfolio containing ten properties with carrying value of $82,501 of investments in real estate and $81,941 of related cross-collateralized non-recourse debt as of December 31, 2016. During the year ended December 31, 2017, the senior lender foreclosed on the mortgage liens encumbering all of these industrial properties, and disposed of the properties through auction processes. RAIT had no control or influence over the divestiture processes. These properties, including other assets, net of related liabilities, had an aggregate carrying value of $82,046. As a result, the senior lender or its assignee/designee now owns these properties, subject to any redemption rights that we have under applicable state law, if any. Upon foreclosure, we derecognized these

net assets and extinguished related debt and accrued interest of $87,204 based on the proceeds received by and legal stipulations entered into with the senior lender with respect to the auctions.

During the year ended December 31, 2017, we incurred a net non-cash gain on deconsolidation of properties of $697 relating to a real estate portfolio containing two office and two industrial properties with a carrying value of $16,216 and $17,698 of related non-recourse debt. During the year ended December 31, 2017, the senior lender foreclosed on the mortgage liens encumbering these four properties and disposed of the properties through an external foreclosure process. RAIT had no control or influence over the divestiture process. These four properties, including other assets, net of related liabilities, had an aggregate carrying value of $17,625. Upon foreclosure, we derecognized these net assets and extinguished related debt and accrued interest of $18,303 based on the proceeds received by the senior lender through the foreclosure.

In February 2019, we sold the retail property that was classified as held-for-sale for a sales price of $5,100.

Impairment:

During the year ended December 31, 2018, we recognized impairment charges on real estate assets of $47,492 as it was more likely than not that we would dispose of the assets before the end of their previously estimated useful lives and a portion of our recorded investment in these assets was determined to not be recoverable. These impairment charges are further described below.

- Due to the current conditions affecting one of our retail properties in its local market, we recognized an impairment charge of $13,482 based on a third-party appraisal.
- Due to the current conditions affecting another of our retail properties in its local market, as well as our efforts to increase our liquidity pursuant to the 2018 strategic steps, we accepted an offer to purchase this asset which resulted in an impairment charge of $17,390 based on an executed purchase and sale agreement, subsequent negotiations to sell the asset and the ultimate sales price we received for the asset.
- Due to upcoming lease expirations and/or current market conditions, we recognized impairment charges on two other properties (office and land). The analysis performed on each property, which included third-party appraisals, resulted in impairment charges totaling $3,166.
- We recognized impairment charges of $9,856 on four assets based on the status of negotiations for the sale of the assets.
- We recognized an impairment charge of $3,598 on another asset as a result of a default on the asset’s associated ground lease.

During the year ended December 31, 2017, we changed our investment approach on six of our real estate properties. These decisions to change our investment approach led to an expectation that the properties would be disposed of prior to the end of their useful life, which was concluded to be a triggering event requiring further analysis of the recoverability of these properties. As a result of the analysis performed, the aggregate carrying value of these properties was determined not to be fully recoverable, resulting in impairment charges totaling $74,514 as further described below:

- Four of these six properties, consisting of an office property and a retail property in the Central region, and a retail property and a land parcel in the Southeast region, were previously in various stages of redevelopment with an aggregate carrying value of $101,896. During the year ended December 31, 2017, a decision was made to cease redevelopment efforts and market the properties for sale in their existing condition. The analysis performed, which included obtaining a broker opinion of value for each of the Central region properties and performing a discounted cash flow analysis for each of the Southeast region properties using market-based assumptions, resulted in impairment charges of $50,274.
- For one office property in the Central region, which was previously planned to be held for use and currently not stabilized, a sales process was pursued for the property in its current condition. Based upon various offers that have been received to purchase the property, the carrying value of $39,218 was determined to not be fully recoverable, resulting in an impairment charge of $17,447.

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- Additionally, it was determined it was more likely than not that we would dispose of one retail property in the Mid-Atlantic region with a carrying value of $30,863, which was being held for investment, in the foreseeable future. The analysis performed, which included performing a discounted cash flow analysis using market-based assumptions, resulted in an impairment charge of $6,793.

Subsequently, during the year ended December 31, 2017, one of the above mentioned real estate properties that was previously determined to be more likely than not to be disposed of before the end of its estimated useful life incurred capital expenditures, which led to additional impairment charges totaling $3,458. In addition, during the year ended December 31, 2017, we also determined that one of the above mentioned real estate properties would be sold at a lower price than previously expected, resulting in an impairment charge totaling $2,945.

During the year ended December 31, 2017, we also continued execution on plans to market certain assets that had been identified for disposal in previous periods. The remaining $15,708 of impairment charges during year ended December 31, 2017 related to nine of these other real estate assets, including one multifamily property, one retail property, five office properties, and two land parcels and was recognized as a result of updated information obtained based upon purchase and sale agreements, letters of intent and broker opinions of value as these assets have progressed through different stages of the marketing and sales negotiation process.

See Note 7: Fair Value of Financial Instruments for further information regarding our non-recurring fair value measurements.

NOTE 5: INDEBTEDNESS

We maintain various forms of short-term and long-term financing arrangements. Generally, these financing agreements are collateralized by assets within securitizations.

The following table summarizes our total recourse and non-recourse indebtedness as of December 31, 2018:

Description	Unpaid Principal Balance	Unamortized Discount/Premium and Deferred Financing Costs	Carrying Amount	Weighted-Average Interest Rate	Contractual Maturity
Recourse indebtedness:					
7.625% senior notes	$ 56,324	$ (1,224)	$ 55,100	7.6%	Apr. 2024
7.125% senior notes	65,356	(359)	64,997	7.1%	Aug. 2019
Junior subordinated notes, at fair value (1)	18,671	(12,561)	6,110	6.4%	Mar. 2035
Junior subordinated notes, at amortized cost	25,100	—	25,100	5.0%	Apr. 2037
Total recourse indebtedness	165,451	(14,144)	151,307	6.9%	
Non-recourse indebtedness:					
CDO notes payable, at amortized cost (2)(3)	116,102	—	116,102	3.1%	Nov. 2046
CMBS securitizations (4)(5)	320,282	(2,274)	318,008	4.0%	Jun. 2037 to Dec. 2037
Loans payable on real estate	40,724	(225)	40,499	4.7%	Oct. 2021 to Dec. 2021
Total non-recourse indebtedness	477,108	(2,499)	474,609	3.9%	
Total indebtedness	$ 642,559	$ (16,643)	$ 625,916	4.6%	

(1) Relates to liabilities which we elected to record at fair value under FASB ASC Topic 825.
(2) Excludes CDO notes payable purchased by us which are eliminated in consolidation.
(3) Collateralized by $170,124 principal amount of commercial mortgage loans, mezzanine loans, other loans and preferred equity interests, $94,191 of which is eliminated in consolidation. These obligations were issued by separate legal entities and consequently the assets of the special purpose entities that collateralize these obligations are not available to our creditors.
(4) Excludes CMBS securitization notes purchased by us which are eliminated in consolidation.
(5) Collateralized by $409,218 principal amount of commercial mortgage loans and participation interests in commercial mortgage loans. These obligations were issued by separate legal entities and consequently the assets of the special purpose entities that collateralize these obligations are not available to our creditors.

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The following table summarizes our total recourse and non-recourse indebtedness as of December 31, 2017:

Description	Unpaid Principal Balance	Unamortized Discount/Premium and Deferred Financing Costs	Carrying Amount	Weighted-Average Interest Rate	Contractual Maturity
Recourse indebtedness:					
7.0% convertible senior notes (1)	$ 871	$ (38)	$ 833	7.0%	Apr. 2031 (1)
4.0% convertible senior notes (2)	110,513	(3,713)	106,800	4.0%	Oct. 2033 (2)
7.625% senior notes	56,324	(1,457)	54,867	7.6%	Apr. 2024
7.125% senior notes	68,408	(934)	67,474	7.1%	Aug. 2019
Senior secured notes	11,500	(437)	11,063	7.3%	Apr. 2019
Junior subordinated notes, at fair value (3)	18,671	(10,550)	8,121	5.3%	Mar. 2035
Junior subordinated notes, at amortized cost	25,100	—	25,100	3.9%	Apr. 2037
Secured warehouse facilities	22,313	(570)	21,743	3.5%	Jan. 2018 to Jul. 2018
Total recourse indebtedness	313,700	(17,699)	296,001	5.5%	
Non-recourse indebtedness:					
CDO notes payable, at amortized cost (4)(5)	258,063	(3,339)	254,724	2.2%	Jun. 2045 to Nov. 2046
CMBS securitizations (6)(7)	744,763	(8,177)	736,586	3.4%	Jan. 2031 to Dec. 2037
Loans payable on real estate	62,297	(375)	61,922	5.2%	May 2021 to Dec. 2021
Total non-recourse indebtedness	1,065,123	(11,891)	1,053,232	3.2%	
Other indebtedness (8)	40,830	125	40,955	—	—
Total indebtedness	$ 1,419,653	$ (29,465)	$ 1,390,188	3.7%	

(1) Our 7.0% convertible senior notes are redeemable at par, at the option of the holder, in April 2021, and April 2026.
(2) Our 4.0% convertible senior notes are redeemable at par, at the option of the holder, in October 2018, October 2023, and October 2028.
(3) Relates to liabilities which we elected to record at fair value under FASB ASC Topic 825.
(4) Excludes CDO notes payable purchased by us which are eliminated in consolidation.
(5) Collateralized by $507,306 principal amount of commercial mortgage loans, mezzanine loans, other loans and preferred equity interests, $274,629 of which is eliminated in consolidation. These obligations were issued by separate legal entities and consequently the assets of the special purpose entities that collateralize these obligations are not available to our creditors.
(6) Excludes CMBS securitization notes purchased by us which are eliminated in consolidation.
(7) Collateralized by $944,894 principal amount of commercial mortgage loans and participation interests in commercial mortgage loans. These obligations were issued by separate legal entities and consequently the assets of the special purpose entities that collateralize these obligations are not available to our creditors.
(8) Represents two 40% interests issued to an unaffiliated third party in two ventures to which we contributed the junior notes and equity of two floating rate securitizations. Together these ventures are referred to as the RAIT Venture VIEs. The first of these ventures, the 2016 RAIT Venture VIE, was formed in 2016. The second, the 2017 RAIT Venture VIE, was formed in 2017. We retained a 60% interest in these ventures, and, as a result of our controlling financial interest, we consolidated the ventures. We received approximately $41,689 of proceeds as a result of issuing these 40% interests, which have an unpaid principal balance of $40,830. These 40% interests have no stated maturity date and do not provide for mandatory redemption or any required return or interest payment. These interests of the ventures allocate the distributions on such junior notes and equity when made between the parties to the ventures.

Recourse indebtedness refers to indebtedness that is recourse to our general assets. Non-recourse indebtedness consists of indebtedness of consolidated securitizations and loans payable on real estate which is recourse only to specific assets pledged as collateral to the lenders. The creditors of each consolidated securitization have no recourse to our general credit.

The current status or activity in our financing arrangements occurring as of or during the year ended December 31, 2018 is as follows:

Recourse Indebtedness

7.0% convertible senior notes. On March 21, 2011, we issued and sold in a public offering $115,000 aggregate principal amount of our 7.0% Convertible Senior Notes due 2031, or the 7.0% convertible senior notes. After deducting the underwriting discount and the estimated offering costs, we received approximately $109,000 of net proceeds. Interest on the 7.0% convertible senior notes is paid semi-annually and the 7.0% convertible senior notes mature on April 1, 2031.

Prior to April 5, 2016, the 7.0% convertible senior notes were not redeemable at our option, except to preserve RAIT's status as a REIT. On or after April 5, 2016, we may redeem all or a portion of the 7.0% convertible senior notes at a redemption price equal to the principal amount plus accrued and unpaid interest. Holders of 7.0% convertible senior notes may require us to repurchase all or a portion of the 7.0% convertible senior notes at a purchase price equal to the principal amount plus accrued and unpaid interest on April 1, 2021, and April 1, 2026, or upon the occurrence of certain defined fundamental changes.

According to FASB ASC Topic 470, "Debt", we recorded a discount on our issued and outstanding 7.0% convertible senior notes of $8,228. This discount reflects the fair value of the embedded conversion option within the 7.0% convertible senior notes and was recorded as an increase to additional paid in capital. The fair value was calculated by discounting the cash flows required in the indenture relating to the 7.0% convertible senior notes agreement by a discount rate that represents management's estimate of our senior, unsecured, non-convertible debt borrowing rate at the time when the 7.0% convertible senior notes were issued. The discount was fully amortized to interest expense through April 1, 2016, the date at which holders of our 7.0% convertible senior notes could require repayment.

During the year ended December 31, 2017, there was no activity other than recurring interest.

During the year ended December 31, 2018, we exercised our right to optionally redeem and cancel the remaining 7.0% convertible senior notes at a redemption price equal to the principal amount of $871 plus accrued and unpaid interest.

4.0% convertible senior notes. On December 10, 2013, we issued and sold in a public offering $125,000 aggregate principal amount of our 4.0% Convertible Senior Notes due 2033, or the 4.0% convertible senior notes. After deducting the underwriting discount and offering costs, we received approximately $121,250 of net proceeds. In January 2014, the underwriters exercised the overallotment option with respect to an additional $16,750 aggregate principal amount of the 4.0% convertible senior notes and we received total net proceeds of $16,300 after deducting underwriting fees and adjusting for accrued interim interest. In the aggregate, we issued $141,750 aggregate principal amount of the 4.0% convertible senior notes in the offering and raised total net proceeds of approximately $137,238 after deducting underwriting fees and offering expenses. Interest on the 4.0% convertible senior notes is paid semi-annually and the 4.0% convertible senior notes mature on October 1, 2033.

Prior to October 1, 2018, the 4.0% convertible senior notes are not redeemable at our option, except to preserve RAIT's status as a REIT. On or after October 1, 2018, we may redeem all or a portion of the 4.0% convertible senior notes at a redemption price equal to the principal amount plus accrued and unpaid interest. Holders of 4.0% convertible senior notes may require us to repurchase all or a portion of the 4.0% convertible senior notes at a purchase price equal to the principal amount plus accrued and unpaid interest on October 1, 2018, October 1, 2023, and October 1, 2028, or upon the occurrence of certain defined fundamental changes.

According to FASB ASC Topic 470, "Debt", we recorded a discount on our issued and outstanding 4.0% convertible senior notes of $8,817. This discount reflects the fair value of the embedded conversion option within the 4.0% convertible senior notes and was recorded as an increase to additional paid in capital. The fair value was calculated by discounting the cash flows required in the indenture relating to the 4.0% convertible senior notes agreement by a discount rate that represents management's estimate of our senior, unsecured, non-convertible debt borrowing rate at the time when the 4.0% convertible senior notes were issued. The discount will be amortized to interest expense through October 1, 2018, the date at which holders of our 4.0% convertible senior notes could require repayment.

Concurrent with the offering of the 4.0% convertible senior notes, we used approximately $8,838 of the proceeds and entered into a capped call transaction with an affiliate of the underwriter. The capped call transaction has a cap price of $11.91, which is subject to certain adjustments, and an initial strike price of $9.57, which is subject to certain adjustments and is equivalent to the

conversion price of the 4.0% convertible senior notes. The capped calls expire on various dates ranging from June 2018 to October 2018 and are expected to reduce the potential dilution to holders of our common stock upon the potential conversion of the 4.0% convertible senior notes. The capped call transaction is a separate transaction and is not part of the terms of the 4.0% convertible senior notes and will not affect the holders' rights under the 4.0% convertible senior notes. The capped call transaction meets the criteria for equity classification and was recorded as a reduction to additional paid in capital. The capped call transaction is excluded from the dilutive EPS calculation as their effect would be anti-dilutive.

During the year ended December 31, 2017, we repurchased a total of $15,585 in aggregate principal amount of 4.0% convertible senior notes for a total consideration of $14,468.

During the year ended December 31, 2018, we repurchased $42,291 in aggregate principal amount of 4.0% convertible senior notes for a total consideration of $41,027. We also repurchased $67,943 in principal amount of the 4.0% convertible senior notes at par pursuant to the exercise by the holders of these notes of their redemption option. We exercised our right to optionally redeem and cancel the remaining 4.0% convertible senior notes at a redemption price equal to the principal amount of $279 plus accrued and unpaid interest.

7.625% senior notes. On April 14, 2014, we issued and sold in a public offering $60,000 aggregate principal amount of our 7.625% Senior Notes due 2024, or the 7.625% senior notes. After deducting the underwriting discount and the offering costs, we received approximately $57,500 of net proceeds. Interest on the 7.625% senior notes is paid quarterly with a maturity date of April 15, 2024. The 7.625% senior notes are subject to redemption at our option, in whole or in part, at any time on or after April 15, 2017, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date and are subject to repurchase by us at the option of the holders following a defined fundamental change, at a repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. The senior notes are not convertible into equity securities of RAIT. These notes contain financial covenants that are applicable upon the incurrence of debt as defined in the notes' related indenture including a maximum leverage ratio covenant and a minimum fixed charge ratio covenant. We have not incurred debt, as defined in this indenture, since the three months ended March 31, 2018. As of March 31, 2018, the leverage ratio, calculated in accordance with the indenture, was 74.6% as compared to a maximum leverage ratio not to exceed 80%, and for the preceding four quarters, the fixed charge coverage ratio, calculated in accordance with the indenture, was 1.34x as compared to a minimum fixed charge coverage ratio of no less than 1.20x.

During the year ended December 31, 2017, we repurchased a total of $963 in aggregate principal amount of 7.625% convertible senior notes for a total consideration of $766.

7.125% senior notes. In August 2014, we issued and sold in a public offering $71,905 aggregate principal amount of our 7.125% Senior Notes due 2019, or the 7.125% senior notes. After deducting the underwriting discount and the offering costs, we received approximately $69,209 of net proceeds. Interest on the 7.125% senior notes is paid quarterly with a maturity date of August 30, 2019. The 7.125% senior notes are subject to redemption at our option, in whole or in part, at any time on or after August 30, 2017, at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date and are subject to repurchase by us at the option of the holders following a defined fundamental change, at a repurchase price equal to 101% of the principal amount of the notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. The senior notes are not convertible into equity securities of RAIT. These notes contain financial covenants that are applicable upon the incurrence of debt as defined in the notes' related indenture including a maximum leverage ratio covenant and a minimum fixed charge ratio covenant. We have not incurred debt, as defined in this indenture, since the three months ended March 31, 2018. As of March 31, 2018, the leverage ratio, calculated in accordance with the indenture, was 74.6% as compared to a maximum leverage ratio not to exceed 80%, and for the preceding four quarters, the fixed charge coverage ratio, calculated in accordance with the indenture, was 1.34x as compared to a minimum fixed charge coverage ratio of no less than 1.20x.

During the year ended December 31, 2017, we repurchased a total of $2,323 in aggregate principal amount of 7.125% senior notes for a total consideration of $2,023.

During the year ended December 31, 2018, we repurchased a total of $3,051 in aggregate principal amount of 7.125% senior notes for a total consideration of $2,852.

Senior secured notes. On October 5, 2011, we entered into an exchange agreement with T8 pursuant to which we issued four senior secured notes, or the senior secured notes, with an aggregate principal amount equal to $100,000 to T8 in exchange for a portfolio of real estate related debt securities, or the exchanged securities, held by T8. The senior secured notes and the exchanged securities were determined to have approximately equivalent fair market value at the time of the exchange.

The senior secured notes were issued pursuant to an indenture agreement dated October 5, 2011 which contains customary events of default, including those relating to nonpayment of principal or interest when due and defaults based upon events of bankruptcy and insolvency. The senior secured notes were each $25,000 principal amount with a weighted average interest rate of 7.0% and had maturity dates ranging from April 2017 to April 2019. Interest is paid quarterly on October 30, January 30, April 30 and July 30 of each year. The senior secured notes are secured and are not convertible into equity securities of RAIT.

During the year ended December 31, 2017, we repaid $7,500 of the senior secured notes.

During the year ended December 31, 2017, we redeemed $15,500 in principal amount of the 6.75% senior notes at a redemption price equal to the principal amount plus accrued and unpaid interest.

During the year ended December 31, 2017, we redeemed $15,000 in principal amount of the 6.85% senior notes at a redemption price equal to the principal amount plus accrued and unpaid interest.

During the year ended December 31, 2017, we redeemed $12,500 in principal amount of the 7.15% senior notes at a redemption price equal to the principal amount plus accrued and unpaid interest.

During the year ended December 31, 2018, we repaid $2,000 of the 7.25% senior secured notes and we redeemed the remaining $9,500 of the 7.25% senior notes at a redemption price equal to the principal amount plus accrued and unpaid interest.

Junior subordinated notes, at fair value. On October 16, 2008, we issued two junior subordinated notes with an aggregate principal amount of $38,052 to a third party and received $15,459 of net cash proceeds. One junior subordinated note, which we refer to as the first $18,671 junior subordinated note, has a principal amount of $18,671, a fixed interest rate of 8.65% through March 30, 2015 with a floating rate of LIBOR plus 400 basis points thereafter, and a maturity date of March 30, 2035. The second junior subordinated note, which we refer to as the $19,381 junior subordinated note, had a principal amount of $19,381, a fixed interest rate of 9.64%, and a maturity date of October 30, 2015. At issuance, we elected to record these junior subordinated notes at fair value under FASB ASC Topic 825, with all subsequent changes in fair value recorded in earnings.

On October 25, 2010, pursuant to a securities exchange agreement, we exchanged and cancelled the first $18,671 junior subordinated note for another junior subordinated note, which we refer to as the second $18,671 junior subordinated note, in aggregate principal amount of $18,671 with a reduced interest rate and provided $5,000 of our 6.875% convertible senior notes as collateral for the second $18,671 junior subordinated note. In December 2018, we exchanged the $5,000 of our 6.875% convertible senior notes as collateral with certain notes of RAIT I that we owned, which have a principal balance of $24,000 and whose fair value approximated the fair value of the $5,000 of 6.875% convertible senior notes at the time of the exchange. The second $18,671 junior subordinated note had a fixed rate of interest of 0.5% through March 30, 2015, and thereafter a floating rate of three-month LIBOR plus 400 basis points, with such floating rate not to exceed 7.0%. The maturity date remains the same at March 30, 2035. At issuance, we elected to record the second $18,671 junior subordinated note at fair value under FASB ASC Topic 825, with all subsequent changes in fair value recorded in earnings. The fair value, or carrying amount, of this indebtedness was $6,110 as of December 31, 2018.

Junior subordinated notes, at amortized cost. On February 12, 2007, we formed Taberna Funding Capital Trust I which issued $25,000 of trust preferred securities to investors and $100 of common securities to us. The combined proceeds were used by Taberna Funding Capital Trust I to purchase $25,100 of junior subordinated notes issued by us. The junior subordinated notes are the sole assets of Taberna Funding Capital Trust I and mature on April 30, 2037, but are callable, at our option, on or after April 30, 2012. Interest on the junior subordinated notes is payable quarterly at a fixed rate of 7.69% through April 2012 and thereafter at a floating rate equal to three-month LIBOR plus 2.50%.

Secured warehouse facilities. On October 27, 2011, we entered into a two year CMBS facility pursuant to which we may sell, and later repurchase, performing whole mortgage loans or senior interests in whole mortgage loans secured by first liens on stabilized commercial properties which meet current standards for inclusion in CMBS transactions. The purchase price paid for any asset purchased will be equal to 75% of the lesser of the market value (determined by the purchaser in its sole discretion, exercised in good

faith) or par amount of such asset on the purchase date. On July 28, 2014, we entered into an amended and restated master repurchase agreement, or the Amended MRA. The Amended MRA added defined floating-rate whole loans and senior interests in whole loans as eligible purchased assets which we could sell to the investment bank and later repurchase. All eligible purchased assets must be acceptable to the investment bank in its sole discretion. The Amended MRA increased the aggregate principal amount available under the facility to $200,000 from $100,000 provided that the aggregate outstanding purchase price under the Amended MRA at any time for all floating rate loans cannot exceed $100,000. Fixed rate loans and floating rate loans incur interest at LIBOR plus 250 basis points. The Amended MRA contains standard margin call provisions and financial covenants. On July 28, 2016, this facility was amended decreasing the capacity to $150,000 and extending the maturity date to July 28, 2018. In June 2017, the financial covenants with respect to this facility were amended. This facility was not renewed after its maturity and it has terminated.

On November 23, 2011, we entered into a one year CMBS facility, or the $150,000 CMBS facility, pursuant to which we may sell, and later repurchase, commercial mortgage loans secured by first liens on stabilized commercial properties which meet current standards for inclusion in CMBS transactions. Effective November 17, 2015, we extended the maturity of the $150,000 CMBS facility to the earlier of November 16, 2016 or the day on which an event of default occurs. The aggregate principal amount available under the $150,000 CMBS facility is $150,000 and incurs interest at LIBOR plus 250 basis points. The purchase price paid for any asset purchased is up to 75% of the lesser of the unpaid principal balance and the market value (determined by the purchaser in its sole discretion, exercised in good faith) of such purchased asset on the purchase date. The $150,000 CMBS facility contains standard margin call provisions and financial covenants. On November 16, 2016, this facility was amended decreasing the capacity to $100,000 and extending the maturity date to November 16, 2017. On June 27, 2017, this facility was amended decreasing the capacity to $25,000. In June 2017, the financial covenants with respect to this facility were amended. This facility was not renewed after its maturity and it has terminated.

On January 27, 2014, we entered into a two year $75,000 commercial mortgage facility, or the $75,000 commercial mortgage facility, pursuant to which we may sell, and later repurchase, commercial mortgage loans and other assets meeting defined eligibility criteria which are approved by the purchaser in its sole discretion. Effective September 28, 2015, we extended the maturity of the $75,000 commercial mortgage facility to January 22, 2018 or such date as determined by the Buyer in its good faith discretion pursuant to its rights and remedies under the Agreement. The $75,000 commercial mortgage facility incurs interest at LIBOR plus 200 basis points. The $75,000 commercial mortgage facility contains standard margin call provisions and financial covenants. In June 2017, the financial covenants with respect to this facility were amended. In July 2017, the financial covenants with respect to this facility were amended. On January 19, 2018, this facility was amended extending the maturity date to June 18, 2018. This facility was not renewed after its maturity and it has terminated.

On December 23, 2014, we entered into a $150,000 commercial mortgage facility, or the $150,000 commercial mortgage facility, pursuant to which we may sell, and later repurchase, commercial mortgage loans and other assets meeting defined eligibility criteria which are approved by the purchaser in its reasonable discretion. The $150,000 commercial mortgage facility incurs interest at LIBOR plus 200 basis points. The purchase price paid for any asset purchased is based on a defined percentage of the lesser of its unpaid principal balance or its defined market value. On December 20, 2016, we extended the maturity of the $150,000 commercial facility to December 19, 2017 or the day on which an event of default occurs. The $150,000 commercial mortgage facility contains standard margin call provisions and financial covenants. On June 27, 2017, this facility was amended increasing the capacity to $250,000. In June 2017, the financial covenants with respect to this facility were amended. On December 18, 2017, this facility was amended extending the maturity date to June 18, 2018. This facility was not renewed after its maturity and it has terminated.

In February 2018, prior to the termination of this facility, we began to pursue a sale of certain loans that were on our balance sheet as of December 31, 2017. In March 2018, we sold these loans, which had an unpaid principal balance of $44,050 and received gross proceeds of $43,720. We used part of the proceeds received from the sale of these loans to repay the $22,313 of outstanding borrowings that existed on this facility as of December 31, 2017.

Non-Recourse Indebtedness

CDO notes payable, at amortized cost. CDO notes payable at amortized cost represent notes issued by consolidated CDO securitizations which are used to finance the acquisition of unsecured REIT notes, CMBS securities, commercial mortgage loans and mezzanine loans in our commercial real estate portfolio. Generally, CDO notes payable are comprised of various classes of notes payable, with each class bearing interest at variable or fixed rates. Our consolidated CDO securitizations contain interest coverage trigger tests, or IC triggers, and overcollateralization trigger tests, or OC triggers. If the IC triggers or OC triggers are not met in a given period, then the interest distributions are redirected from lower rated tranches and used to repay the principal amounts to the

senior tranches of CDO notes payable. These conditions and the re-direction of interest distributions continue until the triggers are met by curing the underlying cause of the IC trigger or OC trigger failure, which may include curing payment defaults, paying down the CDO notes payable, or other actions permitted under the relevant securitization indenture.

As of December 31, 2018, and 2017, RAIT I is meeting all its OC and IC trigger tests. Beginning in January 2019, the Class F/G/H OC test for RAIT I was not met. As a result, certain interest payments that would have otherwise been directed to the Class J notes and equity, which are owned by us, are instead being redirected to pay principal on the most senior class of CDO notes payable that are outstanding. The failure of this OC test does not represent an event of default under the RAIT I securitization indenture.

During the year ended December 31, 2018, RAIT's subsidiary, TRFT, exercised its right to unwind RAIT II and satisfied the outstanding notes, all of which were owned by TRFT at the time of the unwind.

CMBS securitizations. On October 29, 2014, we closed a CMBS securitization transaction we refer to as RAIT FL3 that was collateralized by $219,378 of floating rate commercial mortgage loans that we originated and is non-recourse to us, except for certain repurchase and other obligations related to customary representations, warranties and covenants concerning the collateral that we had made. In this CMBS securitization transaction, our subsidiary, RAIT 2014-FL3 Trust, or the FL3 issuer, issued classes of investment grade senior notes, or the FL3 senior notes, with an aggregate principal balance of approximately $181,261 to investors, representing an advance rate of approximately 82.6%. The FL3 senior notes bore interest at a weighted average rate equal to LIBOR plus 1.86%. The stated maturity of the FL3 notes was December 2031, unless redeemed or repaid prior thereto. At the closing of RAIT FL3, we retained the unrated classes of junior notes, or the FL3 junior notes, including a class with an aggregate principal balance of $38,117, and the equity, or the retained interests, of the FL3 issuer. Subject to certain conditions, beginning in October 2016 or upon defined tax events, the FL3 senior notes were able to be redeemed in whole but not in part, at the direction of holders of FL3 junior notes, which we held. During the second quarter of 2017, RAIT exercised its right to unwind RAIT FL3, thereby repaying all of the outstanding notes.

On May 22, 2015, we closed a CMBS securitization transaction we refer to as RAIT FL4 collateralized by $223,034 of floating rate commercial mortgage loans that we originated and is non-recourse to us, except for certain repurchase and other obligations related to customary representations, warranties and covenants concerning the collateral that we had made. In this CMBS securitization transaction, our subsidiary, RAIT 2015-FL4 Trust, or the FL4 issuer, issued classes of investment grade senior notes, or the FL4 senior notes with an aggregate principal balance of approximately $181,215 to investors, representing an advance rate of approximately 81.2%. The FL4 senior notes bore interest at a weighted average rate equal to LIBOR plus 1.84%. The stated maturity of the FL4 notes was December 2031, unless redeemed or repaid prior thereto. At the closing of RAIT FL4, we retained the unrated classes of junior notes, or the FL4 junior notes, including a class with an aggregate principal balance of $41,819, and the equity, or the retained interests, of the FL4 issuer. Subject to certain conditions, beginning in May 2017, or upon defined tax events, the FL4 senior notes were able to be redeemed in whole but not in part, at the direction of holders of FL4 junior notes, which we hold. During the third quarter of 2017, RAIT exercised its right to unwind RAIT FL4, thereby repaying all of the outstanding notes.

On December 23, 2015, we closed a CMBS securitization transaction we refer to as RAIT FL5 collateralized by $347,446 of floating rate commercial mortgage loans and participation interests in floating rate commercial mortgage loans that we originated and is non-recourse to us, except for certain repurchase and other obligations related to customary representations, warranties and covenants concerning the collateral that we had made. In this CMBS securitization transaction, our subsidiary, RAIT 2015-FL5 Trust, or the FL5 issuer, issued classes of investment grade senior notes, or the FL5 senior notes, with an aggregate principal balance of approximately $263,624 to investors, representing an advance rate of approximately 75.8%. The FL5 senior notes bear interest at a weighted average rate equal to LIBOR plus 3.71%. The stated maturity of the FL5 notes is January 2031, unless redeemed or repaid prior thereto. At the closing of RAIT FL5, we retained $23,019 of investment grade notes and all $60,803 of the unrated classes of junior notes, or the FL5 junior notes, and equity of the FL5 issuer. In February 2016, we contributed the $60,803 of junior notes and equity of RAIT FL5 to a venture. We retained a 60% interest in the venture, and, as a result of our controlling financial interest, we consolidated the venture. We received approximately $24,796 of proceeds as a result of this contribution. In April 2016, we sold $23,019 of investment grade notes that we had retained upon closing. Subject to certain conditions, beginning in December 2017 or upon defined tax events, the FL5 issuer may redeem the FL5 senior notes, in whole but not in part, at the direction of holders of FL5 junior notes, which are held by the aforementioned venture.

On November 30, 2016, we closed a CMBS securitization transaction we refer to as RAIT FL6 collateralized by $257,949 of floating rate commercial mortgage loans and participation interests in floating rate commercial mortgage loans that we originated and is non-recourse to us, except for certain repurchase and other obligations related to customary representations, warranties and

covenants concerning the collateral that we had made. In this CMBS securitization transaction, our subsidiary, RAIT 2016-FL6 Trust, or the FL6 issuer, issued classes of investment grade senior notes, or the FL6 senior notes, with an aggregate principal balance of approximately $216,677 to investors, representing an advance rate of approximately 84.0%. The FL6 senior notes bear interest at a weighted average rate equal to LIBOR plus 2.49%. The stated maturity of the FL6 notes is November 2031, unless redeemed or repaid prior thereto. At the closing of RAIT FL6, we retained the unrated classes of junior notes, or the FL6 junior notes, aggregating to a principal balance of $41,272 and the equity, or the retained interests, of the FL6 issuer. In January 2017, we contributed our junior notes and equity of RAIT FL6 to a venture. We retained a 60% interest in the venture, and, as a result of our controlling financial interest, we consolidated the venture. We received approximately $16,893 of proceeds as a result of this contribution. Subject to certain conditions, beginning in December 2018 or upon defined tax events, the FL6 issuer may redeem the FL6 senior notes, in whole but not in part, at the direction of holders of FL6 junior notes, which were held by the aforementioned venture.

During the year ended December 31, 2018, RAIT IV, a subsidiary of RAIT, completed the sale of its FL5 Interests and FL6 Interests to Melody RE II, LLC. As a result of the sale, we determined that RAIT is no longer the primary beneficiary of the RAIT Venture VIEs, FL5 or FL6 (each as defined in Note 8: Variable Interest Entities). Therefore, we deconsolidated those entities as of June 27, 2018. See Note 8: Variable Interest Entities for more information regarding this transaction.

On June 23, 2017, we closed a CMBS securitization transaction we refer to as RAIT FL7 collateralized by $342,373 of floating rate commercial mortgage loans and participation interests in floating rate commercial mortgage loans that we originated and that is non-recourse to us, except for certain repurchase and other obligations related to customary representations, warranties and covenants concerning the collateral that we had made. In this CMBS securitization transaction, our subsidiary, RAIT 2017-FL7 Trust, or the FL7 issuer, issued classes of investment grade senior notes, or the FL7 senior notes, with an aggregate principal balance of approximately $276,894 to investors, representing an advance rate of approximately 80.9%. The FL7 senior notes bear interest at a weighted average rate equal to LIBOR plus 1.44%. The stated maturity of the FL7 notes is June 2037, unless redeemed or repaid prior thereto. At the closing of RAIT FL7, we retained the less than investment grade classes of junior notes, or the FL7 junior notes, aggregating to a principal balance of $65,479 and the equity, or the retained interests, of the FL7 issuer. As of December 31, 2018, RAIT FL7 had $225,452 of total collateral at par value, $9,000 of which is in default. As of December 31, 2018, RAIT FL7 had classes of investment grade senior notes with an aggregate principal balance outstanding of approximately $159,972 to investors. We currently own the less than investment grade classes of junior notes, including a class with an aggregate principal balance of $65,479, and the equity, or the retained interests, of RAIT FL7. RAIT FL7 does not have OC triggers or IC triggers.

On November 29, 2017, we closed a CMBS securitization transaction we refer to as RAIT FL8 collateralized by $259,776 of floating rate commercial mortgage loans and participation interests in floating rate commercial mortgage loans that we originated and that is non-recourse to us, except for certain repurchase and other obligations related to customary representations, warranties and covenants concerning the collateral that we had made. In this CMBS securitization transaction, our subsidiary, RAIT 2017-FL8 Trust, or the FL8 issuer, issued classes of investment grade senior notes, or the FL8 senior notes, with an aggregate principal balance of approximately $215,614 to investors, representing an advance rate of approximately 83%. The FL8 senior notes bear interest at a weighted average rate equal to LIBOR plus 1.30%. The stated maturity of the FL8 notes is December 2037, unless redeemed or repaid prior thereto. At the closing of RAIT FL8, we retained the less than investment grade classes of junior notes, or the FL8 junior notes, aggregating to a principal balance of $44,162 and the equity, or the retained interests, of the FL8 issuer. As of December 31, 2018, RAIT FL8 had $204,472 of total collateral at par value, none of which is defaulted and had classes of investment grade senior notes with an aggregate principal balance outstanding of approximately $160,310 to investors. We currently own the less than investment grade classes of junior notes, including a class with an aggregate principal balance of $44,162, and the equity, or the retained interests, of RAIT FL8. RAIT FL8 does not have OC triggers or IC triggers.

The junior notes that we have retained in our CMBS securitizations include the class of junior notes that is subject to the first dollar of loss.

Loans payable on real estate. As of December 31, 2018, and 2017, we had $40,724 and $62,297, respectively, of other indebtedness outstanding relating to loans payable on consolidated real estate. These loans are secured by specific consolidated real estate and commercial loans included in our consolidated balance sheets.

During the year ended December 31, 2018, we repaid $20,510 of mortgage indebtedness as part of one property disposition. We recognized a $1,943 loss on extinguishment of debt related to this disposition, resulting from a defeasance premium.

(Dollars in thousands, except share and per share amounts)

During the year ended December 31, 2017, we repaid $22,981 of mortgage indebtedness as part of three property dispositions. We recognized $3,813 gains on extinguishments of debt related to two of these three dispositions as the properties were sold for less than their outstanding indebtedness and the outstanding indebtedness was deemed satisfied in full as a result of such sales.

During the year ended December 31, 2017, we incurred a non-cash gain on deconsolidation of properties of $5,158, relating to an industrial real estate portfolio containing ten properties with carrying value of $82,501 of investments in real estate and $81,941 of related cross-collateralized non-recourse debt as of December 31, 2016. During the year ended December 31, 2017, the senior lender foreclosed on the mortgage liens encumbering all of these industrial properties, and disposed of the properties through auction processes. RAIT had no control or influence over the divestiture process. These properties, including other assets, net of related liabilities, had an aggregate carrying value of $82,046. As a result, the senior lender or its assignee/designee now owns these properties, subject to any redemption rights that we have under applicable state law, if any. Upon foreclosure, we derecognized these net assets and extinguished related debt of $87,204, based on the proceeds received by and legal stipulations entered into with the senior lender with respect to the auctions.

During the year ended December 31, 2017, we incurred a non-cash gain on deconsolidation of properties of $697 relating to a real estate portfolio, or the Indiana portfolio, containing two office and two industrial properties with a carrying value of $16,216 and $17,698 of related non-recourse debt as of December 31, 2016. During the year ended December 31, 2017, the senior lender foreclosed on the mortgage liens encumbering these four properties and disposed of the properties through an external foreclosure process. RAIT had no control or influence over the divestiture process. These four properties, including other assets, net of related liabilities, had an aggregate carrying value of $17,625. Upon foreclosure, we derecognized these net assets and extinguished related debt of $18,303 based on the proceeds received by the senior lender through the foreclosure.

Maturity of Indebtedness

Generally, the majority of our indebtedness is payable in full upon the maturity or termination date of the underlying indebtedness. The following table displays the aggregate contractual maturities of our indebtedness by year:

	Recourse indebtedness	Non-recourse indebtedness
2019	$ 65,356	$ 749
2020	-	779
2021	-	39,196
2022	-	-
2023	-	-
Thereafter	100,095	436,384
Total	$ 165,451	$ 477,108

NOTE 6: DERIVATIVE FINANCIAL INSTRUMENTS

We may use derivative financial instruments to hedge all or a portion of the interest rate risk associated with our borrowings or fixed rate assets. The principal objective of such arrangements is to minimize the risks and/or costs associated with our operating and financial structure as well as to hedge specific anticipated transactions. While these instruments may impact our periodic cash flows, they benefit us by minimizing the risks and/or costs previously described. The counterparties to these contractual arrangements are major financial institutions with which we and our affiliates may also have other financial relationships. In the event of nonperformance by the counterparties, we are potentially exposed to credit loss. However, because of the high credit ratings of the counterparties, we do not anticipate that any of the counterparties will fail to meet their obligations.

Interest Rate Derivatives

We have historically entered into various interest rate swap contracts to hedge interest rate exposure on floating rate indebtedness.

(Dollars in thousands, except share and per share amounts)

We designate interest rate hedge agreements at inception and determine whether or not the interest rate hedge agreement is highly effective in offsetting interest rate fluctuations associated with the identified indebtedness. We use regression analysis to assess the effectiveness of our hedging relationship and use the hypothetical derivative method to measure any ineffectiveness at each reporting period. As of December 31, 2018, all of our cash flow hedge interest rate swaps had reached maturity. As of December 31, 2018, no new cash flow hedge interest rate swaps have been entered into.

The following table summarizes the aggregate notional amount and estimated net fair value of our derivative instruments as of December 31, 2018 and December 31, 2017:

	As of December 31, 2018			As of December 31, 2017		
	Notional	Fair Value of Assets	Fair Value of Liabilities	Notional	Fair Value of Assets	Fair Value of Liabilities
Interest rate caps	$ —	$ —	$ —	$ —	$ —	$ —
Interest rate swaps	—	—	—	12,650	11	—
Net fair value	$ —	$ —	$ —	$ 12,650	$ 11	$ —

Changes in fair value on our other interest rate derivatives are reported in change in fair value of financial instruments in the Consolidated Statements of Operations.

NOTE 7: FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

FASB ASC Topic 825, "Financial Instruments" requires disclosure of the fair value of financial instruments for which it is practicable to estimate that value. The fair value of investments in mortgage loans, mezzanine loans, preferred equity interests, CDO notes payable, convertible senior notes, junior subordinated notes, and derivative assets and liabilities is based on significant observable and unobservable inputs. The fair value of cash and cash equivalents, restricted cash, CMBS facilities, and other indebtedness approximates their carrying amount or unpaid principal balance due to the nature of these instruments.

Fair Value of Investment in Mortgage Loans, Held for Investment

The fair value of mortgage loans held for investment is determined using an exit price notion. Prior to adopting the January 2016 amendment to FASB ASC Topic 825, we measured the fair value of mortgage loans held for investment under an entry price notion. The entry price notion previously applied used a discounted cash flows technique to calculate the present value of expected future cash flows for a financial instrument. The exit price notion uses the same approach, but also incorporates other factors, such as enhanced credit risk, illiquidity risk, and market factors. We determined the fair value on substantially all of our loans for disclosure purposes, on an individual loan basis. The discount rates reflect current market rates for loans with similar terms to borrowers having similar credit quality on an exit price basis.

(Dollars in thousands, except share and per share amounts)

The following table summarizes the carrying amount and the fair value of our financial instruments as of December 31, 2018:

Financial Instrument	Carrying Amount	Estimated Fair Value
Assets		
Total investment in mortgage loans, held for investment, net	$ 480,061	$ 444,962
Investment in mortgage loans, held for sale	4,873	4,873
Cash and cash equivalents	42,453	42,453
Restricted cash	63,067	63,067
Liabilities		
Recourse indebtedness:		
7.625% senior notes	55,100	41,229
7.125% senior notes	64,997	58,010
Junior subordinated notes, at fair value	6,110	6,110
Junior subordinated notes, at amortized cost	25,100	6,550
Non-recourse indebtedness:		
CDO notes payable, at amortized cost	116,102	94,513
CMBS securitizations	318,008	320,711
Loans payable on real estate	40,499	40,608

The following table summarizes the carrying amount and the fair value of our financial instruments as of December 31, 2017:

Financial Instrument	Carrying Amount	Estimated Fair Value
Assets		
Total investment in mortgage loans, held for investment, net	$ 1,255,723	$ 1,252,780
Cash and cash equivalents	53,380	53,380
Restricted cash	157,914	157,914
Derivative assets	11	11
Liabilities		
Recourse indebtedness:		
7.0% convertible senior notes	833	533
4.0% convertible senior notes	106,800	103,457
7.625% senior notes	54,867	43,009
7.125% senior notes	67,474	61,567
Senior secured notes	11,063	11,197
Junior subordinated notes, at fair value	8,121	8,121
Junior subordinated notes, at amortized cost	25,100	8,849
Secured warehouse facilities	21,743	22,313
Non-recourse indebtedness:		
CDO notes payable, at amortized cost	254,724	196,212
CMBS securitizations	736,586	744,359
Loans payable on real estate	61,922	64,377
Other indebtedness	40,955	40,830

(Dollars in thousands, except share and per share amounts)

Fair Value Measurements

The following table summarizes information about our liabilities measured at fair value on a recurring basis as of December 31, 2018, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

Liabilities:	Quoted Prices in Active Markets for Identical Assets (Level 1) (1)	Significant Other Observable Inputs (Level 2) (1)	Significant Unobservable Inputs (Level 3) (1)	Balance as of December 31, 2018
Junior subordinated notes, at fair value	$ —	$ —	$ 6,110	$ 6,110
Total liabilities	$ —	$ —	$ 6,110	$ 6,110

(1) During the year ended December 31, 2018, there were no transfers between Level 1 and Level 2, and there were no transfers into and/or out of Level 3.

The following tables summarize information about our assets and liabilities measured at fair value on a recurring basis as of December 31, 2017, and indicate the fair value hierarchy of the valuation techniques utilized to determine such fair value:

Assets:	Quoted Prices in Active Markets for Identical Assets (Level 1) (1)	Significant Other Observable Inputs (Level 2) (1)	Significant Unobservable Inputs (Level 3) (1)	Balance as of December 31, 2017
Derivative assets	$ —	$ 11	$ —	$ 11
Total assets	$ —	$ 11	$ —	$ 11

(1) During the year ended December 31, 2017, there were no transfers between Level 1 and Level 2, and there were no transfers into and/or out of Level 3.

Liabilities:	Quoted Prices in Active Markets for Identical Assets (Level 1) (1)	Significant Other Observable Inputs (Level 2) (1)	Significant Unobservable Inputs (Level 3) (1)	Balance as of December 31, 2017
Junior subordinated notes, at fair value	$ —	$ —	$ 8,121	$ 8,121
Total liabilities	$ —	$ —	$ 8,121	$ 8,121

(Dollars in thousands, except share and per share amounts)

When estimating the fair value of our Level 3 financial instruments, management uses various observable and unobservable inputs. These inputs include yields, credit spreads, duration, effective dollar prices and overall market conditions on not only the exact financial instrument for which management is estimating the fair value, but also financial instruments that are similar or issued by the same issuer when such inputs are unavailable. Generally, an increase in the yields, credit spreads or estimated duration will decrease the fair value of our financial instruments. Due to the inherent uncertainty of determining the fair value of investments that do not have a readily available market value, the fair value, as determined by management, may fluctuate from period to period and any ultimate liquidation or sale of the investment may result in proceeds that may be significantly different than fair value. For the fair value of our junior subordinated notes, at fair value, we estimate the fair value of these financial instruments using significant unobservable inputs. For the junior subordinated notes, at fair value, a discounted cash flow model was used as the valuation technique and the significant unobservable inputs as of December 31, 2018 include a discount rate of 27% and as of December 31, 2017 include discount rates ranging from 18.01% to 18.21%. The gains attributable to changes in instrument-specific credit risk were determined by discounting the future cash flows of the notes at base market interest rates and subtracting this amount from the total fair value of the instrument.

The following tables summarize additional information about assets and liabilities that are measured at fair value on a recurring basis for which we have utilized Level 3 inputs to determine fair value for the year ended December 31, 2018:

Liabilities	Junior Subordinated Notes, at Fair Value	Total Level 3 Liabilities
Balance, as of December 31, 2017	$ 8,121	$ 8,121
Change in fair value of financial instruments	(2,011)	(2,011)
Balance, as of December 31, 2018	$ 6,110	$ 6,110

The following tables summarize additional information about assets and liabilities that are measured at fair value on a recurring basis for which we have utilized Level 3 inputs to determine fair value for the year ended December 31, 2017:

Liabilities	Warrants and investor SARS	Junior Subordinated Notes, at Fair Value	Total Level 3 Liabilities
Balance, as of December 31, 2016	$ 30,400	$ 11,822	$ 42,222
Change in fair value of financial instruments	(9,900)	(3,701)	(13,601)
Settlement of liability	(20,500)	-	(20,500)
Balance, as of December 31, 2017	$ -	$ 8,121	$ 8,121

Non-Recurring Fair Value Measurements

As of December 31, 2018, we measured one of our real estate assets at a fair value of $5,100 in our consolidated balance sheets as it was impaired. The fair value was based on an executed purchase and sale agreement and the status of negotiations to sell the real estate asset and was classified within Level 2 of the fair value hierarchy. The significant input was the purchase price derived by the potential buyer.

As of December 31, 2018, we measured two of our real estate assets at a fair value of $37,200 as they were impaired. The fair values were based on appraisals received on the properties and were classified within Level 3 of the fair value hierarchy. The significant inputs were the terminal capitalization rate of 8.0% and discount rate of 9.50% for one of the assets and comparable sales of similar properties for the second asset.

As of December 31, 2017, we measured one of our real estate assets at a fair value of $32,948 as it was impaired. The fair value was based on our broker's opinion of fair value for the real estate asset and was classified within Level 3 of the fair value hierarchy. The significant inputs were the terminal capitalization rate of 7.25% and discount rate of 11.6%.

Our other non-recurring fair value measurements relate primarily to our commercial real estate loans that are considered impaired. In evaluating our impaired loans, we estimate the fair value of the underlying collateral of the respective commercial real estate loan and compare that fair value to our total investment in the loan. When estimating the fair value of the underlying collateral of the commercial real estate loan, management uses appraisals, broker opinions of value, discounted cash flow analyses and/or direct capitalization valuation analyses. The significant inputs to these valuations are capitalization rates and discount rates and are based on market information and comparable sales of similar properties. As of December 31, 2018, we measured the underlying collateral of

(Dollars in thousands, except share and per share amounts)

seven of our loans at a fair value of $68,358 in our consolidated balance sheet as they were impaired. As of December 31, 2017, we measured the underlying collateral of ten of our loans at a fair value of $119,220 in our consolidated balance sheet as they were impaired.

Fair Value of Financial Instruments

The following tables summarize the valuation technique and the level of the fair value hierarchy for financial instruments that are not recorded at fair value in the accompanying consolidated balance sheets but for which fair value is required to be disclosed. The fair value of cash and cash equivalents, restricted cash, secured credit facilities, CMBS facilities and commercial mortgage facilities and other indebtedness approximates cost due to the nature of these instruments and are not included in the tables below.

	Carrying Amount as of December 31, 2018	Estimated Fair Value as of December 31, 2018	Valuation Technique	Level in Fair Value Hierarchy
Total investment in mortgage loans, held for investment, net	$ 480,061	$ 444,962	Discounted cash flows	Three
Investment in mortgage loans, held for sale	4,873	4,873	Discounted cash flows	Three
7.625% senior notes	55,100	41,229	Trading price	Two
7.125% senior notes	64,997	58,010	Trading price	Two
Junior subordinated notes, at amortized cost	25,100	6,550	Discounted cash flows	Three
CDO notes payable, at amortized cost	116,102	94,513	Discounted cash flows	Three
CMBS securitizations	318,008	320,711	Discounted cash flows	Three
Loans payable on real estate	40,499	40,608	Discounted cash flows	Three

	Carrying Amount as of December 31, 2017	Estimated Fair Value as of December 31, 2017	Valuation Technique	Level in Fair Value Hierarchy
Total investment in mortgage loans, held for investment, net	$ 1,255,723	$ 1,252,780	Discounted cash flows	Three
7.0% convertible senior notes	833	533	Trading price	Two
4.0% convertible senior notes	106,800	103,457	Trading price	Two
7.625% senior notes	54,867	43,009	Trading price	Two
7.125% senior notes	67,474	61,567	Trading price	Two
Senior secured notes	11,063	11,197	Discounted cash flows	Three
Junior subordinated notes, at amortized cost	25,100	8,849	Discounted cash flows	Three
CDO notes payable, at amortized cost	254,724	196,212	Discounted cash flows	Three
CMBS securitizations	736,586	744,359	Discounted cash flows	Three
Loans payable on real estate	61,922	64,377	Discounted cash flows	Three
Other indebtedness	40,955	40,830	Discounted cash flows	Three

(Dollars in thousands, except share and per share amounts)

Change in Fair Value of Financial Instruments

The following table summarizes realized and unrealized gains and losses on assets and liabilities for which we elected the fair value option of FASB ASC Topic 825, "Financial Instruments" and derivatives as reported in change in fair value of financial instruments in the accompanying consolidated statements of operations:

Description	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Change in fair value of junior subordinated notes	$ (194)	$ 3,701
Change in fair value of derivatives	470	(179)
Change in fair value of warrants and investors SARs	—	9,900
Change in fair value of financial instruments	$ 276	$ 13,422

The change in the fair value for the junior subordinated notes for which the fair value option was elected for the year ended December 31, 2018 was primarily attributable to changes in base market interest rates. The change in the fair value for the junior subordinated notes for which the fair value option was elected for the year ended December 31, 2017 was primarily attributable to changes in base market interest rates and instrument specific credit risks. The changes in the fair value of derivatives for the years ended December 31, 2018 and 2017 was primarily due to changes in interest rates. The change in fair value of the warrants and investor SARs for the year ended December 31, 2017 was driven by the investor's exercise of a put right option with respect to such warrants and investor SARs. As a result, RAIT has no further obligations relating to warrants and investor SARS.

NOTE 8: VARIABLE INTEREST ENTITIES

The determination of when to consolidate a VIE is based on the power to direct the activities of the VIE that most significantly impact the VIE's economic performance together with either the obligation to absorb losses or the right to receive benefits that could be significant to the VIE. We evaluated our investments and determined that, as of December 31, 2018, our consolidated VIEs were: RAIT I, RAIT FL7, RAIT FL8, and the RAIT VIE Properties (Willow Grove and Cherry Hill). As of December 31, 2017, our consolidated VIEs included the aforementioned VIEs as well as RAIT II and the two ventures described in Note 5: Indebtedness (RAIT Venture VIEs).

We consolidate the securitizations that we sponsor for which we have retained interests in and control the significant decisions regarding the collateral in these entities, such as the approval of loan workouts. As of December 31, 2018, we consolidated the VIE properties as we own the entities that possess and control these properties and control the significant capital and operating decisions regarding the properties.

RAIT Financial Trust

Notes to Consolidated Financial Statements
As of December 31, 2018
(Dollars in thousands, except share and per share amounts)

The following table presents the assets and liabilities of our consolidated VIEs as of each respective date. Certain amounts included in the tables below are eliminated upon consolidation with our other subsidiaries that maintain investments in the debt or equity securities issued by these entities.

	As of December 31, 2018		
	RAIT Securitizations	RAIT VIE Properties	Total
Assets			
Investments in commercial mortgage loans, mezzanine loans and preferred equity interests	$ 561,101	$ —	$ 561,101
Investments in real estate	—	18,020	18,020
Cash and cash equivalents	—	209	209
Restricted cash	29,658	374	30,032
Accrued interest receivable	18,849	—	18,849
Other assets	153	3,854	4,007
Total assets	$ 609,761	$ 22,457	$ 632,218
Liabilities and Equity			
Indebtedness, net	$ 618,516	$ 19,495	$ 638,011
Accrued interest payable	1,534	5,883	7,417
Accounts payable and accrued expenses	74	3,315	3,389
Deferred taxes, borrowers' escrows and other liabilities	2	197	199
Total liabilities	620,126	28,890	649,016
Equity:			
Shareholders' equity:			
RAIT investment and Retained earnings (deficit)	(10,365)	(6,433)	(16,798)
Total shareholders' equity	(10,365)	(6,433)	(16,798)
Total liabilities and equity	$ 609,761	$ 22,457	$ 632,218

	As of December 31, 2017			
	RAIT Securitizations	RAIT VIE Properties	RAIT Venture VIE	Total
Assets				
Investments in commercial mortgage loans, mezzanine loans and preferred equity interests	$ 1,082,528	$ —	$ 349,924	$ 1,432,452
Investments in real estate	—	18,634	—	18,634
Cash and cash equivalents	—	283	92	375
Restricted cash	1,068	237	10	1,315
Accrued interest receivable	41,639	—	2,462	44,101
Other assets	16,860	3,954	—	20,814
Total assets	$ 1,142,095	$ 23,108	$ 352,488	$ 1,517,691
Liabilities and Equity				
Indebtedness, net	$ 1,034,750	$ 19,630	$ 354,835	$ 1,409,215
Accrued interest payable	1,869	5,356	1,111	8,336
Accounts payable and accrued expenses	23	3,274	—	3,297
Deferred taxes, borrowers' escrows and other liabilities	—	184	643	827
Total liabilities	1,036,642	28,444	356,589	1,421,675
Equity:				
Shareholders' equity:				
RAIT investment and Retained earnings (deficit)	105,453	(5,336)	(4,140)	95,978
Total shareholders' equity	105,453	(5,336)	(4,140)	95,977
Noncontrolling Interests	—	—	39	39
Total liabilities and equity	$ 1,142,095	$ 23,108	$ 352,488	$ 1,517,691

(Dollars in thousands, except share and per share amounts)

The assets of the VIEs can only be used to settle obligations of the VIEs and are not available to our creditors. The amounts that eliminate in consolidation include $93,445 of total investments in mortgage loans and $197,235 of indebtedness as of December 31, 2018 and $257,625 of total investments in mortgage loans, $370,351 of indebtedness as of December 31, 2017. We do not have any contractual obligation to provide the VIEs listed above with any financial support. We have not and do not intend to provide financial support to these VIEs that we were not previously contractually required to provide.

Deconsolidation of RAIT Venture VIEs and RAIT FL5 & RAIT FL6

On June 27, 2018, RAIT IV completed the sale of its FL5 Interests, as defined below, and FL6 Interests, as defined below (collectively, the Interests), to Melody RE II, LLC, or the FL Purchaser, for an aggregate purchase price of $54,632.

Prior to the sale, RAIT IV was the holder of:

- 60% of the units, or the FL5 Interests, of Holdings 2016, which controls RAIT – Melody 2016 Holdings Trust. This trust owned, at the time of sale, various classes of non-investment grade bonds and the equity of FL5 with the remaining 40% of the units of Holdings 2016 being held by affiliates of the FL Purchaser; and
- 60% of the units, or the FL6 Interests, of Holdings 2017, which controls RAIT – Melody 2017 Holdings Trust. This trust owned, at the time of sale, various classes of non-investment grade bonds and the equity of FL6 with the remaining 40% of the units of Holdings 2017 being held by affiliates of the FL Purchaser.

Holdings 2016 and Holdings 2017, have been referred to as the RAIT Venture VIEs. As a result of the sale, RAIT is no longer the primary beneficiary of the RAIT Venture VIEs, FL5 or FL6. Therefore, RAIT deconsolidated those entities as of June 27, 2018.

The following table summarizes the effects of deconsolidating the RAIT Venture VIEs, RAIT FL5 and RAIT FL6 from our balance sheet as of June 27, 2018:

	As of June 27, 2018
Assets	
Commercial mortgage loans, mezzanine loans, and preferred equity interests	$ 266,502
Cash and cash equivalents	189
Restricted cash	22,569
Accrued interest receivable	1,191
Other assets	1,233
Total assets	$ 291,684
Liabilities	
Indebtedness, net	$ 205,137
Accrued interest payable	502
Accounts payable and accrued expenses	45
Borrowers' escrows	22,549
Deferred taxes and other liabilities	531
Total liabilities	228,764
Equity:	
Stockholders' equity:	
Noncontrolling interests	111
Total liabilities and equity	$ 228,875
RAIT IV's net investment in RAIT FL5 & RAIT FL6	$ 62,809
Purchase price for RAIT IV's FL5 Interests & FL6 Interests	54,632
Loss on deconsolidation of RAIT Venture VIEs, RAIT FL5 & RAIT FL6	$ (8,177)

NOTE 9: SERIES D PREFERRED SHARES

On October 1, 2012, we entered into a Securities Purchase Agreement, or the purchase agreement, with ARS VI Investor I, LLC, or the investor, an affiliate of Almanac Realty Investors, LLC, or Almanac. During the period from the effective date of the purchase agreement through March 2014, we sold to the investor on a private placement basis in four separate sales between October 2012 and March 2014 for an aggregate purchase price of $100,000, or the total commitment, the following securities: (i) 4,000,000 of our Series D Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share, or the Series D preferred shares, (ii) common share purchase warrants, or the warrants, initially exercisable for 9,931,000 of our common shares, or the common shares, and (iii) common share appreciation rights, or the investor SARs, with respect to 6,735,667 common shares. We have subsequently repurchased a number of Series D preferred shares in transactions described below. We purchased and cancelled the warrants and the investor SARs in October 2017 pursuant to the investor's exercise of put rights described below. We used the proceeds received under the purchase agreement to fund our loan origination and investment activities, including CMBS and bridge lending.

We are subject to covenants under the purchase agreement when the investor and its permitted transferees hold specified amounts of the securities issuable under the purchase agreement. These covenants include defined leverage limits on defined financing assets. In addition, commencing on the first draw down and for so long as the investor and its affiliates which are permitted transferees continue to own at least 10% of the outstanding Series D preferred shares or warrants and common shares issued upon exercise of the warrants representing at least 5% of the aggregate amount of common shares issuable upon exercise of the warrants actually issued, the board will include one person designated by the investor. This right is held only by the investor and is not transferable by it. The investor designated Andrew M. Silberstein to serve on our board. The covenants also include our agreement not to declare any extraordinary dividend except as otherwise required for us to continue to satisfy the requirements for qualification and taxation as a REIT. An extraordinary dividend is defined as any dividend or other distribution (a) on common shares other than regular quarterly dividends on the common shares or (b) on our preferred shares other than in respect of dividends accrued in accordance with the terms expressly applicable to the preferred shares.

The Series D preferred shares initially bore a cash coupon rate of 7.5%, which increased to 8.5% on October 1, 2015, and increases again on October 1, 2018 and each anniversary thereafter by 50 basis points. They rank on parity with our existing outstanding preferred shares. Their liquidation preference was equal to $26.25 per share to October 1, 2017 and $25.00 per share thereafter. In defined circumstances, the Series D preferred shares are exchangeable for Series E Cumulative Redeemable Preferred Shares of Beneficial Interest, par value $0.01 per share, or the Series E preferred shares. The rights and preferences of the Series E preferred shares will be similar to those of the Series D preferred shares except, among other differences, the Series E preferred shares will be mandatorily redeemable upon a change of control, will have no put right, will not have the right to designate one trustee to the board except in the event of a payment default under the Series E preferred shares, and have defined registration rights.

We had the right in limited circumstances to redeem the Series D preferred shares prior to the October 1, 2017 at a redemption price of $26.25 per share. From and after October 1, 2017, we may redeem all or a portion of the Series D preferred shares at any time at a redemption price of $25.00 per share. We may satisfy all or a portion of the redemption price for an optional redemption with an unsecured promissory note, or a preferred note, with a maturity date of 180 days from the applicable redemption date. From and after the occurrence of a defined mandatory redemption triggering event, each holder of Series D preferred shares may elect to have all or a portion of such holder's Series D preferred shares redeemed by us. These shares could be redeemed at a redemption price of $26.25 per share prior to October 1, 2017 and $25.00 per share on or after October 1, 2017. We may satisfy all or a portion of the redemption price for certain of the mandatory redemption triggering events with a note. The purchase agreement and certain related documents provide for a subsidiary of RAIT to use the first $38,941 of net proceeds (other than defined CMBS net proceeds) from the sale, transfer, repayment or other disposition of investments held by the subsidiary on the date of disposition from and after October 1, 2017 and defined CMBS net proceeds from and after October 1, 2019 to engage in transactions resulting in the redemption of Series D preferred shares on a dollar-for-dollar basis provided such redemptions are otherwise permitted. Each case is at a redemption price of $25.00 per share. All amounts paid in connection with liquidation or for all redemptions of the Series D preferred shares must also include all accumulated and unpaid dividends to, but excluding, the redemption date.

In September 2015, we amended the purchase agreement with Almanac related to the Series D preferred shares. This amendment changed two of the covenants therein. As consideration for this amendment, we paid Almanac $450. We accounted for this amendment as a modification of the Series D preferred shares.

(Dollars in thousands, except share and per share amounts)

On December 7, 2016, we entered into a securities repurchase agreement with the investor whereby we agreed to repurchase and cancel 464,000 Series D preferred shares at par for a purchase price of $11,600 which resulted in a decrease from 4,000,000 Series D preferred shares issued and outstanding to 3,536,000 Series D preferred shares issued and outstanding.

On June 22, 2017, we entered into a securities repurchase agreement with the investor whereby we agreed to repurchase and cancel 402,280 Series D preferred shares at par for a purchase price of $10,057 which resulted in a decrease from 3,536,000 Series D preferred shares issued and outstanding to 3,133,720 Series D preferred shares issued and outstanding.

On March 19, 2018, we redeemed and cancelled 194,530 Series D preferred shares at par for a purchase price of $4,863 which resulted in a decrease from 3,133,720 preferred units of RAIT IV and RAIT's corresponding Series D preferred shares issued and outstanding to 2,939,190 preferred units of RAIT IV and RAIT's corresponding Series D preferred shares issued and outstanding.

As discussed in Note 1: The Company, on June 27, 2018, we entered into a Redemption and Exchange Agreement with the Investor whereby we redeemed and cancelled the remaining 2,939,190 preferred units of RAIT IV and RAIT's corresponding Series D preferred shares for $56,765 of cash received by RAIT IV from the sale of the Interests, defined available cash held by RAIT IV and $16,715 of liquidation preference of RAIT's publicly traded Series A preferred shares, Series B preferred shares and Series C preferred shares. Accordingly, the Investor received 383,147 of RAIT's Series A preferred shares, 167,828 of RAIT's Series B preferred shares, and 117,605 of RAIT's Series C preferred shares. In addition, RAIT paid the Investor an exchange fee of $418. The Redemption and Exchange Agreement also provided for the termination of the Securities Purchase Agreement and mutual releases between RAIT and the Investor of the previously reported dispute between the two parties.

This transaction is accounted for as an extinguishment of Series D preferred shares of RAIT and issuance of Series A, Series B and Series C preferred shares, in each case, of RAIT. Accordingly, the difference between the fair value of the consideration transferred to the Investor (i.e., cash and RAIT's Series A, Series B and Series C preferred shares) and the carrying amount of the Series D preferred shares that were redeemed and exchanged represents a return from the Investor. The following table summarizes the transaction:

Liquidation preference of Series D preferred shares of RAIT prior to June 27, 2018			$ 73,480
Cash received for sale of RAIT IV's interests in Holdings 2016 and Holdings 2017	$ 54,632		
Defined available cash held by RAIT IV	2,133		
Total par amount of Series D preferred shares of RAIT redeemed	$ 56,765		
Fair value of Series A preferred shares of RAIT issued in exchange	2,498	(1)	
Fair value of Series B preferred shares of RAIT issued in exchange	1,091	(2)	
Fair value of Series C preferred shares of RAIT issued in exchange	776	(3)	
Total fair value of Series A, Series B and Series C preferred shares exchanged	$ 4,365		
Cash exchange fee	$ 418		
Total consideration transferred in redemption and exchange			$ 61,548
Net increase to equity as a result of redemption			$ 11,932

(1) Represents the fair value of 383,147 shares of Series A preferred that were issued to the Investor. The fair value is based upon $6.52 per share, which was the closing price of the Series A preferred shares on June 27, 2018.
(2) Represents the fair value of 167,828 shares of Series B preferred that were issued to the Investor. The fair value is based upon $6.50 per share, which was the closing price of the Series B preferred shares on June 27, 2018.
(3) Represents the fair value of 117,605 shares of Series C preferred that were issued to the Investor. The fair value is based upon $6.60 per share, which was the closing price of the Series C preferred shares on June 27, 2018.

On October 11, 2017, we received a put right notice from the Investor exercising the Investor's right to require us to purchase for $20,500 all the previous warrants and Investor SARs. On October 17, 2017, RAIT purchased all of the warrants and Investor

SARs. As a result, RAIT had no further obligations beyond October 17, 2017 relating to the warrants and Investor SARs and none remain outstanding, respectively, as of that date.

NOTE 10: SHAREHOLDERS' EQUITY

Preferred Shares

In 2004, we issued 2,760,000 shares of our 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest, or Series A Preferred Shares. The Series A Preferred Shares accrue cumulative cash dividends at a rate of 7.75% per year of the $25.00 liquidation preference, equivalent to $1.9375 per year per share. Subject to the board's declaration of a dividend, dividends are payable quarterly in arrears at the end of each March, June, September and December. The Series A Preferred Shares have no maturity date, and we are not required to redeem the Series A Preferred Shares at any time. On or after March 19, 2009, we may, at our option, redeem the Series A Preferred Shares, in whole or part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

In 2004, we issued 2,258,300 shares of our 8.375% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, or Series B Preferred Shares. The Series B Preferred Shares accrue cumulative cash dividends at a rate of 8.375% per year of the $25.00 liquidation preference, equivalent to $2.09375 per year per share. Subject to the board's declaration of a dividend, dividends are payable quarterly in arrears at the end of each March, June, September and December. The Series B Preferred Shares have no maturity date, and we are not required to redeem the Series B Preferred Shares at any time. On or after October 5, 2009, we may, at our option, redeem the Series B Preferred Shares, in whole or part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

In 2007, we issued 1,600,000 shares of our 8.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, or the Series C Preferred Shares, in a public offering at an offering price of $25.00 per share. The Series C Preferred Shares accrue cumulative cash dividends at a rate of 8.875% per year of the $25.00 liquidation preference and subject to the board's declaration of a dividend, dividends are paid on a quarterly basis. The Series C Preferred Shares have no maturity date, and we are not required to redeem the Series C Preferred Shares at any time. We may not redeem the Series C Preferred Shares before July 5, 2012, except for the special optional redemption to preserve our tax qualification as a REIT. On or after July 5, 2012, we may, at our option, redeem the Series C Preferred Shares, in whole or part, at any time and from time to time, for cash at $25.00 per share, plus accrued and unpaid dividends, if any, to the redemption date.

At Market Issuance Sales Agreements (ATM):

On June 13, 2014, we entered into an At Market Issuance Sales Agreement, or the 2014 Preferred ATM agreement, with MLV & Co. LLC, or MLV, providing that, from time to time during the term of the 2014 Preferred ATM agreement, on the terms and subject to the conditions set forth therein, we may issue and sell through MLV, up to $150,000 aggregate amount of preferred shares. With respect to each series of preferred shares, the maximum amount issuable is as follows: 4,000,000 Series A Preferred Shares, 1,000,000 Series B Preferred Shares, and 1,000,000 Series C Preferred Shares. Unless the 2014 Preferred ATM agreement is earlier terminated by MLV or us, the 2014 Preferred ATM agreement automatically terminates upon the issuance and sale of all of the Series A Preferred Shares, Series B Preferred Shares, and Series C Preferred Shares subject to the 2014 Preferred ATM agreement. During the period from the effective date of the 2014 Preferred ATM agreement through December 31, 2016, pursuant to the 2014 Preferred ATM agreement, we issued a total of 1,275,065 Series A Preferred Shares at a weighted-average price of $23.50 per share and received $29,109 of net proceeds. We also issued a total of 52,504 Series B Preferred Shares at a weighted-average price of $23.65 per share and received $1,203 of net proceeds and 325 Series C Preferred Shares at a weighted-average price of $22.90 and received $7 of net proceeds. No shares were issued under this agreement in 2017. As of December 31, 2018, 2,724,935, 947,496, and 999,675 Series A Preferred Shares, Series B Preferred Shares, and Series C Preferred Shares, respectively, remain available for issuance under the 2014 Preferred ATM agreement.

Common Shares

Dividends:

RAIT's Board determined that it would suspend the dividend on RAIT's outstanding common shares on November 1, 2017. The Board considers dividends on a quarterly basis.

During the year ended December 31, 2018, we paid $156 of dividends on restricted common share awards that vested in each respective period. These dividends were declared during the vesting period but remained forfeitable prior to vesting and became payable upon vesting in accordance with the terms of these awards.

Dividend Reinvestment and Share Purchase Plan (DRSPP):

We have a dividend reinvestment and share purchase plan, or DRSPP, under which we registered and reserved for issuance, in the aggregate, 210,000 common shares, which has been adjusted for the Reverse Stock Split. During the year ended December 31, 2018, we issued a total of zero common shares. As of December 31, 2018, 154,783 common shares, in the aggregate, remain available for issuance under the DRSPP.

Capital on Demand™ Sales Agreement (COD):

On November 21, 2012, we entered into a Capital on Demand™ Sales Agreement, or the COD sales agreement, with JonesTrading Institutional Services LLC, or JonesTrading, pursuant to which we may issue and sell up to 200,000 of our common shares, which has been adjusted for the reverse stock split, from time to time through JonesTrading acting as agent and/or principal, subject to the terms and conditions of the COD sales agreement. Unless the COD sales agreement is earlier terminated by JonesTrading or us, the COD sales agreement automatically terminates upon the issuance and sale of all of the common shares subject to the COD sales agreement. During the year ended December 31, 2018, we did not issue any common shares pursuant to this agreement. As of December 31, 2018, while 158,378 common shares, in the aggregate, which has been adjusted for the Reverse Stock Split, had not been issued under the COD sales agreement, we would need to register them for sale under the Securities Act of 1933, as amended, prior to issuing any such securities.

Shareholders' Equity Attributable to Common Shares:

As of December 31, 2018, total shareholders' equity attributable to common shares was a deficit of $181,352.

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Dividends

The following tables summarize the dividends we declared or paid during the years ended December 31, 2018 and 2017:

	March 31, 2018	For the Year Ended December 31, 2018
Series A Preferred Shares		
Date declared	3/13/2018	
Record date	3/23/2018	
Date paid	3/30/2018	
Total dividend amount	$ 2,589	$ 2,589
Series B Preferred Shares		
Date declared	3/13/2018	
Record date	3/23/2018	
Date paid	3/30/2018	
Total dividend amount	$ 1,225	$ 1,225
Series C Preferred Shares		
Date declared	3/13/2018	
Record date	3/23/2018	
Date paid	3/30/2018	
Total dividend amount	$ 910	$ 910
Series D Preferred Shares		
Date declared	3/13/2018	
Record date	3/23/2018	
Date paid	3/30/2018	
Total dividend amount	$ 1,665	$ 1,665

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	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	For the Year Ended December 31, 2017
Series A Preferred Shares					
Date declared	2/15/2017	5/18/2017	8/2/2017	11/2/2017	
Record date	3/1/2017	6/1/2017	9/1/2017	12/1/2017	
Date paid	3/31/2017	6/30/2017	10/2/2017	1/2/2018	
Total dividend amount	$ 2,589	$ 2,589	$ 2,589	$ 2,589	$ 10,356
Series B Preferred Shares					
Date declared	2/15/2017	5/18/2017	8/2/2017	11/2/2017	
Record date	3/1/2017	6/1/2017	9/1/2017	12/1/2017	
Date paid	3/31/2017	6/30/2017	10/2/2017	1/2/2018	
Total dividend amount	$ 1,225	$ 1,225	$ 1,225	$ 1,225	$ 4,900
Series C Preferred Shares					
Date declared	2/15/2017	5/18/2017	8/2/2017	11/2/2017	
Record date	3/1/2017	6/1/2017	9/1/2017	12/1/2017	
Date paid	3/31/2017	6/30/2017	10/2/2017	1/2/2018	
Total dividend amount	$ 910	$ 910	$ 910	$ 910	$ 3,640
Series D Preferred Shares					
Date declared	2/15/2017	5/18/2017	8/2/2017	11/2/2017	
Record date	3/1/2017	6/1/2017	9/1/2017	12/1/2017	
Date paid	3/31/2017	6/30/2017	9/29/2017	12/28/2017	
Total dividend amount	$ 1,879	$ 1,879	$ 1,665	$ 1,665	$ 7,088
Common shares					
Date declared	5/02/2017	8/02/2017	N/A	N/A	
Record date	5/26/2017	8/25/2017	N/A	N/A	
Date paid	6/15/2017	9/15/2017	N/A	N/A	
Dividend per share	$ 0.09	$ 0.05	$ —	$ —	$ 0.14
Total dividend declared	$ 8,220	$ 4,574	$ —	$ —	$ 12,794

On December 7, 2016, we entered into a securities repurchase agreement whereby we agreed to repurchase and cancel 464,000 Series D preferred shares. The Series D Preferred Shares $2,125 total dividend declared on November 2, 2016 with a record date of December 1, 2016 included a $246 payment on December 7, 2016 and $1,879 payment on January 3, 2017.

On June 22, 2017, we entered into a securities repurchase agreement whereby we agreed to repurchase and cancel 402,280 Series D preferred shares. The Series D Preferred Shares had a $1,879 total dividend declared on May 18, 2017 with a record date of June 1, 2017 which included a $214 payment on June 23, 2017 and a $1,665 payment on June 30, 2017.

On March 13, 2018, our board of trustees declared a first quarter 2018 cash dividend of $0.484375 per share on our 7.75% Series A Preferred Shares, $0.5234375 per share on our 8.375% Series B Preferred Shares and $0.5546875 per share on our 8.875% Series C Preferred Shares, and $0.5312500 per share on our Series D Preferred Shares. The dividends were paid on April 2, 2018 to holders of record on March 23, 2018.

On March 19, 2018, we redeemed and cancelled 194,530 Series D preferred shares. The Series D Preferred Shares had a $1,665 total dividend declared on March 13, 2018 with a record date of March 23, 2018 which included a $103 payment on March 19, 2018 and a $1,562 payment on March 30, 2018.

As discussed in Note 9: Series D Preferred Shares, on June 27, 2018, we redeemed and cancelled the remaining 2,939,190 preferred units of RAIT IV and RAIT's corresponding Series D preferred shares for $56,765 of cash received by RAIT IV from the sale of the Interests, defined available cash held by RAIT IV and $16,715 of liquidation preference of RAIT's publicly traded Series A preferred shares, Series B preferred shares, and Series C preferred shares (383,147 of Series A preferred shares, 167,828 of Series B

preferred shares and 117,605 of Series C preferred shares). Upon issuance, the Series A preferred shares had a fair value of $2,498, the Series B preferred shares had a fair value of $1,091 and the Series C preferred shares had a fair value of $776, based on the closing prices of the respective shares on June 27, 2018.

In the second quarter of 2018, the Board elected not to declare a dividend on RAIT's Series A, B and C preferred shares and has not declared a dividend since. The Board considers dividends on a quarterly basis. As of December 31, 2018, $15,188 of dividends on these shares were unpaid and in arrears. These dividends in arrears are included in (income) loss allocated to preferred shares on our consolidated statements of operations since they represent a claim on earnings superior to common shareholders, but have not been accrued as a liability since they have not been declared.

Noncontrolling Interests

RAIT Venture VIEs:

During the year ended December 31, 2018, the 2017 RAIT Venture VIE, which elected to be taxed as a REIT and that was formed in 2017 to hold the junior subordinated notes of FL-6, sold 125 preferred shares of the 2017 RAIT Venture VIE to unaffiliated purchasers. The price was $1,000 per share and the 2017 RAIT Venture VIE received $76 of net proceeds. During the year ended December 31, 2018, we distributed $15 to the non-controlling interest holders of the RAIT Venture VIEs. Refer to Note 2: Summary of Significant Accounting Policies, (n) Income Taxes, and Note 5: Indebtedness for further discussion about these entities.

On June 27, 2018, RAIT IV, a subsidiary of RAIT, completed the sale of its FL5 Interests and FL6 Interests to Melody RE II, LLC. As a result of the sale, we deconsolidated the RAIT Venture VIEs which resulted in the derecognition of $111 of noncontrolling interests related to the RAIT Venture VIEs. See Note 8: Variable Interest Entities for more information regarding this transaction.

Deconsolidation of South Terrace:

On June 30, 2017, we sold our membership interest in South Terrace, a multifamily real estate property, to a subsidiary of IRT for $42,950 of cash and limited partnership units. The limited partnership units, which had a value of $1,654, were issued to our previous noncontrolling interest holders in South Terrace. This transaction resulted in the distribution of $1,618 of our noncontrolling interests. Refer to Note 14: Related Party Transactions for further discussion.

Acquisition of noncontrolling interests related to PlazAmericas Mall:

On March 16, 2018, we acquired the noncontrolling interests related to PlazAmericas Mall, a retail real estate property, for $343, including transaction costs. These noncontrolling interests had a carrying amount of $3,582. As we previously held a controlling financial interest in PlazAmericas Mall, we accounted for the acquisition of the noncontrolling interests as an equity transaction.

NOTE 11: SHARE-BASED COMPENSATION AND EMPLOYEE BENEFITS

Within this footnote, all share and per-share amounts have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented herein.

In 2017, the RAIT Financial Trust 2017 Incentive Award Plan, or the 2017 IAP, that provides for the grants of awards to employees, non-employee trustees, and consultants of RAIT, was amended and restated to increase the maximum aggregate number of common shares that may be issued from 80,000 to 150,000.

On March 31, 2015, the compensation committee adopted a 2015 Annual Incentive Compensation Plan, or the annual cash bonus plan setting forth the basis on which target cash bonus awards are earned. In addition, on March 31, 2015, the compensation committee adopted a 2015 Long Term Incentive Plan, or the 2015 LTIP, setting forth the basis on which the eligible officers could earn equity compensation that was directly linked to long-term performance. Pursuant to the 2015 LTIP, equity awards to eligible officers will consist of performance share unit (PSU) awards issued at the conclusion of a three year performance period based on

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RAIT's performance relative to three long-term performance metrics established by the compensation committee. The 2015 LTIP was adopted pursuant to our 2012 IAP.

The LTIP is an equity program whereby long-term performance awards are granted each year and earned based on our performance over a three year period. Compensation awarded under the LTIP has been based on predefined performance for 75% of the Award. Performance measures and weighting for the performance component of those awards was based on objective performance measures relating to the total shareholder return (stock price appreciation plus aggregate dividends or TSR). The remaining 25% of the compensation award was time-based vesting over three years.

In March 2018, the special committee approved a 2018 Retention and Performance Incentive Plan, or the 2018 Incentive Plan, pursuant to the Annual Cash Bonus Plan for RAIT's two current executive officers. The 2018 Incentive Plan with executive officers did not rely on equity-based compensation due to the low trading price of our common shares. The 2018 Incentive Plan was comprised of three components as follows: i) 50% of the target cash bonus award was based on a retention component; ii) 37.5% was based on the achievement of Performance Incentive Plan, or PIP, milestones; and iii) 12.5% was based on a discretionary pool. The PIP milestone amounts were based on i) expected contribution to the achievement of the four specific milestones and ii) historical total compensation. The discretionary pool was administered consistent with historical practice determine and approved by the compensation committee.

As of December 31, 2018, 77,681 common shares are available for issuance under the amended and restated 2012 IAP.

A summary of the SARs activity of the 2012 IAP is presented below.

	2018		2017	
	SARs	Weighted Average Exercise Price	SARs	Weighted Average Exercise Price
Outstanding, January 1,	72,859	$ 284.11	81,020	$ 303.07
Granted	—	—	16,650	189.00
Expired	(34,737)	323.52	(20,081)	306.01
Exercised	—	—	(1,166)	119.00
Forfeited	(9,695)	169.91	(3,563)	201.23
Outstanding, December 31,	28,427	$ 274.90	72,859	$ 284.11
SARs exercisable at December 31,	21,379	310.33	41,888	346.46

As of December 31, 2018, our closing common stock price was $0.56, which was less than the exercise prices of all exercisable SARs. Therefore, the total intrinsic value of SARs outstanding and exercisable at December 31, 2018 was $0. As of December 31, 2018, the unrecognized compensation cost relating to unvested SARs was $107.

The weighted average grant date fair values of the SARs and the assumptions used in computing those fair values at the dates of their respective awards, using the Black-Scholes Option Pricing Model, were as follows:

	2017
Weighted average grant date fair value	$ 38.00
Stock Price	189.00
Strike Price	189.00
Risk-free interest rate	1.6%
Dividend yield	9.5%
Volatility	43%
Expected term	3.5 years

The stock price used was based on the closing price on the date of the award. The strike price used is the strike price in the respective SAR awards, which was based on the closing price on the date of the award. The risk free rate represents the U.S. Treasury

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rate for the 5 year term of the SARs. The dividend yield was the dividend yield at the time of the SAR awards. In estimating volatility, management used recent historical volatility as a proxy for expected future volatility.

The following table summarizes information about the SARs outstanding and exercisable as of December 31, 2018:

	SARs Outstanding		SARs Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted Average Remaining Contractual Life	Number Exercisable	Weighted Average Remaining Contractual Life
$119.00—414.50	28,427	1.6 years	21,379	1.3 years

A summary of the restricted common share awards of the 2012 IAP and 2015 LTIP as of December 31, 2018 and 2017 is presented below.

	2018		2017	
	Number of Shares	Weighted Average Grant Date Fair Value Per Share	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Balance, January 1,	24,930	$ 177.96	21,584	$ 200.00
Granted	—	—	22,986	159.06
Vested	(10,115)	197.87	(14,044)	189.40
Forfeited	(7,954)	163.62	(5,596)	173.73
Balance, December 31,	6,861	$ 165.38	24,930	$ 177.96

As of December 31, 2018, the unrecognized compensation cost relating to unvested restricted common share awards was $241. The estimated fair value of restricted common share awards vested during 2018 and 2017 was $113 and $1,392, respectively.

The following table summarizes the PSUs granted for the year ended December 31, 2017:

Grant Date	Type of PSUs Granted	Number of PSUs Granted	Performance Period Commencement Date	Performance Period End Date	Grant Date Fair Value	Number of PSUs Outstanding as of December 31, 2018
April 26, 2017	3-Year TSR vs NAREIT Mortgage Index	3,017	January 1, 2017	December 31, 2019	$ 59.00	318
April 26, 2017	Absolute 3-Year TSR	3,017	January 1, 2017	December 31, 2019	$ 45.00	318
June 22, 2017	3-Year TSR vs NAREIT Mortgage Index	3,664	January 1, 2017	December 31, 2019	$ 11.50	-
June 22, 2017	Absolute 3-Year TSR	3,664	January 1, 2017	December 31, 2019	$ 7.50	-

Our assumptions used in computing the fair value of the PSUs at the dates of their respective awards, using the Monte Carlo method, were as follows:

	2017 a)		2017 b)	
Dividend yield	10.7%	c)	14.5%	e)
Volatility	41.0%	d)	39.0%	f)
Expected term	2.7 years		2.5 years	

a) These represent the assumptions of the 2017 PSUs that had a grant date of April 26, 2017.
b) These represent the assumptions of the 2017 PSUs that had a grant date of June 22, 2017.
c) This represents the dividend yield assumption used for RAIT. The dividend yield assumptions used for our peer group and the NAREIT Mortgage Index ranged from 0% to 17.4%.
d) This represents the volatility assumption used for RAIT. The volatility assumptions used for our peer group and the NAREIT Mortgage Index ranged from 15% to 47%.

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e) This represents the dividend yield assumption used for RAIT. The dividend yield assumptions used for our peer group and the NAREIT Mortgage Index ranged from 0% to 18.8%.

f) This represents the volatility assumption used for RAIT. The volatility assumptions used for our peer group and the NAREIT Mortgage Index ranged from 15% to 35%.

RAIT estimates future expenses associated with PSUs outstanding at December 31, 2018 to be $15, which will be recognized over a weighted-average period of 2.0 years.

During the year ended December 31, 2018, we recorded income of $58 associated with our share based compensation which included reversing $571 of expense related to unvested PSUs related to the resignation of executive officers. During the year ended December 31, 2017, we recorded $2,612 associated with our share based compensation.

Employee Benefits

401(k) Profit Sharing Plan

We maintain a 401(k) profit sharing plan, or the RAIT 401(k) Plan, for the benefit of our eligible employees. The RAIT 401(k) Plan offers eligible employees the opportunity to make long-term investments on a regular basis through salary contributions, which are supplemented by our matching cash contributions and potential profit sharing payments. We provide a cash match of the employee contributions up to 4% of employee compensation, which is capped at limits set by the Internal Revenue Service, or IRS, and may pay an additional 2% of eligible compensation as discretionary cash profit sharing payments.

During the years ended December 31, 2018 and 2017, we recorded $244 and $376 of contributions which is included in compensation expense on the accompanying consolidated statements of operations. During the years ended December 31, 2018 and 2017, we did not make any discretionary cash profit sharing contributions.

NOTE 12: EARNINGS (LOSS) PER SHARE

The following table presents a reconciliation of basic and diluted earnings (loss) per share for the two years ended December 31, 2018:

	For the Year Ended December 31,	
	2018	2017
Income (loss)	$ (123,458)	$ (151,803)
(Income) loss allocated to preferred shares	(9,662)	(32,816)
(Income) loss allocated to noncontrolling interests	—	(76)
Net income (loss) allocable to common shares	$ (133,120)	$ (184,695)
Weighted-average shares outstanding—Basic (1)	1,839,544	1,828,778
Weighted-average shares outstanding—Diluted (1)	1,839,544	1,828,778
Earnings (loss) per share—Basic:		
Earnings (loss) per share—Basic	$ (72.37)	$ (100.99)
Earnings (loss) per share—Diluted:		
Earnings (loss) per share—Diluted	$ (72.37)	$ (100.99)

(1) All share and per-share amounts have been retroactively adjusted to reflect the Reverse Stock Split for all periods presented herein.

For the years ended December 31, 2018 and 2017, securities convertible into 12,171 and 277,340 common shares, respectively, were excluded from the earnings (loss) per share computations because their effect would have been anti-dilutive.

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NOTE 13: INCOME TAXES

RAIT and TRFT have elected to be taxed as REITs under Sections 856 through 860 of the Internal Revenue Code. In February 2016 and January 2017, in conjunction with the ventures described in Note 5: Indebtedness and Note 8: Variable Interest Entities, we created two new entities that elected to be taxed as a REIT. These entities held the FL-5 and FL-6 junior notes for the aforementioned ventures, respectively. As discussed in Note 1: The Company, we completed the sale of our interests in the RAIT Venture VIEs on June 27, 2018, and, as a result, the purchaser is responsible for their REIT compliance from and after that date.

To maintain qualification as a REIT, we must meet certain organizational and operational requirements, including a requirement to distribute at least 90% of our ordinary taxable income to shareholders. We generally will not be subject to U.S. federal income tax on taxable income that is distributed to our shareholders. If our REIT entities fail to qualify as REITs in any taxable year, we will then be subject to U.S. federal income taxes on our taxable income at regular corporate rates, and we will not be permitted to qualify for treatment as a REIT for U.S. federal income tax purposes for four years following the year during which qualification is lost unless the Internal Revenue Service grants relief under certain statutory provisions. Such an event could materially adversely affect our net income and cash available for dividends to shareholders. However, we believe that each of our REIT entities will be organized and operated in such a manner as to qualify for treatment as a REIT and intend to operate in the foreseeable future in a manner so that each will qualify as a REIT. We may be subject to certain state and local taxes.

For the year ended December 31, 2018, 100% of dividends were characterized as a return of capital. For the year ended December 31, 2017, 10% of dividends were characterized as ordinary income, 90% as a return of capital.

The components of the provision for income taxes as it relates to our taxable income from domestic TRSs during the years ended December 31, 2018 and 2017 includes the effects of our performance of a portion of TRS services in a foreign jurisdiction that does not incur income taxes.

Certain TRS entities are domiciled in the Cayman Islands and, accordingly, taxable income generated by these entities may not be subject to local income taxation, but generally will be included in our income on a current basis as SubPart F income, whether or not distributed. Upon distribution of any previously included SubPart F income by these entities, no incremental U.S. federal, state, or local income taxes would be payable by us. Accordingly, no provision for income taxes has been recorded for these foreign TRS entities for the years ended December 31, 2018 and 2017.

The components of the income tax benefit (provision) as it relates to our taxable income (loss) from domestic and foreign TRSs during the years ended December 31, 2018 and 2017 were as follows:

	For the Year Ended December 31, 2018			
	Federal	State and Local	Foreign	Total
Current benefit (provision)	$ 206	$ (172)	$ —	$ 34
Deferred benefit (provision)	(220)	—	—	(220)
Income tax benefit (provision)	$ (14)	$ (172)	$ —	$ (186)

	For the Year Ended December 31, 2017			
	Federal	State and Local	Foreign	Total
Current benefit (provision)	$ 64	$ 220	$ —	$ 284
Deferred benefit (provision)	583	(6)	—	577
Income tax benefit (provision)	$ 647	$ 214	$ —	$ 861

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A reconciliation of the income tax benefit (provision) based upon the statutory tax rates of 21% in 2018, and 35% in 2017, respectively, to the effective rates of our taxable REIT subsidiaries is as follows for the respective periods:

	For the Years Ended December 31	
	2018	2017
Federal tax at statutory tax rate	$ 25,887	$ 53,434
Adjustment for non-taxable earnings for RAIT Financial Trust	(25,620)	(46,209)
Subtotal: Federal statutory rate of TRS	267	7,224
State statutory, net of federal benefit	—	214
Loss limited by ownership change	(640)	(18,795)
Change in valuation allowance	418	16,746
Permanent items	(21)	(2,924)
Change in Tax Rate	(38)	(1,668)
Provision to return adjustments	(172)	64
Other	—	—
Income tax benefit (provision)	$ (186)	$ 861

Significant components of our deferred tax assets (liabilities), at our TRSs, are as follows as of December 31, 2018 and 2017:

Deferred tax assets (liabilities):	As of December 31, 2018	As of December 31, 2017
Net operating losses, at TRSs	$ 1,647	$ —
Capital losses	—	—
Unrealized losses	—	—
Other	708	2,322
Total deferred tax assets	2,355	2,322
Valuation allowance	(2,328)	(1,778)
Net deferred tax assets	$ 27	$ 544
Identified intangibles	—	—
Advances	—	—
Accrued interest	—	—
Other	(57)	(91)
Deferred tax (liabilities)	(57)	(91)
Net deferred tax assets (liabilities)	$ (30)	$ 454

Federal and State tax laws impose substantial restrictions on the utilization of net operating loss and credit carryforwards in the event of an “ownership change” for tax purposes, as defined in Section 382 of the Internal Revenue Code. During the period ended December 31, 2018, we conducted an analysis to determine whether such an ownership change had occurred due to significant stock transactions that occurred during that period. The analysis indicated that an ownership change occurred on June 27, 2018, which results in a de minimis annual limitation on our net operating loss carryforwards generated prior to June 27, 2018 for our TRS entities. Accordingly, we have reduced our net operating loss and capital loss carryforwards for the period prior to June 27, 2018 for our TRS entities as there is no ability to utilize them as a result of the annual limitations employed. In recording this entry, we reduced gross DTAs for net operating loss carryforwards by $640 and recorded a corresponding reduction to our valuation allowance. As of December 31, 2018, our remaining DTA consists primarily of net operating losses generated at our TRS entities’ subsequent to June 27, 2018. As these losses are not considered to be more likely than not of realization in a future period, a valuation allowance has been recorded against them.

On December 22, 2017, H.R. 1, originally known as the Tax Cuts and Jobs Act, was enacted. In accordance with the accounting guidance for income taxes, we have recognized the effect of tax law changes in the period of enactment. Among other things, this law

reduced the corporate income tax rate from 35% to 21% effective as of January 1, 2018 and also repealed the corporate Alternative Minimum Tax ("AMT") effective as of January 1, 2018. As a result, during the year ended December 31, 2017, we have adjusted the federal tax rate for calculating deferred tax items to be 21% for the TRS entities and we have also released the valuation allowance on our TRS entities' AMT credit carryforward in the amount of $531 as those became refundable credits under the new tax law. We believe this reassessment to be the final adjustment to these amounts in connection with the passage of H. R.1.

The accounting guidance for income taxes clarifies the accounting for uncertainty in income taxes and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. The guidance also provides rules on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. We have no uncertain tax positions for the years ending December 31, 2018, 2017, 2016, and 2015. Income tax returns are filed in multiple jurisdictions and are subject to examination by taxing authorities. We have open tax years from 2014 through 2017 with various jurisdictions. These open years contain matters that could be subject to differing interpretations of applicable tax laws and regulations.

NOTE 14: RELATED PARTY TRANSACTIONS

In the ordinary course of our business operations, we have ongoing relationships and have engaged in transactions with the related entities described below. All of these relationships and transactions were approved or ratified by our audit committee as being on terms comparable to those available from an unaffiliated third party or otherwise not creating a conflict of interest.

Almanac Realty

On June 27, 2018, the purchase agreement that previously provided for Andrew M. Silberstein to serve as a trustee on our board was terminated as part of the Redemption and Exchange Agreement that was entered into with the Investor on June 27, 2018. As part of the Redemption and Exchange Agreement, Mr. Silberstein resigned as a trustee. While Mr. Silberstein was a trustee, his trustee fees were paid to the Investor. Mr. Silberstein is an equity owner of Almanac and an officer of the Investor and holds indirect equity interests in the Investor. The transactions completed pursuant to the purchase agreement are described above in Note 9: Series D Preferred Shares. Subsequent to June 27, 2018, Almanac is not considered a related party.

Ballard Spahr LLP

As of June 27, 2017, Justin P. Klein has been appointed as a trustee on our board of trustees. Mr. Klein is a partner at Ballard Spahr LLP. RAIT has paid Ballard Spahr LLP $134 during the year ended December 31, 2017 and $88 during the year ended December 31, 2018 for legal counsel related to various matters. The approximate dollar value of Mr. Klein's interest in these fees was less than $1 for the year ended December 31, 2017 and less than $1 for the year ended December 31, 2018, based on Mr. Klein's Ballard partnership interest.

Charles Frischer and the Libby Frischer Family Partnership

On March 30, 2018, the Libby Frischer Family Partnership, or LFFP, Charles F. Frischer, or Mr. Frischer, and RAIT signed a letter which provided that RAIT would exempt LFFP from RAIT's common share ownership limit up to an amount equal to 12.5%. Mr. Frischer is the general partner of LFFP.

On April 6, 2018, RAIT, LFFP and Mr. Frischer entered into a cooperation agreement which sets forth certain transfer restrictions and standstill provisions, among other things, for a period of time. Subsequent to entering into the cooperation agreement, on April 6, 2018, LFFP, and Mr. Frischer and RAIT signed a letter agreement which provided that RAIT would exempt LFFP from RAIT's common share and preferred share ownership limits up to an amount equal to 15.0% with respect to each class of shares.

On May 11, 2018, RAIT, LFFP and Mr. Frischer entered into a letter agreement which provided that RAIT would exempt LFFP from RAIT's common share and preferred share ownership limits up to an amount equal to 20.0% with respect to each class of shares.

(Dollars in thousands, except share and per share amounts)

Highland Capital Management, L.P.

On May 26, 2017, RAIT entered into a previously disclosed cooperation agreement with Highland Capital Management, L.P. and its affiliates (Highland), which remains in effect.

IRT

During 2017, RAIT engaged in transactions with a former related party, Independence Realty Trust, or IRT. RAIT ended its last arrangement with IRT as of December 20, 2017 and does not consider IRT to be a related party after that date. The following are the transactions with IRT for the year ended December 31, 2017:

Pursuant to a shared services agreement, IRT reimbursed RAIT $727 for general and administrative services for the year ended December 31, 2017. In addition, during the year ended December 31, 2017, IRT reimbursed RAIT for $155 of general and administrative items that were paid on IRT's behalf.

Pursuant to property management agreements with IRT with respect to RAIT's multifamily properties, RAIT paid IRT $261 of property management fees for the year ended December 31, 2017. This is reflected within real estate operating expense in our consolidated statements of operations.

Other

On December 20, 2016, Scott F. Schaeffer resigned from his position as Chief Executive Officer of RAIT and became the full-time Chief Executive Officer of IRT. On the same date, Scott F. Schaeffer entered into a one year consulting agreement with RAIT for which he received compensation of $375. For the year ended December 31, 2017, $375 was earned and paid related to this consulting agreement, which is reflected in general and administrative expenses in our consolidated statements of operations. In accordance with the Memorandum of Understanding dated September 26, 2016, which memorialized the terms of Scott F. Schaeffer's resignation, RAIT granted Scott F. Schaeffer 150,000 unvested shares of common stock on December 23, 2016, and made a $500 cash payment in January 2017. The shares vested 50% on the six month anniversary and 50% on the one year anniversary of the grant date.

In accordance with the Memorandum of Understanding dated September 26, 2016, which memorialized the terms of James J. Sebra's resignation, he was owed a cash bonus, payable in 2017, equal to 25% of his cash bonus for the year ended December 31, 2016. During the year ended December 31, 2017, this bonus of $110 was paid.

NOTE 15: SUPPLEMENTAL DISCLOSURE TO CONSOLIDATED STATEMENTS OF CASH FLOWS

The following are supplemental disclosures to the consolidated statements of cash flows for the years ended December 31, 2018 and 2017:

	For the Year Ended December 31,	
	2018	2017
Cash paid for interest	$ 46,821	$ 65,732
Cash paid (refunds received) for taxes	150	27
Non-cash increase in investments in real estate, intangible assets, and other liabilities from conversion of loans	5,096	1,590
Non-cash increase (decrease) in investments in real estate, restricted cash, other assets, intangible assets, accounts payable and accrued expenses, and other liabilities from deconsolidation of properties	907	(93,531)
Non-cash increase (decrease) in indebtedness from debt extinguishments	(1,464)	(4,640)
Non-cash increase (decrease) to noncontrolling interests from distribution of limited partnership units on South Terrace	—	(1,618)
Non-cash increase (decrease) in indebtedness from deconsolidation of properties	—	(99,665)

(Dollars in thousands, except share and per share amounts)

During the year ended December 31, 2017, we sold one real estate property which resulted in a non-cash decrease of $16,367 to investments in real estate as the property was sold on the last business day of the year and, while titled was transferred, our cash was held by our settlement agent until the next business day, resulting in a receivable as of December 31, 2017.

Also, during the year ended December 31, 2017, we sold two real estate properties whose purchase price was financed by a loan made by RAIT. This resulted in a non-cash decrease of $14,839 to investments in real estate and a non-cash increase of $15,540 to investment in mortgages and loans.

During the year ended December 31, 2018, we transferred nine loans to held for sale as we had the intention and ability to sell these loans. The transfer was made at the lower of cost or fair value for each respective loan. During the year ended December 31, 2018, we sold six loans, which had an unpaid principal balance and carrying amount of $31,277. See Note 3: Investment in Commercial Mortgage Loans, Mezzanine Loans, and Preferred Equity Interests for further discussion.

Also, during the year ended December 31, 2018, we acquired the noncontrolling interests related to PlazAmericas Mall for $343, including transaction costs. See Note 10: Shareholders' Equity for further discussion.

Also, during the year ended December 31, 2018, we redeemed and cancelled the remaining 2,939,190 preferred units of RAIT IV and the corresponding Series D preferred shares of RAIT for $56,765 of cash from RAIT IV's sale of the Interests, which includes $2,133 of other cash held by RAIT IV, and $16,715 of liquidation preference of RAIT's publicly traded Series A preferred shares, Series B preferred shares and Series C preferred shares. See Note 9: Series D Preferred Shares for further discussion

For a discussion of the non-cash changes in indebtedness and investments in real estate, restricted cash, other assets, intangible assets, accounts payable and accrued expenses, and other liabilities that occurred during the year ended December 31, 2018, see Note 4: Investments in Real Estate and Note 5: Indebtedness.

The following table summarizes our cash and cash equivalents and restricted cash balances as of December 31, 2018 and December 31, 2017:

	As of December 31, 2018	As of December 31, 2017
Cash and cash equivalents	$ 42,453	$ 53,380
Restricted cash	63,067	157,914
Total cash and cash equivalents and restricted cash	$ 105,520	$ 211,294

RAIT Financial Trust

Notes to Consolidated Financial Statements
As of December 31, 2018
(Dollars in thousands, except share and per share amounts)

NOTE 16: QUARTERLY FINANCIAL DATA (UNAUDITED)

The following table summarizes our quarterly financial data which, in the opinion of management, reflects all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of our results of operations:

	For the Three-Month Periods Ended			
	March 31	June 30	September 30	December 31
2018				
Total revenue	$ 18,341	$ 16,553	$ 9,327	$ 5,040
Change in fair value of financial instruments	87	111	(410)	488
Net income (loss)	(27,705)	(57,023)	(21,038)	(17,692)
Net income (loss) allocable to common shares	(34,094)	(50,162)	(26,101)	(22,763)
Total Earnings (loss) per share - Basic (a)	(18.55)	(27.26)	(14.18)	(12.37)
Total Earnings (loss) per share - Diluted (a)	(18.55)	(27.26)	(14.18)	(12.37)
2017				
Total revenue	$ 29,603	$ 22,813	$ 24,603	$ 22,699
Change in fair value of financial instruments	(1,153)	3,093	4,753	6,729
Net income (loss)	(21,539)	(116,884)	(15,843)	2,463
Net income (loss) allocable to common shares	(30,085)	(125,757)	(24,230)	(4,623)
Total Earnings (loss) per share - Basic (a)	(16.48)	(68.75)	(13.23)	(2.52)
Total Earnings (loss) per share - Diluted (a)	(16.48)	(68.75)	(13.23)	(2.52)

(a) The summation of quarterly per share amounts may not equal the full year amounts and all per share amounts have been retroactively adjusted to reflect the Reverse Stock Split.

NOTE 17: SEGMENT REPORTING

As a group, our executive officers act as the Chief Operating Decision Maker ("CODM"). The CODM reviews operating results of our reportable segments to make decisions about investments and resources and to assess performance for each of these reportable segments. We conduct our business through one reportable segment, our real estate lending, owning and managing segment. This segment is concentrated on lending, owning and managing commercial real estate assets throughout the United States. The form of our investments ranged from first mortgage loans to equity ownership of a commercial real estate property.

NOTE 18: COMMITMENTS AND CONTINGENCIES

General

We are involved from time to time in litigation on various matters, including disputes with tenants of owned properties, disputes arising out of agreements to purchase or sell properties, disputes arising out of our loan portfolio, negligence, discrimination, and similar tort claims related to owned properties or employment related disputes. Given the nature of our business activities, these lawsuits are considered routine to the conduct of our business. The result of any particular lawsuit cannot be predicted, because of the very nature of litigation, the litigation process and its adversarial nature, and the jury system. We do not expect that the liabilities, if any, that may ultimately result from such routine legal actions will have a material adverse effect on our consolidated financial position, results of operations or cash flows, except as described below.

RAIT Preferred Funding II, Ltd. v. CWCapital Asset Management LLC, et al.–Index No. 651729/2016 (Sup. Ct. N.Y.)

On September 20, 2017, RAIT Preferred Funding II, Ltd., or RAIT II, filed an amended complaint against CWCapital Asset Management, LLC, or CWCapital, Wells Fargo Bank N.A., or Wells Fargo, and U.S. Bank N.A., or U.S. Bank. This action concerns a loan, or the mortgage loan, to a non-party borrower, or the borrower, made in 2007. RAIT II purchased $18,500 of the mortgage loan for which it holds a promissory note, or note B. U.S. Bank is the trustee for a securitization trust that purchased the remaining $190,000 of the mortgage loan and for which it held a promissory note, or note A. CWCapital is the special servicer and Wells Fargo

(Dollars in thousands, except share and per share amounts)

is the master servicer for the mortgage loan (including note A and note B). The parties' rights and obligations are governed by, among other things, a pooling and servicing agreement and a co-lender agreement. The mortgage loan was repaid in May of 2017, and the defendants have alleged that RAIT II was not entitled to receive any payoff of principal under note B pursuant to the subordination and other provisions of the co-lender agreement. RAIT charged off its $18,500 note B during the year ended December 31, 2017. In the amended complaint, RAIT II alleges, among other things, that the defendants breached certain of their obligations under the operative documents and RAIT II should have received, among other things, all of its $18,500 principal under note B.

On October 11, 2017, CWCapital and U.S. Bank moved to dismiss the amended complaint and on November 13, 2017 Wells Fargo moved to dismiss the amended complaint. RAIT II filed its opposition to the motions to dismiss on November 27, 2017. By Decision and Order dated January 29, 2018, the Court denied the defendants' motions to dismiss the contract claims, leaving intact RAIT II's breach of contract claims against all defendants. The Court dismissed RAIT II's non-contract claims (unjust enrichment, conversion, money had and received, and declaratory judgment) as duplicative of the surviving contract claims. The parties have concluded discovery. Defendants filed a motion for summary judgment on March 18, 2019, and the Court will set a briefing schedule for RAIT's response and Defendants' reply. Trial is currently set for June 10, 2019.

On December 17, 2018, RAIT II assigned its interest in note B to TRFT in connection with TRFT's redemption of RAIT II. In connection therewith, TRFT is in the process of being substituted for RAIT II as the plaintiff in this litigation.

Lease Obligations

We lease office space in Philadelphia and other locations. The annual minimum rent due pursuant to the leases for each of the next five years and thereafter is estimated to be as follows as of December 31, 2018:

2019	$	479
2020		438
2021		447
2022		456
2023		465
Thereafter		4,626
Total	$	6,911

Rent expense was $1,274 and $1,365 for the years ended December 31, 2018 and 2017, respectively, and has been included in general and administrative expense or property operating expenses in the accompanying consolidated statements of operations.

As of March 2019, all of our non-Philadelphia office space leases have been terminated or have expired.

Loan Funding Commitments

Certain of the existing mortgage loans that we previously originated contain commitments to fund certain amounts that were not funded upon the origination of the mortgage loan. Senior participation interests in these loans are held by certain of our FL securitizations and these FL securitizations are required to purchase additional participation interests in these loans that include the funded portions of these funding commitments from us and at our direction as the commitments are funded by us and as funds become available from loan payoffs in the FL securitization. As of December 31, 2018, the total outstanding funding commitment was $9,431.

NOTE 19: SUBSEQUENT EVENTS

We have evaluated subsequent events or transactions that have occurred after the consolidated balance sheet date of December 31, 2018, but prior to the filing of the consolidated financial statements with the SEC on this Annual Report on Form 10-K. We have determined that, except as disclosed within this Note and other Notes, there are no subsequent events that require disclosure in this Annual Report on Form 10-K.

RAIT Financial Trust

Schedule II
Valuation and Qualifying Accounts
For the Two Years Ended December 31, 2018
(Dollars in thousands)

	Allowance for Losses			
	Balance, Beginning of Period	Provision	Deductions	Balance, End of Period
For the year ended December 31, 2018	$ 14,883	$ 32,875	$ (25,422)	$ 22,336
For the year ended December 31, 2017	$ 12,354	$ 45,614	$ (43,085)	$ 14,883

RAIT Financial Trust
Schedule III
Real Estate and Accumulated Depreciation
As of December 31, 2018
(Dollars in thousands)

			Initial Cost		Cost of Improvements, net of Retirements		Gross Carrying Amount					
Property Name	Description	Location	Land	Building	Land	Building	Land (1)	Building (1)	Accumulated Depreciation-Building	Encumbrances (Unpaid Principal)	Year of Acquisition	Life of Depreciation
Willow Grove	Land	Willow Grove, PA	$ 307	$ —	$ —	$ —	$ 307	$ —	$ —	$ —	2001	N/A
Cherry Hill	Land	Cherry Hill, NJ	307	—	—	—	307	—	—	—	2001	N/A
Corey Landings	Land	St. Pete Beach, FL	9,735	—	—	3,201	9,735	3,201	—	—	2009	N/A
Executive Mews - Willow Grove	Office	Willow Grove, PA	2,280	9,121	—	1,801	2,280	10,922	(3,774)	(11,246) (2)	2010	30
Executive Mews - Cherry Hill	Office	Cherry Hill, NJ	1,980	7,920	—	3,157	1,980	11,077	(4,424)	(8,410) (3)	2010	30
Beachcomber Beach Resort	Land	Daytona Beach, FL	5,151	—	—	43	5,151	43	—	(12,649) (2)	2011	N/A
Union Medical	Office	Colorado Springs, CO	2,448	17,595	—	2,458	2,448	20,053	—	(26,085) (2)	2014	30
Oakland Square	Retail	Troy, MI	6,031	11,462	—	128	6,031	11,590	(127)	(16,048) (4)	2014	30
Oakland Plaza	Retail	Troy, MI	5,353	15,836	—	491	5,353	16,327	(382)	(17,848) (4)	2014	30
Raritan Shopping Center	Retail	Raritan, NJ	3,313	6,338	—	136	3,313	6,474	(61)	(29,000) (2)	2016	30
			$ 36,905	$ 68,272	$ —	$ 11,415	$ 36,905	$ 79,687	$ (8,768)	$ (121,286)		

(1) The aggregate cost basis for federal income tax purposes of our investments in real estate is $144,467 as of December 31, 2018.
(2) These encumbrances are held by our consolidated securitization, RAIT I.
(3) Of these encumbrances, $6,826 is held by third parties and $1,584 is held by RAIT.
(4) These encumbrances are held entirely by third parties.

Investments in Real Estate	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Balance, beginning of period	$ 274,672	$ 854,646
Additions during period:		
Acquisitions	—	1,118
Improvements to land and building	2,684	9,362
Deductions during period:		
Dispositions, impairments and deconsolidation of real estate	(160,764)	(590,454)
Balance, end of period:	$ 116,592	$ 274,672

Accumulated Depreciation	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Balance, beginning of period	$ 28,768	$ 138,214
Depreciation expense	7,356	20,422
Dispositions and deconsolidation of real estate	(27,356)	(129,868)
Balance, end of period:	$ 8,768	$ 28,768

RAIT Financial Trust

Schedule IV
Mortgage Loans on Real Estate
As of December 31, 2018
(Dollars in thousands)

(1) Summary of Commercial Mortgage Loans, Mezzanine Loans and Preferred Equity Interests:

Description of mortgages	Number of Loans	Interest Rate		Maturity Date		Principal		Carrying Amount of Mortgages (a) (c)
		Lowest	Highest	Earliest	Latest	Lowest	Highest	
Commercial mortgages								
Multi-family	15	6.2%	7.5%	6/1/2019	1/1/2021	$ 3,150	$ 29,478	$ 187,872
Office	5	6.8%	7.3%	2/1/2019	11/1/2020	5,250	19,995	72,945
Retail	11	4.6%	7.5%	2/1/2019	6/1/2025	-	12,500	109,409
Other	4	6.7%	7.3%	4/1/2019	10/1/2020	10,000	47,106	82,991
Subtotal	35					18,400	109,079	453,217
Mezzanine Loans								
Multi-family	2	6.0%	14.5%	10/1/2020	3/27/2023	530	12,339	13,033
Office	1	12.0%(b)	12.0%	6/24/2020	6/24/2020	554	3,943	8,244
Subtotal	3					1,084	16,282	21,277
Preferred equity interests								
Multi-family	4	0.0%	11.0%	3/27/2023	6/1/2027	228	7,948	16,060
Office	9	0.0%	11.0%	1/2/2029	6/15/2029	750	3,650	12,517
Subtotal	13					978	11,598	28,577
Total commercial mortgages, mezzanine loans and preferred equity interests	51					$ 20,462	$ 136,959	$ 503,071

(a) The tax basis of the commercial mortgage loans, mezzanine loans and preferred equity interests approximates the recorded investment of the loans.
(b) Relates to a $3.7 million preferred equity interest where there is no contractual interest; however, we receive returns based on the performance of the underlying real estate property.
(c) Reconciliation of carrying amount of commercial mortgage loans, mezzanine loans and preferred equity interests:

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
Balance, beginning of period	$ 1,272,951	$ 1,294,066
Additions during period:		
Investments in loans	52,774	476,723
Accretion of discount	652	248
Deductions during period:		
Collections of principal	(391,211)	(453,768)
Sales of loans	(103,260)	—
Loans Transferred to Held For Sale	(42,242)	—
Deconsolidation of loans	(266,596)	—
Conversion of loans to real estate and charge-offs	(19,997)	(44,318)
Balance, end of period:	$ 503,071	$ 1,272,951

(2) Summary of Commercial Mortgage Loans, Mezzanine Loans and Preferred Equity Interests by Geographic Location:

Location by State	Number of Loans	Interest Rate		Principal		Total Carrying Amount of Mortgages
		Lowest	Highest	Lowest	Highest	
Texas	12	0.0%	14.5%	$ 228	$ 22,440	$ 121,846
California	9	0.0%(a)	7.3%	3,150	25,307	89,606
Florida	5	4.6%	7.5%	3,116	17,200	40,312
Pennsylvania	2	6.7%	7.0%	12,585	47,106	59,691
Georgia	1	7.5%	7.5%	12,500	12,500	12,500
Oklahoma	1	7.2%	7.2%	29,478	29,478	29,478
Virginia	1	6.8%	6.8%	5,600	5,600	5,600
Arizona	3	6.5%	7.5%	5,510	8,100	20,515
Wisconsin	8	6.0%	11.0%	750	1,685	8,867
Alabama	1	7.3%	7.3%	9,400	9,400	9,400
Minnesota	1	7.3%	7.3%	19,995	19,995	19,995
North Carolina	1	6.8%	6.8%	18,000	18,000	18,000
Oregon	2	6.8%	6.9%	5,250	10,120	15,370
Connecticut	1	12.0%	12.0%	554	3,943	8,244
Tennessee	1	7.0%	7.0%	5,099	5,099	5,099
Various	2	5.6%	7.5%	299	10,000	38,548
	51	0.0%	14.5%	$ 228	$ 47,106	$ 503,071

(a) Relates to a $3.7 million preferred equity interest where there is no contractual interest; however, we receive returns based on the performance of the underlying real estate property.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) that are designed to ensure that information required to be disclosed in our reports under our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, our management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Also, projections of any evaluation of effectiveness of future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies and procedures may deteriorate.

Under the supervision of our CEO and CFO and with the participation of our disclosure committee, we have carried out an evaluation of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based upon that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were not effective as a result of a material weakness in our internal control over financial reporting at December 31, 2018, as described below.

Notwithstanding the material weakness discussed below, RAIT's management, including the CEO and CFO, has concluded that our consolidated financial statements included in this Form 10-K fairly present, in all material respects, our financial position, results of operations and cash flows as of the dates, and for the periods presented, in conformity with U.S. generally accepted accounting principles.

Changes in Internal Control Over Financial Reporting

As of December 31, 2017, we concluded that a material weakness in RAIT's internal control over financial reporting existed and, as a result, our internal control over financial reporting was not effective. Specifically, RAIT did not conduct an effective continuous risk assessment process and monitoring activities to modify financial reporting processes and related internal controls impacted by changes in the business operations. As a result, RAIT did not have effective process level controls over the accuracy of data inputs used in the valuation of a financial liability and did not investigate and resolve the difference identified by a reconciliation control related to a financial asset.

During the fourth quarter of 2018, RAIT completed its remediation of the previously identified ineffective process level controls over the accuracy of data inputs used in the valuation of a financial liability and resolution of differences identified by a reconciliation control related to a financial asset by changing the design of the controls to be more precise in the review of the inputs to the valuation and more precise in reviewing the resolution of reconciliation differences.

RAIT also is in the process of enhancing its risk assessment process and monitoring activities to ensure timely identification of changes in business operations such that necessary changes in financial reporting processes and related internal controls continue to be implemented. Given the changes that have occurred in the business during 2018, remediation efforts to date are not yet complete and as a result we identified the material weakness described below.

Except for actions taken as described above, there were no other changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)). Our internal control over financial reporting is a process designed by management, under the supervision of, our CEO and CFO to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting in accordance with U.S. generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company, (ii)

provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim consolidated financial statements will not be prevented or detected on a timely basis.

Management, under the supervision of, our CEO and CFO and oversight of our Board of Trustees, assessed the effectiveness of our internal control over financial reporting as of December 31, 2018 using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in *Internal Control-Integrated Framework* (2013 Framework). As a result of this assessment, management identified the following control deficiencies described below:

RAIT did not conduct an effective continuous risk assessment process and monitoring activities to modify financial reporting processes and related internal controls impacted by changes in the business operations. As a result, RAIT did not have effective process level controls over the accuracy of data inputs used in the measurement of an impairment for a real estate property and did not timely investigate and correct the presentation of proceeds from sales of loans within the consolidated statement of cash flows.

These control deficiencies resulted in (1) an immaterial misstatement to an investment in real estate and impairment of assets in previously reported consolidated financial statements that was corrected as an out-of-period adjustment in the consolidated financial statements during the year ended December 31, 2018 and (2) an immaterial misstatement to cash flows from operating activities and cash flows from investing activities which was recorded as an out-of-period adjustment in the consolidated financial statements during the year ended December 31, 2018. These control deficiencies create a reasonable possibility that a material misstatement to the consolidated financial statements will not be prevented or detected on a timely basis, and therefore we concluded that the deficiencies represent a material weakness in RAIT's internal control over financial reporting and our internal control over financial reporting was not effective as of December 31, 2018.

This Annual Report on Form 10-K does not include an audit report of our independent registered public accounting firm regarding internal control over financial reporting. Management's Report on Internal Control Over Financial Reporting was not subject to audit by our independent registered public accounting firm pursuant to the rules of the Securities and Exchange Commission.

Plan for Remediation of Material Weakness that Existed as of December 31, 2018

During 2019, management will continue its risk assessment and monitoring activities and testing of the enhanced controls that are further described in the "Changes in Internal Control Over Financial Reporting" section above to ensure that they are designed, implemented and operating effectively and to remediate the process level controls deficiencies identified above. As actions or transactions affecting the Company occur as a result of our 2019 strategic steps, as outlined in part I, Item 1, "Business-Business Strategy," we will need to continue to enhance our continuous risk assessment process and monitoring activities to ensure that additional process level control deficiencies do not result.

Item 9B. Other Information

The disclosure below is provided, at our option, regarding events which we deem of importance to our securities holders in accordance with Item 8.01 "Other Events" of Form 8-K.

Item 8.01 Other Events.

RAIT is correcting a typographical error in RAIT's disclosure in its Registration Statement on Form S-3 (Registration No. 333-217776) regarding restrictions on ownership and transfer of RAIT's common shares contained in RAIT's declaration of trust to assist RAIT in complying with Internal Revenue Code of 1986, as amended, by replacing the reference to "8.5%" with "8.3%" in such disclosure so that the disclosure reads "no person may own more than 8.3% of our outstanding common shares."

PART III

Item 10. Trustees, Executive Officers and Trust Governance

The information required by this item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, or if not filed by such date, in an amendment to this report filed by such date and is incorporated herein by reference.

Item 11. Executive Compensation

The information required by this item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, or if not filed by such date, in an amendment to this report filed by such date and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters

The information required by this item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, or if not filed by such date, in an amendment to this report filed by such date and is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions and Trustee Independence

The information required by this item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, or if not filed by such date, in an amendment to this report filed by such date and is incorporated herein by reference.

Item 14. Principal Accounting Fees and Services

The information required by this item will be set forth in our definitive proxy statement with respect to our 2019 annual meeting of shareholders to be filed on or before April 30, 2019, or if not filed by such date, in an amendment to this report filed by such date and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules

(a) Listed below are all financial statements, financial statement schedules, and exhibits filed as part of this 10-K and herein included.

(1) Financial Statements

December 31, 2018 Consolidated Financial Statements:

All other schedules are not applicable or are omitted since either (i) the required information is not material or (ii) the information required is included in the consolidated financial statements and notes thereto.

(2) Exhibits

The exhibits filed as part of this annual report on Form 10-K are identified below.

EXHIBIT INDEX

Exhibit Number	Description of Documents
3.1.1	Amended and Restated Declaration of Trust of RAIT Financial Trust ("RAIT"). Incorporated by reference to Exhibit 3.1(b) to RAIT's Registration Statement on Form S-11 as filed with the Securities and Exchange Commission ("SEC") on September 8, 1997 (Registration No. 333-35077).
3.1.2	Articles of Amendment to Amended and Restated Declaration of Trust of RAIT. Incorporated by reference to Exhibit 3.3.1 to RAIT's Registration Statement on Form S-11/A as filed with the SEC on June 8, 1998 (Registration No. 333-53067).
3.1.3	Articles of Amendment to Amended and Restated Declaration of Trust of RAIT. Incorporated by reference to Exhibit 4(iii) to RAIT's Registration Statement on Form S-2 as filed with the SEC on February 13, 2001 (Registration No. 333-55518).
3.1.4	Certificate of Correction to the Amended and Restated Declaration of Trust of RAIT. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2002 (File No. 1-14760).
3.1.5	Articles of Amendment to Amended and Restated Declaration of Trust of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 15, 2006 (File No. 1-14760).
3.1.6	Articles of Amendment to Amended and Restated Declaration of Trust of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on July 1, 2011 (File No. 1-14760).
3.1.7	Articles Supplementary (the "Series A Articles Supplementary") relating to the 7.75% Series A Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series A Preferred Shares") of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 18, 2004 (File No. 1-14760).
3.1.8	Certificate of Correction to the Series A Articles Supplementary. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 18, 2004 (File No. 1-14760).
3.1.9	Articles Supplementary relating to the 8.375% Series B Cumulative Redeemable Preferred Shares of Beneficial Interest, (the "Series B Preferred Shares") of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 1, 2004 (File No. 1-14760).
3.1.10	Articles Supplementary relating to the 8.875% Series C Cumulative Redeemable Preferred Shares of Beneficial Interest, (the "Series C Preferred Shares") of RAIT. Incorporated by reference to RAIT's Form 8-A as filed with the SEC on June 29, 2007 (File No. 1-14760).
3.1.11	Articles Supplementary relating to Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on May 25, 2012 (File No. 1-14760).
3.1.12	Certificate of Correction relating to Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended June 30, 2012 (File No. 1-14760).
3.1.13	Articles Supplementary (the "Series D Articles Supplementary") relating to the Series D Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series D Preferred Shares") of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 4, 2012 (File No. 1-14760).
3.1.14	Articles Supplementary relating to the Series E Cumulative Redeemable Preferred Shares of Beneficial Interest (the "Series E Preferred Shares") of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 4, 2012 (File No.1-14760).
3.1.15	Amendment dated November 30, 2012 to the Series D Articles Supplementary. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 4, 2012 (File No.1-14760).
3.1.16	Articles Supplementary relating to the Series A Preferred Shares. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 13, 2014 (File No. 1-14760).
3.1.17	Articles Supplementary dated June 27, 2018. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 28, 2018 (File No. 1-14760).
3.1.18	Articles of Amendment to Amended and Restated Declaration of Trust of RAIT dated August 6, 2018. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended June 30, 2018. (File No. 1-14760).
3.2.1	Amended and Restated Bylaws of RAIT, as adopted on November 16, 2016. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 17, 2016 (File No. 1-14760).
3.2.2	First Amendment to the Amended and Restated Bylaws of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 28, 2017 (File No. 1-14760).
3.2.3	Second Amendment to the Amended and Restated Bylaws of RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on August 8, 2017 (File No. 1-14760).
4.1.1	Form of Certificate for Common Shares of Beneficial Interest. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on July 1, 2011 (File No. 1-14760).
4.1.2	Form of Certificate for the Series A Preferred Shares. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 22, 2004 (File No. 1-14760).
4.1.3	Form of Certificate for the Series B Preferred Shares. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 1, 2004 (File No. 1-14760).
4.1.4	Form of Certificate for the Series C Preferred Shares. Incorporated by reference to RAIT's Form 8-A as filed with the SEC on June 29, 2007 (File No. 1-14760).
4.1.5	Form of Certificate for the Series D Preferred Shares. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 23, 2012 (File No. 1-14760).
4.1.6	Form of Certificate for the Series E Preferred Shares. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 23, 2012 (File No. 1-14760).

Exhibit Number	Description of Documents
4.1.7	Form of Certificate for Common Shares of Beneficial Interest. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on August 13, 2018 (File No. 1-14760).
4.2.1	Base Indenture dated as of December 10, 2013 between RAIT, as issuer, and Wells Fargo Bank, National Association, , as trustee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 13, 2013 (File No. 1-14760).
4.2.2	Supplemental Indenture dated as of December 10, 2013 between RAIT, as issuer, and Wells Fargo Bank, National Association, , as trustee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 13, 2013 (File No. 1-14760).
4.2.3	Form of RAIT 4.00% Convertible Senior Note due 2033 (included in Exhibit 4.2.2). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 13, 2013 (File No. 1-14760).
4.3.1	Base Indenture dated as of March 21, 2011 between RAIT, as issuer, and Wells Fargo Bank, National Association, , as trustee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 22, 2011 (File No. 1-14760).
4.3.2	Supplemental Indenture dated as of March 21, 2011 between RAIT, as issuer, and Wells Fargo Bank, National Association, , as trustee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 22, 2011 (File No. 1-14760).
4.4	Indenture dated as of October 5, 2011 between RAIT and Wilmington Trust, National Association, as trustee. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No. 1-14760).
4.5.1	Registration Rights Agreement dated as of October 1, 2012 by and among RAIT and ARS VI Investor I, LP, formerly known as ARS VI Investor I, LLC ("ARS VI"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 4, 2012 (File No. 1-14760).
4.5.2	Amendment No. 1 to Registration Rights Agreement dated as of April 25, 2014 by and among RAIT and ARS VI. Incorporated by reference to RAIT's Registration Statement on Form S-3 as filed with the SEC on April 28, 2014 (Registration No. 333-195547).
4.5.3	Common Share Purchase Warrant No.1 dated October 17, 2012 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 23, 2012 (File No. 1-14760).
4.5.4	Common Share Appreciation Right No.1 dated October 17, 2012 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 23, 2012 (File No. 1-14760).
4.5.5	Common Share Purchase Warrant No. 2 dated November 15, 2012 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 21, 2012 (File No.1-14760).
4.5.6	Common Share Appreciation Right No. 2 dated November 15, 2012 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 21, 2012 (File No.1-14760).
4.5.7	Common Share Purchase Warrant No. 3 dated December 18, 2012 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 18, 2012 (File No.1-14760).
4.5.8	Common Share Appreciation Right No. 3 dated December 18, 2012 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 18, 2012 (File No.1-14760).
4.5.9	Common Share Purchase Warrant No. 4 dated March 27, 2014 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 27, 2014 (File No. 1-14760).
4.5.10	Common Share Appreciation Right No. 4 dated March 27, 2014 issued by RAIT to ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on March 27, 2014 (File No. 1-14760).
4.5.11	Put Right Notice dated October 10, 2017 from ARS VI to RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 17, 2017 (File No. 1-14760).
4.5.12	Extension Agreement dated as of March 12, 2018 by and among ARS VI, RAIT, RAIT Partnership, L.P. ("RAIT Partnership"), Taberna Realty Finance Trust, ("TRFT") and RAIT Asset Holdings IV, LLC ("RAIT IV"). Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-14760).
4.5.13	Letter Agreement dated as of June 8, 2018 by and among ARS VI, RAIT, RAIT Partnership, TRFT, and RAIT IV. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 8, 2018 (File No. 1-14760).
4.5.14	Consent and Acknowledgment dated as of June 12, 2018 by and among ARS VI, RAIT, RAIT Partnership, TRFT and RAIT IV. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 13, 2018 (File No. 1-14760).
4.5.15	Redemption and Exchange Agreement dated as of June 27, 2018 among RAIT, RAIT IV and ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 28, 2018 (File No. 1-14760).
4.5.16	Termination Agreement dated as of June 27, 2018 among RAIT, RAIT Partnership, TRFT, RAIT IV and ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 28, 2018 (File No. 1-14760).
4.6.1	Base Indenture dated as of December 10, 2013 between RAIT, as issuer, and Wells Fargo Bank, National Association, , as trustee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 13, 2013 (File No. 1-14760).
4.6.2	Supplemental Indenture dated as of December 10, 2013 between RAIT, as issuer, and Wells Fargo Bank, National Association, , as trustee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 13, 2013 (File No. 1-14760).

Exhibit Number	Description of Documents
4.6.3	Form of RAIT 4.00% Convertible Senior Note due 2033 (included in Exhibit 4.6.2). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 13, 2013 (File No. 1-14760).
4.6.4	Second Supplemental Indenture, dated as of April 14, 2014, between RAIT, as issuer, and Wells Fargo Bank, National Association, as trustee. Incorporated by reference to RAIT's Form 8-A as filed with the SEC on April 14, 2014. (File No. 1-14760).
4.6.5	Form of 7.625% Senior Notes due 2024 (included as Exhibit A to Exhibit 4.6.4 hereto).
4.6.6	Third Supplemental Indenture, dated as of August 14, 2014, between RAIT, as Issuer, and Wells Fargo Bank, National Association, as trustee. Incorporated by reference to RAIT's Form 8-A as filed with the SEC on August 14, 2014.
4.6.7	Form of 7.125% Senior Notes due 2019 (included as Exhibit A to Exhibit 4.6.6 hereto).
4.7	Indenture, dated as of June 23, 2017 among RAIT 2017-FL7 Trust, as issuer, RAIT Partnership, as advancing agent, and Wells Fargo Bank, National Association, as trustee, paying agent, calculation agent, transfer agent, custodian, backup advancing agent and note registrar. Filed herewith.
4.8	Indenture, dated as of November 29, 2017 among RAIT 2017-FL8 Trust, as issuer, RAIT Partnership, as advancing agent, and Wells Fargo Bank, National Association, as trustee, paying agent, calculation agent, transfer agent, custodian, backup advancing agent and note registrar. Filed herewith.
	Certain Instruments defining the rights of holders of long-term debt securities of the Registrant and its subsidiaries are omitted pursuant to Item 601(b)(4)(iii) of Regulation S-K. The Registrant hereby undertakes to furnish to the SEC, upon request, copies of any such instruments.
10.1.1	Form of Indemnification Agreement. Incorporated by reference to RAIT's Registration Statement on Form S-11 (Registration No. 333-35077).
10.1.2	Indemnification Agreement dated as of October 17, 2012 by and among RAIT, RAIT General, Inc. RAIT Limited, Inc. and RAIT Partnership, as the indemnitors, and Andrew M. Silberstein, as the indemnitee. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 23, 2012 (File No. 1-14760).
10.2.1	Employment Agreement dated April 21, 2017 between RAIT and John J. Reyle. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on April 21, 2017. (File No. 1-14760).
10.2.2	Letter Agreement dated February 27, 2018 between RAIT and John J. Reyle. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-14760).
10.2.3	Amended and Restated Employment Agreement dated as of July 19, 2018 between RAIT and John J. Reyle. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on July 20, 2018 (File No. 1-14760).
10.3.1	Employment Agreement dated as of November 6, 2017 between RAIT and Alfred J. Dilmore. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended September 30, 2017 as filed with the SEC on November 13, 2017. (File No. 1-14760).
10.3.2	Amended and Restated Employment Agreement dated as of July 19, 2018 between RAIT and Alfred J. Dilmore. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on July 20, 2018 (File No. 1-14760).
10.4.1	Employment Agreement dated as of January 29, 2014 between RAIT and Scott L.N. Davidson. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 4, 2014 (File No. 1-14760).
10.4.2	Binding Memorandum of Understanding, dated September 26, 2016, by and between RAIT and Scott L. N. Davidson. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on September 27, 2016 (File No. 1-14760).
10.4.3	Employment Agreement dated November 1, 2016 between RAIT and Scott L. N. Davidson. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 7, 2016 (File No. 1-14760).
10.4.4	Separation Agreement dated as of February 27, 2018 between RAIT and Scott L.N. Davidson. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-14760).
10.4.5	Settlement Agreement and General Release signed December 21, 2018 by and between claimant Scott Davidson and respondents RAIT Financial Trust, Michael Malter, Frank A. Farnesi, Justin P. Klein, Jon C. Sarkisian, Murray Stempel III, Andrew M. Batinovich, S. Kristin Kim, Nancy Jo Kuenstner, Andrew M. Silberstein and Thomas Wren Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 28, 2018 (File No. 1-14760).
10.5.1	Offer Letter dated February 17, 2017 between RAIT and Paul W. Kopsky, Jr. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 21, 2017. (File No. 1-14760).
10.5.2	Employment Agreement dated February 17, 2017 between RAIT and Paul W. Kopsky, Jr. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 21, 2017. (File No. 1-14760).
10.5.3	Settlement Agreement and General Release by and between Paul W. Kopsky, Jr. and RAIT dated September 27, 2017. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on September 27, 2017 (File No. 1-14760).
10.6.1	RAIT Phantom Share Plan (As Amended and Restated, Effective July 20, 2004) (the "PSP"). Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2004 (File No. 1-14760).
10.6.2	RAIT 2008 Incentive Award Plan, as Amended and Restated May 20, 2008 Incorporated by reference to RAIT's Form 8-K as filed with the SEC on May 27, 2008 (File No. 1-14760).
10.6.3	RAIT 2012 Incentive Award Plan, as Amended and Restated May 22, 2012, (as subsequently amended, the "IAP"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on May 25, 2012 (File No. 1-14760).

Exhibit Number	Description of Documents
10.6.4	IAP Form of Share Appreciation Rights Award Agreement adopted January 24, 2012. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on January 26, 2012 (File No.1-14760).
10.6.5	IAP Form of Share Appreciation Rights Award Agreement adopted January 29, 2013. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 1, 2013. (File No. 1-14760).
10.6.6	IAP Form of Share Award Grant Agreement for participants other than non-management trustees adopted January 29, 2013. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 1, 2013. (File No. 1-14760).
10.6.7	IAP Form of Share Award Grant Agreement for non-management trustees adopted January 29, 2013.Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2012 (File No. 1-14760).
10.6.8	IAP Form of Share Award Grant Agreement for non-management trustees adopted January 29, 2014. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2013 (File No. 1-14760).
10.6.9	RAIT 2015 Annual Incentive Compensation Plan Form of Target Cash Bonus Award Grant Agreement adopted under the IAP. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2015 (File No. 1-14760).
10.6.10	RAIT 2015 Long Term Incentive Plan Form of Performance Share Unit Award Grant Agreement adopted under the IAP. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2015 (File No. 1-14760).
10.6.11	Terms of 2015 Annual Incentive Compensation Plan (the "2015 AICP") and the 2015 Long Term Incentive Plan (the "2015 LTIP") and the 2015 awards made thereunder adopted under the IAP. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on April 6, 2016 (File No. 1-14760).
10.6.12	Terms of the 2015 AICP and the 2015 LTIP and the 2016 LTIP and the 2016 awards made thereunder adopted under the IAP. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on April 28, 2016 (File No. 1-14760).
10.6.13	RAIT 2016 Annual Incentive Compensation Plan Form of Target Cash Bonus Award Grant Agreement adopted under the IAP. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended June 30, 2016 (File No. 1-14760).
10.6.14	RAIT 2016 Long Term Incentive Plan Form of Performance Share Unit Award Grant Agreement adopted under the IAP. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended June 30, 2016 (File No. 1-14760).
10.6.15	Amendment 2016-1 to RAIT 2015 Long Term Incentive Plan Form of Performance Share Unit Award Grant Agreement adopted under the IAP. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended June 30, 2016 (File No. 1-14760).
10.6.16	Share Award Grant Agreement dated as of May 23, 2016 from RAIT to Scott L. N. Davidson under the terms of the RAIT 2012 Incentive Award Plan. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on May 25, 2016 (File No. 1-14760).
10.6.17	Share Award Grant Agreement, dated December 23, 2016, by and between RAIT and Scott L. N. Davidson. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 30, 2016 (File No. 1-14760).
10.6.18	Share Award Grant Agreement, dated December 23, 2016, by and between RAIT and Scott F. Schaeffer. Incorporated by reference to RAIT's Form 8-K as filed with the Sec on December 30, 2016 (File No. 1-14760).
10.6.19	Share Award Grant Agreement, dated January 9, 2017, by and between RAIT and Scott L. N. Davidson. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2016 (File No. 1-14760).
10.6.20	Form of Share Appreciation Rights Award Agreement adopted under the IAP on February 14, 2017. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 21, 2017. (File No. 1-14760).
10.6.21	Form of Share Award Grant Agreement for participants other than non-management trustees adopted under the IAP on February 14, 2017. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on February 21, 2017. (File No. 1-14760).
10.6.22	RAIT 2017 Incentive Award Plan, as Amended and Restated June 22, 2017. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 28, 2017 (File No. 1-14760).
10.6.23	RAIT 2017 Long Term Incentive Plan Form of Performance Share Unit Award Grant Agreement adopted April 26, 2017 under the IAP. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2017 as filed with the SEC on August 9, 2017 (File No. 1-14760).
10.6.24	Form of Share Award Grant Agreement for executive officers adopted under the IAP on April 26, 2017. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2017 as filed with the SEC on August 9, 2017 (File No. 1-14760).
10.6.25	RAIT 2017 Annual Incentive Compensation Plan Form of Target Cash Bonus Award Grant Agreement adopted under the IAP on April 26, 2017. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2017 as filed with the SEC on August 9, 2017 (File No. 1-14760).
10.6.26	IAP Form of Share Award Grant Agreement for non-management trustees adopted June 28, 2017. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2017 as filed with the SEC on August 9, 2017 (File No. 1-14760).
10.6.27	IAP Form of Share Award Grant Agreement for Chairman of the Board of Trustees adopted June 28, 2017. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2017 as filed with the SEC on August 9, 2017 (File No. 1-14760).
10.6.28	IAP Notice of Amendment of Outstanding Grants under the IAP adopted June 28, 2017. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended June 30, 2017 as filed with the SEC on August 9, 2017 (File No. 1-14760).

Exhibit Number	Description of Documents
10.7.1	Securities and Asset Purchase Agreement among RAIT, Jupiter Communities, LLC, RAIT TRS, LLC, the RAIT selling stockholders named therein, IRT and IROP dated September 27, 2016. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on September 27, 2016 (File No. 1-14760).
10.7.2	Shared Services Agreement, dated December 20, 2016, by and among Independence Realty Trust, Inc. and RAIT. Incorporated by reference to RAIT's Form 8-K as filed with the Sec on December 20, 2016 (File No. 1-14760).
10.8.1	Exchange Agreement dated as of October 5, 2011 by and among RAIT and Taberna Preferred Funding VIII, Ltd. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.8.2	6.75% Senior Secured Note No. 1 due 2017 dated as of October 5, 2011 made by RAIT, as payor, to Hare & Co., as nominee payee. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.8.3	6.85% Senior Secured Note No. 2 due 2017 dated as of October 5, 2011 made by RAIT, as payor, to Hare & Co., as nominee payee. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.8.4	7.15% Senior Secured Note No. 3 due 2018 dated as of October 5, 2011 made by RAIT, as payor, to Hare & Co., as nominee payee. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.8.5	7.25% Senior Secured Note No. 4 due 2019 dated as of October 5, 2011 made by RAIT, as payor, to Hare & Co., as nominee payee. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.9.1	Master Repurchase Agreement (the "Citi MRA") dated as of October 27, 2011, by and among RAIT CMBS Conduit I, LLC ("Seller I") and Citibank, N.A. ("Citibank") Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.9.2	Guaranty dated October 27, 2011 by RAIT, as guarantor, for the benefit of Citibank. Incorporated by reference to RAIT's Form 10-Q for the quarterly period ended September 30, 2011 (File No.1-14760).
10.9.3	First Amendment to Master Repurchase Agreement and other transaction documents dated as of June 30, 2013 among Seller, Citibank and RAIT. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2014 (File No. 1-14760).
10.9.4	Second Amendment dated as of October 11, 2013 among Citibank, Seller I and RAIT to Master Repurchase Agreement dated as of October 27, 2011. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 18, 2013. (File No. 1-14760).
10.9.5	Third Amendment to Master Repurchase Agreement dated as of December 9, 2013 among Seller I, Citibank and RAIT. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2014 (File No. 1-14760).
10.9.6	Amended and Restated Master Repurchase Agreement dated as of July 28, 2014 by and among Seller I, RAIT CRE Conduit III, LLC ("Seller III"), collectively as seller, and Citibank, as buyer. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on August 1, 2014 (File No. 1-14760).
10.9.7	Guaranty dated July 28, 2014 by RAIT, as guarantor, for the benefit of Citibank. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on August 1, 2014 (File No. 1-14760).
10.9.8	First Amendment dated December 12, 2014 to the Amended and Restated Guaranty dated as of July 28, 2014 made by RAIT, as guarantor, in favor of Citibank. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 18, 2014 (File No.1-14760).
10.9.9	First Amendment dated as of September 28, 2015 among Seller I and Seller III, RAIT (to reaffirm its guaranty of the Citi MRA) and Citibank to the Amended and Restated Master Repurchase Agreement, dated as of July 28, 2014 among Seller I, Seller III and Citibank. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 2, 2015 (File No. 1-14760).
10.9.10	Second Amendment dated as of July 28, 2016 among Seller I and Seller III, RAIT (to reaffirm its guaranty of the Citi MRA) and Citibank to the Amended and Restated Master Repurchase Agreement, dated as of July 28, 2014 among Seller I, Seller III and Citibank. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on July 29, 2016 (File No. 1-14760).
10.9.11	Second Amendment dated as of June 29, 2017 to the Amended and Restated Guaranty dated as of July 28, 2014 made by RAIT, as guarantor, in favor of Citibank, acknowledged and agreed to by Seller I and Seller III. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 30, 2017 (File No. 1-14760).
10.10.1	Master Repurchase Agreement, dated as of November 23, 2011, among RAIT CMBS Conduit II, LLC ("Seller II") and Barclays Bank PLC ("Barclays"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 25, 2011 (File No.1-14760).
10.10.2	Guaranty Agreement, dated as of November 23, 2011, of RAIT in favor of Barclays. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 25, 2011 (File No.1-14760).
10.10.3	Notice dated November 28, 2012 from Seller II to Barclays. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 4, 2012 (File No.1-14760).
10.10.4	First Amendment to Master Repurchase Agreement dated as of December 27, 2011 between Barclays and Seller II. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2014 (File No. 1-14760).
10.10.5	Second Amendment to Master Repurchase Agreement dated as of February 16, 2012 between Barclays and Seller II. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2014 (File No. 1-14760).
10.10.6	First Omnibus Amendment dated as of June 30, 2013 to Master Repurchase Agreement dated as of December 27, 2011 and other transaction documents among Seller II, Barclays and RAIT. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2014 (File No. 1-14760).
10.10.7	Third Amendment dated December 12, 2014 but effective as of November 19, 2014 to Master Repurchase Agreement dated as of November 23, 2011, as amended, between Barclays, as purchaser, and Seller II, as seller. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 18, 2014 (File No.1-14760).

Exhibit Number	Description of Documents
10.10.8	Second Amendment dated December 12, 2014 but effective as of November 19, 2014 to the Guaranty dated as of November 23, 2011, as amended, made by RAIT, as guarantor, in favor of Barclays. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 18, 2014 (File No.1-14760).
10.10.9	Second Omnibus Amendment to Master Repurchase Agreement and Other Transaction Documents dated December 28, 2016 but effective as of November 16, 2016 among Seller II, as seller, Barclays, as purchaser, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 30, 2016 (File No. 1-14760).
10.10.10	Third Amendment to Guaranty dated June 26, 2017 among Barclays, as purchaser, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 30, 2017 (File No. 1-14760).
10.11.1	Non-Executive Chairman Agreement dated as of February 27, 2018 between RAIT and Michael J. Malter. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-14760).
10.11.2	Amended and Restated Non-Executive Chairman Agreement dated as of July 19, 2018 between RAIT and Michael J. Malter. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on July 20, 2018 (File No. 1-14760).
10.12.1	Master Repurchase Agreement dated as of January 24, 2014 among RAIT CRE Conduit II, LLC ("Seller CRE II"), as seller, RAIT, as guarantor, and UBS Real Estate Securities Inc. ("UBS"), as buyer. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on January 31, 2014 (File No. 1-14760).
10.12.2	Guaranty Agreement, dated as of January 24, 2014, of RAIT in favor of UBS. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on January 31, 2014 (File No. 1-14760).
10.12.3	Amendment No. 1 to Master Repurchase Agreement dated as of March 17, 2014 among UBS, Seller CRE II and RAIT. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2014 (File No. 1-14760).
10.12.4	Amendment No. 2 to Master Repurchase Agreement dated as of March 27, 2014 among UBS, Seller CRE II and RAIT. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2014 (File No. 1-14760).
10.12.5	Amendment No. 3, dated as of September 28, 2015 among Seller CRE II, RAIT (as guarantor under the UBS MRA) and UBS to the Master Repurchase Agreement dated as of January 24, 2014 among Seller CRE II, RAIT and UBS (the "UBS MRA"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 2, 2015 (File No. 1-14760).
10.12.6	Amendment No. 4, dated as of November 13, 2015 among Seller CRE II, RAIT (as guarantor under the UBS MRA) and UBS, as buyer, under the Master Repurchase Agreement dated as of January 24, 2014 among Seller CRE II, RAIT and UBS (the "UBS MRA"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 16, 2015 (File No. 1-14760).
10.12.7	Amendment No. 5 dated as of December 23, 2015 among Seller CRE II under the UBS MRA), RAIT, as guarantor under the UBS MRA) and UBS as buyer under the Master Repurchase Agreement dated as of January 24, 2014 among Seller CRE II, RAIT and UBS (the "UBS MRA"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 23, 2015 (File No. 1-14760).
10.12.8	Assignment and Amendment No. 6 to Master Repurchase Agreement and Assignment and Amendment No. 4 to Pricing Letter, dated October 20, 2016 among Seller CRE II, as seller, UBS, as assignor, UBS AG, as assignee, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 24, 2016 (File No. 1-14760).
10.12.9	Assignment and Reaffirmation of Guaranty, dated October 20, 2016 among UBS, as assignor, UBS AG, as assignee, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 24, 2016 (File No. 1-14760).
10.12.10	Amendment No. 7 to Master Repurchase Agreement dated as of January 19, 2018 among Seller CRE II, as seller, UBS AG, as buyer, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on January 24, 2018 (File No. 1-14760).
10.13.1	Master Repurchase Agreement dated as of December 23, 2014 between Barclays, as purchaser, and RAIT CRE Conduit IV, LLC, ("Seller IV"), as seller. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 30, 2014 (File No. 1-14760).
10.13.2	Guaranty dated as of December 23, 2014, made by RAIT for the benefit of Barclays. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 30, 2014 (File No. 1-14760).
10.13.3	First Amendment to Guaranty dated June 26, 2017 among Barclays, as purchaser, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 30, 2017 (File No. 1-14760).
10.13.4	Omnibus Amendment to Master Repurchase Agreement and Other Transaction Documents dated December 28, 2016 but effective as of December 20, 2016 among Seller IV, as seller, Barclays, as purchaser, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 30, 2016 (File No. 1-14760).
10.13.5	Second Amendment to Master Repurchase Agreement dated December 18, 2017 among Seller IV , as seller, Barclays, as purchaser, and RAIT, as guarantor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on December 20, 2017 (File No. 1-14760).
10.14.1	Securities Purchase Agreement dated as of October 1, 2012 by and among RAIT, RAIT Partnership, TRFT, RAIT IV and ARS VI. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 4, 2012 (File No. 1-14760).
10.14.2	Amendment dated September 30, 2015 effective September 28, 2015 among RAIT, RAIT Partnership, TRFT, and RAIT IV and together with RAIT, RAIT Partnership and TRFT, the "Issuer Parties") and ARS VI, formerly known as ARS VI Investor I, LLC to the Securities Purchase Agreement dated as of October 1, 2012 by and among the Issuer Parties and the Investor. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 2, 2015 (File No. 1-14760).
10.14.3	Securities Repurchase Agreement dated as of November 23, 2016 by and among ARS VI, RAIT, RAIT Partnership, TRFT and RAIT IV. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 30, 2016 (File No. 1-14760).

Exhibit Number	Description of Documents
10.14.4	Securities Repurchase Agreement dated as of June 22, 2017 by and among ARS VI, RAIT, RAIT Partnership, TRFT, and RAIT IV. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 28, 2017 (File No. 1-14760).
10.14.5	Extension Agreement dated as of March 12, 2018 by and among ARS VI, RAIT, RAIT Partnership, TRFT, and RAIT IV. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-14760).
10.15	Purchase and Sale Agreement dated as of June 14, 2018 by and between RAIT IV, as seller, and Melody RE II, LLC, as purchaser, and, solely as to designated provisions, Land Services USA, Inc., Melody Capital Partners Onshore Credit Fund L.P., Melody Capital Partners FDB Credit Fund LLC, Melody Special Situations Offshore Credit Mini-Master Fund, L.P. and Melody Capital Partners Offshore Credit Mini-Master Fund, L.P. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 15, 2018 (File No. 1-14760).
10.16.1	Employment Agreement dated April 21, 2017 between RAIT and Glenn Riis. Incorporated by reference to RAIT's Form 10-Q for the Quarterly Period ended March 31, 2017 as filed with the SEC on May 5, 2017. (File No. 1-14760).
10.16.2	Separation Agreement dated as of March 13, 2018 and accepted March 14, 2018 between RAIT and Glenn Riis. Incorporated by reference to RAIT's Form 10-K for the fiscal year ended December 31, 2017 (File No. 1-14760).
10.17	At the Market Issuance Sales Agreement, dated June 13, 2014, by and between RAIT and MLV & Co. LLC. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on June 13, 2014 (File No. 1-14760).
10.18.1	Capital on Demand Sales Agreement dated as of November 21, 2012 between RAIT, RAIT Partnership, L.P. and JonesTrading Institutional Services LLC. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 21, 2012. (File No. 1-14760).
10.18.2	Amendment No. 1 dated November 26, 2014 to the Capital on Demand Sales Agreement dated as of November 21, 2012 between RAIT, RAIT Partnership, L.P. and JonesTrading Institutional Services LLC. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on November 26, 2014 (File No. 1-14760).
10.19	Cooperation Agreement dated May 25, 2017 by and among RAIT and Highland Capital Management, L.P. and each of the other persons set forth on the signature page of the Cooperation Agreement. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on May 26, 2017 (File No. 1-14760).
10.20.1	Letter dated as of March 30, 2018 from Libby Frischer Family Partnership ("LFFP") to RAIT and Ledgewood, P.C. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on April 2, 2018 (File No. 1-14760).
10.20.2	Cooperation Agreement dated as of April 6, 2018 by and among RAIT, LFFP and Charles Frischer ("Mr. Frischer"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on April 9, 2018 (File No. 1-14760).
10.20.3	Letter dated as of April 6, 2018 from LFFP and Mr. Frischer to RAIT and Ledgewood, P.C. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on April 9, 2018 (File No. 1-14760).
10.20.4	Letter dated as of May 11, 2018 from the Libby Frischer Family Partnership and Charles Frischer to RAIT and Ledgewood, P.C. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on May 11, 2018 (File No. 1-14760).
10.21.1	Cooperation Agreement dated as of August 13, 2018 by and among RAIT, Pleasant Lake Apartments Limited Partnership, Laughlin Holdings LLC, Ramat Securities Ltd (collectively the "Investors") and Howard Amster ("Mr. Amster"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on August 14, 2018 (File No. 1-14760).
10.21.2	Letter Agreement dated as of August 13, 2018 from the Investors and Mr. Amster to RAIT and Ledgewood, P.C. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on August 14, 2018 (File No. 1-14760).
10.22.1	Cooperation Agreement dated as of October 5, 2018 by and among RAIT, Steven D. Lebowitz, Deborah Lebowitz, Paul Lebowitz, Kathryn Lebowitz Silverberg, Lauren Lebowitz Salem, David L. Lebowitz, Andrew S. Lebowitz, Robert Lebowitz, the Lebowitz Family Trust, Lebowitz Family Stock, LLC, Lebowitz RCT, LP and The Steven and Deborah Lebowitz Foundation (collectively the "Investors"). Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 11, 2018 (File No. 1-14760).
10.22.2	Letter Agreement dated as of October 5, 2018 from the Investors to RAIT and Ledgewood, P.C. Incorporated by reference to RAIT's Form 8-K as filed with the SEC on October 11, 2018 (File No. 1-14760).
21.1	List of Subsidiaries. Filed herewith.
23.1	Consent of KPMG LLP. Filed herewith.
31.1	Rule 13a-14(a) Certification by the Chief Executive Officer of RAIT. Filed herewith.
31.2	Rule 13a-14(a) Certification by the Chief Financial Officer of RAIT. Filed herewith.
32.1	Section 1350 Certification by the Chief Executive Officer of RAIT. Filed herewith.
32.2	Section 1350 Certification by the Chief Financial Officer of RAIT. Filed herewith.
99.1	Material U.S. Federal Income Tax Considerations. Filed herewith.
101	Pursuant to Rule 405 of Regulation S-T, the following financial information from RAIT's Annual Report on Form 10-K for the period ended December 31, 2018 is formatted in XBRL interactive data files: (i) Consolidated Statements of Operations for the two years ended December 31, 2018; (ii) Consolidated Balance Sheets as of December 31, 2018 and 2017; (iii) Consolidated Statements of Comprehensive Income (Loss) for the two years ended December 31, 2018; (iv) Consolidated Statements of Cash Flows for the two years ended December 31, 2018; and (v) Notes to Consolidated Financial Statements. Filed herewith.

Item 16. Form 10-K Summary

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RAIT FINANCIAL TRUST

By: /s/ JOHN J. REYLE
John J. Reyle
Chief Executive Officer, President and General Counsel

March 26, 2019

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Capacity With RAIT Financial Trust	Date
By: /s/ JOHN J. REYLE **John J. Reyle**	Chief Executive Officer, President and General Counsel (Principal Executive Officer)	March 26, 2019
By: /s/ ALFRED J. DILMORE **Alfred J. Dilmore**	Chief Financial Officer, Treasurer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 26, 2019
By: /s/ MICHAEL J. MALTER **Michael J. Malter**	Trustee and Chairman of the Board	March 26, 2019
By: /s/ JUSTIN P. KLEIN **Justin P. Klein**	Trustee	March 26, 2019
By: /s/ JON C. SARKISIAN **Jon C. Sarkisian**	Trustee	March 26, 2019
By: /s/ THOMAS D. WREN **Thomas D. Wren**	Trustee	March 26, 2019

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Section 2: EX-4.7 (EX-4.7)

EXECUTION VERSION
Exhibit 4.7

INDENTURE

RAIT 2017-FL7 TRUST,
as Issuer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Indenture Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodian, Backup Advancing Agent and Note Registrar

RAIT PARTNERSHIP, L.P.,
as Advancing Agent

Dated June 23, 2017

OHSUSA:766738685.12

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EXHIBITS

THIS INDENTURE dated as of June 23, 2017 (the "**Indenture**") is made among RAIT 2017-FL7 TRUST, a Delaware statutory trust, as issuer, RAIT PARTNERSHIP, L.P., as advancing agent, and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as indenture trustee, paying agent, calculation agent, transfer agent, custodian, backup advancing agent and note registrar.

PRELIMINARY STATEMENT

The Issuer is duly authorized to execute and deliver this Indenture to provide for the issuance of the Notes as provided herein. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders, the Servicer, the Special Servicer, the Trust Depositor, the Backup Advancing Agent, the Operating Advisor and the Indenture Trustee (collectively, the "**Secured Parties**"). The Issuer is entering into this Indenture, and the Indenture Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

All things necessary to make this Indenture a valid agreement of the Issuer in accordance with its terms have been done.

GRANTING CLAUSES

The Issuer hereby Grants to the Indenture Trustee, for the benefit and security of the Secured Parties, all of its right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all accounts, general intangibles, chattel paper, instruments, securities, investment property and any and all other property (other than Excepted Property) of any type or nature owned by it, including (a) the Intermediate Trust Certificate (which evidences the 100% beneficial ownership interest in (1) the Mortgage Loans (listed, as of the Closing Date, in the Schedule of Mortgage Loans hereto) and all payments thereon or with respect thereto and (2) any Delayed Close Mortgage Loan or Related Funded Companion Participation acquired by or at the direction of the Issuer after the Closing Date in accordance with the terms of this Indenture, and all payments thereon or with respect thereto), (b) the Custodial Account, the Interest Collection Account, the Principal Collection Account, the Participated Whole Loan Collection Account (to the extent of the Issuer's interest therein), the Unused Proceeds Account, the Note Payment Account, the Expense Account, the Permitted Funded Companion Participation Acquisition Account, all funds and other property standing to the credit of each such account, Eligible Investments purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (c) the rights of the Issuer under the Servicing Agreement and the Purchase and Sale Agreements, (d) all Cash delivered to the Indenture Trustee (directly or through a Securities Intermediary), (e) the Issuer's ownership interest in, and rights to, all Permitted Subsidiaries, (f) the Issuer's ownership interest in, and rights to, Sensitive Assets, and (g) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses, but excluding Excepted Property (collectively, the "**Collateral**"). In addition, as further security for the Notes, the Issuer, as the 100% beneficial owner of the Intermediate Trust Certificate, hereby Grants to the Indenture Trustee, for the benefit and security of the Secured Parties, all of the Intermediate Trust's rights, title and interest in, to and under, in each case,

whether now owned or existing, or hereafter acquired or arising, all accounts, general intangibles, chattel paper, instruments, securities, investment property and any and all other property (other than Excepted Property) of any type or nature owned by it, including (a) the Mortgage Loans (listed, as of the Closing Date, in the Schedule of Mortgage Loans hereto) and all payments thereon or with respect thereto and (b) any Delayed Close Mortgage Loan or Related Funded Companion Participation acquired by or at the direction of the Issuer after the Closing Date in accordance with the terms of this Indenture, and all payments thereon or with respect thereto.

Such Grants are made, however, to the Indenture Trustee to hold in trust, to secure the Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note by reason of difference in time of issuance or otherwise, except as expressly provided in this Indenture, and to secure (i) the payment of all amounts due on the Notes in accordance with their respective terms, (ii) the payment of all other sums payable under this Indenture (including by reference to any other agreement) and (iii) compliance with the provisions of this Indenture, all as provided in this Indenture (collectively, the "**Secured Obligations**").

Except to the extent otherwise provided in this Indenture, the Issuer does hereby constitute and irrevocably appoint the Indenture Trustee the true and lawful attorney of the Issuer, with full power (in the name of the Issuer or otherwise), to exercise all rights of the Issuer with respect to the Collateral held for the benefit and security of the Secured Parties and to ask, require, demand, receive, settle, compromise, compound and give acquittance for any and all moneys and claims for moneys due and to become due under or arising out of any of the Collateral held for the benefit and security of the Secured Parties, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Indenture Trustee may deem to be necessary or advisable in the premises. The power of attorney granted pursuant to this Indenture and all authority hereby conferred are granted and conferred solely to protect the Indenture Trustee's interest in the Collateral held for the benefit and security of the Secured Parties and shall not impose any duty upon the Indenture Trustee to exercise any power. This power of attorney shall be irrevocable as one coupled with an interest prior to the payment in full of all the obligations secured hereby.

Except to the extent otherwise provided herein, this Indenture shall constitute a security agreement under the laws of the State of New York applicable to agreements made and to be performed therein. Upon the occurrence of any Indenture Event of Default, and in addition to any other rights available under this Indenture or any other instruments included in the Collateral held for the benefit and security of the Secured Parties or otherwise available at law or in equity, the Indenture Trustee shall have all rights and remedies of a secured party on default under the laws of the State of New York and other applicable law to enforce the assignments and security interests contained herein and, in addition, shall have the right, subject to compliance with any mandatory requirements of applicable law, to sell or apply any rights and other interests assigned or pledged hereby in accordance with the terms hereof at public or private sale.

It is expressly agreed that anything therein contained to the contrary notwithstanding, the Issuer shall remain liable under any instruments included in the Collateral to perform all the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and except as otherwise expressly provided herein, the Indenture Trustee shall not have any obligations or liabilities under such instruments by reason of or arising

out of this Indenture, nor shall the Indenture Trustee be required or obligated in any manner to perform or fulfill any obligations of the Issuer under or pursuant to such instruments or to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim, or to take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

The designation of the Indenture Trustee in any transfer document or record is intended and shall be deemed, first, to refer to the Indenture Trustee as custodian on behalf of the Issuer and second, to refer to the Indenture Trustee as secured party on behalf of the Secured Parties; *provided* that the Grant made by the Issuer to the Indenture Trustee pursuant to the Granting Clauses hereof shall apply to any Collateral bearing such designation.

The Indenture Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein in accordance with the required standard of care set forth herein such that the interests of the Secured Parties may be adequately and effectively protected.

The Indenture Trustee on behalf of each of the Secured Parties hereby agrees and acknowledges that none of the Secured Parties shall have any claim on the funds and property from time to time deposited or credited in or to the Trust Certificate Account or the proceeds thereof (other than in its capacity as a Holder of the Trust Certificate, if applicable).

CREDIT RISK RETENTION

On the Closing Date, the Trust Depositor will retain 100% of the Class G Notes. The Class G Notes are referred to in this Indenture as the EHRI. The fair value of the EHRI is $37,233,299.

As of the Closing Date, the Mortgage Loans have an aggregate outstanding Principal Balance equal to approximately $342,373,299.

Pursuant to the Seller Purchase and Sale Agreement, the Seller will be required to timely deliver (or cause to be timely delivered) to the Indenture Trustee any notices contemplated by Section 10.14(a)(v) of this Agreement.

ARTICLE I

DEFINITIONS AND INTERPRETATION

Definitions.

Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Indenture. Whenever any reference is made to an amount the determination of which is governed by Section 1.2, the provisions of Section 1.2 shall be applicable to such determination or calculation, whether or not reference is specifically made to Section 1.2, unless some other method of calculation or determination is expressly specified in the particular provision.

"**Accelerated Maturity Date**" has the meaning specified in Section 5.5(a) hereof.

"**Access Termination Notice**" has the meaning specified in the Future Funding Agreement.

"**Account**" means any of the Interest Collection Account, the Principal Collection Account, the Note Payment Account, the Custodial Account, the Expense Account, the Unused Proceeds Account, the Permitted Funded Companion Participation Acquisition Account and the Trust Certificate Account. Any Account established hereunder shall include any number of sub-accounts or shall be sub-accounts of other accounts to the extent deemed necessary by the Indenture Trustee for convenience in administering the Accounts.

"**Account Control Agreement**" means the Securities Account Control Agreement dated as of the Closing Date, among the Issuer, the Indenture Trustee and the Securities Intermediary.

"**Acquisition Criteria**" means the following criteria that shall be satisfied with respect to each Related Funded Companion Participation as of the related acquisition date of such Related Funded Companion Participation:

a) the underlying Mortgage Loan is not a Defaulted Mortgage Loan or a Specially Serviced Mortgage Loan;

b) upon acquisition, the Related Funded Companion Participation will not be an Impaired Mortgage Loan;

c) no Indenture Event of Default has occurred and is continuing;

d) the requirements set forth in Section 12.4(b) regarding the representations and warranties with respect to such Related Funded Companion Participation and the related Mortgaged Property have been met (subject to such exceptions as are reasonably acceptable to the Special Servicer);

e) no Control Shift Event with respect to the Class E Notes has occurred and is continuing;

f) the acquisition of such Related Funded Companion Participation will be at a price no greater than the outstanding principal balance of such Related Funded Companion Participation; and

g) notice has been provided to each Rating Agency at least five Business Days prior to such acquisition.

"**Act of Noteholders**" has the meaning specified in Section 14.2 hereof.

"**Administrative Expenses**" means with respect to any Payment Date (a) Indenture Trustee Expenses and (b) all amounts (including indemnities) due or accrued with respect to such Payment Date and payable by the Issuer or any Permitted Subsidiary to (i) the Owner Trustee

pursuant to the Trust Agreement, (ii) the Intermediate Trust Trustee pursuant to the Intermediate Trust Agreement, (iii) the Independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuer), (iv) any other Person in respect of any governmental fee, registered office fee, charge or tax in relation to the Issuer (as certified by an Authorized Officer of the Issuer to the Indenture Trustee), (v) the Placement Agents in respect of amounts payable to them under the Placement Agreement, (vi) the Rating Agencies in respect of Rating Agency Expenses, (vii) CREFC® in respect of the CREFC® Intellectual Property Royalty License Fee and (viii) any other Person in respect of any other fees or expenses permitted under this Indenture and the documents delivered pursuant to or in connection with this Indenture and the Notes; *provided* that Administrative Expenses shall not include (A) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (B) amounts payable in respect of the Notes or the Indenture Trustee Fee and (C) any Servicing Fee, Special Servicing Fee, Operating Advisor Fees or other amount payable or reimbursable to the Servicer, the Special Servicer or the Operating Advisor, respectively, pursuant to the terms of the Servicing Agreement.

"**Advancing Agent**" means RAIT Partnership, L.P., or any successor thereto in such capacity.

"**Advancing Agent Fee**" means a *per annum* fee payable to the Advancing Agent on each Payment Date in accordance with the Priority of Payments equal to 0.001% of the outstanding principal amount of the Class A Notes, Class A-S Notes and Class B Notes immediately prior to such Payment Date (except that if the Indenture Trustee is unable to identify a successor Advancing Agent at such rate of compensation, the Indenture Trustee will be authorized to make arrangements for increased compensation at a reasonable market rate, such increased rate to be payable by the Issuer). For so long as the Advancing Agent is an Affiliate of the Directing Holder, the Advancing Agent Fee will be 0.00%. Following any failure of the Advancing Agent to make any Interest Advance, the Backup Advancing Agent shall be obligated to make such Interest Advance, and the Advancing Agent Fee shall be payable to the Backup Advancing Agent except that for so long as the Bank is the Backup Advancing Agent, no Advancing Agent Fee shall be payable to the Backup Advancing Agent.

"**Advisers Act**" has the meaning specified in Section 2.4(s) hereof.

"**Affiliate**" or "**Affiliated**" means, with respect to any Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in clause (i) above. For the purposes of this definition, "**control**" of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Notwithstanding the foregoing, "**Affiliate**," with respect to the Issuer, does not include entities that are under common control by virtue of the affiliations of the directors of the Issuer.

"**Agent Members**" means members of, or participants in, the Depository, Clearstream or Euroclear.

"**Aggregate Outstanding Amount**" means, (i) when used with respect to any Class of Principal Balance Notes at any time, the aggregate principal amount of such Class of Principal Balance Notes Outstanding at such time, and (ii) when used with respect to all Classes of Principal Balance Notes in the aggregate, the aggregate principal amount of all Principal Balance Notes Outstanding at such time.

"**Aggregate Principal Balance**" means, when used with respect to any Pledged Assets or Mortgage Loans as of any date of determination, the sum of the Principal Balances on such date of determination of all such Pledged Assets or Mortgage Loans.

"**Appraisal**" has the meaning set forth in the Servicing Agreement.

"**Appraisal Reduction Event**" means the occurrence of any of the following events with respect to a Mortgage Loan (or, in the case of a Mortgage Loan that is a Pari Passu Participation, the related Participated Whole Loan):

(1) the 90th day following the occurrence of any uncured delinquency in monthly payments with respect to such Mortgage Loan or Participated Whole Loan, as applicable;

(2) receipt of notice that the related borrower has filed a bankruptcy petition or the date on which a receiver is appointed and continues in such capacity or the 90th day after the related borrower becomes the subject of involuntary bankruptcy proceedings and such proceedings are not dismissed in respect of the Mortgaged Property securing such Mortgage Loan or Participated Whole Loan, as applicable;

(3) the date on which the Mortgaged Property securing such Mortgage Loan or Participated Whole Loan, as applicable, becomes REO Property;

(4) such Mortgage Loan or Participated Whole Loan, as applicable, becomes a Modified Mortgage Loan; and

(5) a payment default occurs with respect to a balloon payment; *provided*, *however* if (A) the related borrower is diligently seeking a refinancing commitment (and delivers a statement to that effect to the Servicer within 30 days after the default, who will promptly deliver a copy to the Special Servicer, the Operating Advisor and the Directing Holder (but only for so long as no Consultation Termination Event has occurred and is continuing), (B) the related borrower continues to make its scheduled monthly payment, (C) no other Appraisal Reduction Event has occurred with respect to that Mortgage Loan or Participated Whole Loan, as applicable, and (D) for so long as no Control Shift Event with respect to the Class E Notes has occurred and is continuing, the Directing Holder consents, an Appraisal Reduction Event will not occur until 90 days beyond the related maturity date, unless extended by the Special Servicer in accordance with the Transaction Documents, the Indenture or the Servicing Agreement; and *provided*, *further*, if the related borrower has delivered to the Servicer, who shall have promptly delivered a copy to the Special Servicer, the Operating Advisor, and for so long as no Consultation Termination Event has occurred and is continuing,

the Directing Holder, on or before the 90th day after the related maturity date, a refinancing commitment reasonably acceptable to the Special Servicer, and the borrower continues to make its scheduled monthly payments (and no other Appraisal Reduction Event has occurred with respect to that Mortgage Loan or Participated Whole Loan, as applicable), an Appraisal Reduction Event will not occur until the earlier of (1) 120 days beyond the related maturity date (or extended maturity date) and (2) the termination of the refinancing commitment.

"**Aqua Palms Mortgage Loan**" means the Mortgage Loan identified on Schedule A attached hereto as Aqua Palms.

"**Authenticating Agent**" means, with respect to the Notes or any Class of the Notes, the Person designated by the Indenture Trustee, if any, to authenticate such Notes on behalf of the Indenture Trustee pursuant to Section 2.11.

"**Authorized Officer**" means (i) with respect to the Issuer, any Officer (or attorney-in-fact appointed by the Issuer) of the Owner Trustee, the Servicer or the Trust Administrator who is authorized to act for the Issuer in matters relating to, and binding upon, the Issuer, (ii) with respect to the Trust Depositor, the Servicer or the Trust Administrator, initially those individuals the names of whom appear on the lists of Authorized Officers attached hereto (as such list may be modified or supplemented from time to time thereafter), (iii) with respect to the Indenture Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer and (iv) with respect to the Intermediate Trust, any officer of the Intermediate Trust Trustee, the Servicer or the Intermediate Trust Administrator that is authorized to act for the Intermediate Trust or authorized to act for the Issuer, in matters relating to and binding upon, the Intermediate Trust. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"**Available Redemption Funds**" has the meaning specified in Section 9.1(b) hereof.

"**Backup Advancing Agent**" means Wells Fargo Bank, National Association, solely in its capacity as backup advancing agent hereunder, unless a successor Person shall have become the backup advancing agent pursuant to the applicable provisions of this Indenture, and thereafter Backup Advancing Agent shall mean such successor Person.

"**Bad Faith**" means, with respect to the conduct or transaction concerned, the absence of "good faith" (as such term is defined in the UCC).

"**Balance**" means at any time, with respect to Cash or Eligible Investments in any Account at such time, the aggregate of the (i) current balance of Cash, demand deposits, time deposits, certificates of deposit, federal funds and money market funds; (ii) principal amount owing in respect of interest-bearing corporate and government securities, money market accounts, repurchase obligations and reinvestment agreements; and (iii) purchase price (but not greater than

the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"**Bank**" means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, in its individual capacity and not as Indenture Trustee.

"**Bankruptcy Code**" means the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"**Beneficial Owner**" means any Person owning an interest in a Global Note as reflected on the books of the Depository or on the books of a Depository Participant or on the books of an indirect participant for which a Depository Participant of the Depository acts as agent.

"**Benefit Plan**" has the meaning specified in Section 2.4(n) hereof.

"**Board Resolution**" means with respect to the Issuer, a resolution or written consent of the holder of the Trust Certificate.

"**Business Day**" means a day on which commercial banks are open for business in each of New York, New York, London, England and the city in which the Corporate Trust Office of each of the Indenture Trustee and of the Owner Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note.

"**Calculation Agent**" has the meaning specified in Section 7.14(a) hereof.

"**Calculation Amount**" means, with respect to any Mortgage Loan (or, in the case of a Mortgage Loan that is a Pari Passu Participation, the related Participated Whole Loan) as to which an Appraisal Reduction Event has occurred, the lesser of (a) the outstanding principal amount of such Mortgage Loan or Participated Whole Loan, as applicable, and (b) the sum of (1) the appraised value(s) (net of any prior mortgage liens) of the related Mortgaged Property or Mortgaged Properties securing such Mortgage Loan or Participated Whole Loan, as applicable, as determined by the most recent Updated Appraisal in respect of such Mortgaged Property or Mortgaged Properties, plus (2) all escrows, letters of credit and reserves (other than escrows and reserves for taxes, ground rents, assessments and insurance) plus (3) all insurance and casualty proceeds and condemnation awards that constitute collateral for the related Mortgage Loan or Participated Whole Loan, as applicable (whether paid or then payable by any insurance company or government authority), in each case, as determined by the Special Servicer (in the case of any Mortgage Loan that is a Pari Passu Participation, the amount determined by this clause (b) shall be reduced by the proportionate share attributable to the funded portion of the Companion Participation, if any).

"**Cash**" means such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

"**Cash Purchaser**" has the meaning specified in the definition of "Qualified Buyer".

"**Certificate of Authentication**" has the meaning specified in Section 2.3(f) hereof.

"**Certificate Register**" has the meaning give to such term in the Trust Agreement.

"**Certificated Security**" has the meaning specified in Section 8-102(a)(4) of the UCC.

"**Class**" means, with respect to the Notes, each of the eight classes thereof consisting of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, respectively.

"**Class A Defaulted Interest Amount**" means, with respect to the Class A Notes as of each Payment Date, the accrued and unpaid amount due to holders of the Class A Notes on account of any interest shortfalls in respect of the Class A Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class A Notes**" means the Class A First Priority Senior Secured Floating Rate Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class A Note Rate.

"**Class A Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in June 2022, 0.95%, and (ii) beginning with the payment made on the Payment Date occurring in July 2022, 1.20%.

"**Class A Subordinate Interests**" has the meaning specified in Section 13.1(a) hereof.

"**Class A-S Defaulted Interest Amount**" means, with respect to the Class A-S Notes as of each Payment Date, the accrued and unpaid amount due to holders of the Class A-S Notes on account of any interest shortfalls in respect of the Class A-S Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class A-S Notes**" means the Class A-S Second Priority Senior Secured Floating Rate Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class A-S Note Rate.

"**Class A-S Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus Date (i) prior to and including the Payment Date occurring in June 2022, 1.30%, and (ii) beginning with the payment made on the Payment Date occurring in July 2022, 1.55%.

"**Class A-S Subordinate Interests**" has the meaning specified in Section 13.1(b) hereof.

"**Class B Defaulted Interest Amount**" means, with respect to the Class B Notes as of each Payment Date, the accrued and unpaid amount due to holders of the Class B Notes on

account of any interest shortfalls in respect of the Class B Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class B Notes**" means the Class B Third Priority Senior Secured Floating Rate Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class B Note Rate.

"**Class B Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in June 2022, 1.60%, and (ii) beginning with the payment made on the Payment Date occurring in July 2022, 2.10%.

"**Class B Subordinate Interests**" has the meaning specified in Section 13.1(c) hereof.

"**Class C Defaulted Interest Amount**" means, with respect to the Class C Notes as of each Payment Date on which no Class A Notes, Class A-S Notes or Class B Notes are Outstanding, the accrued and unpaid amount due to holders of the Class C Notes (other than the Class C Deferred Interest Amount) on account of any interest shortfalls in respect of the Class C Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class C Deferred Interest Amount**" has the meaning specified in Section 2.6(b).

"**Class C Notes**" means the Class C Fourth Priority Deferrable Senior Secured Floating Rate Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class C Note Rate.

"**Class C Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in June 2022, 2.50%, and (ii) beginning with the payment made on the Payment Date occurring in July 2022, 3.00%

"**Class C Subordinate Interests**" has the meaning specified in Section 13.1(d) hereof.

"**Class D Defaulted Interest Amount**" means, with respect to the Class D Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes or Class C Notes are Outstanding, the accrued and unpaid amount due to holders of the Class D Notes (other than the Class D Deferred Interest Amount) on account of any interest shortfalls in respect of the Class D Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class D Deferred Interest Amount**" has the meaning specified in Section 2.6(c).

"**Class D Notes**" means the Class D Fifth Priority Deferrable Senior Secured Floating Rate Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class D Note Rate.

"**Class D Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in June 2022, 4.00%, and (ii) beginning with the payment made on the Payment Date occurring in July 2022, 4.50%.

"**Class D Subordinate Interests**" has the meaning specified in Section 13.1(e) hereof.

"**Class E Defaulted Interest Amount**" means, with respect to the Class E Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are Outstanding, the accrued and unpaid amount due to holders of the Class E Notes (other than the Class E Deferred Interest Amount) on account of any interest shortfalls in respect of the Class E Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class E Deferred Interest Amount**" has the meaning specified in Section 2.6(f).

"**Class E Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus 5.50%.

"**Class E Notes**" means the Class E Income Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at a rate *per annum* equal to the Class E Note Rate.

"**Class E Subordinate Interests**" has the meaning specified in Section 13.1(h) hereof.

"**Class F Defaulted Interest Amount**" means, with respect to the Class F Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding, the accrued and unpaid amount due to holders of the Class F Notes (other than the Class F Deferred Interest Amount) on account of any interest shortfalls in respect of the Class F Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class F Deferred Interest Amount**" has the meaning specified in Section 2.6(g).

"**Class F Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus 7.50%.

"**Class F Notes**" means the Class F Income Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at a rate *per annum* equal to the Class F Note Rate.

"**Class F Subordinate Interests**" has the meaning specified in Section 13.1(i) hereof.

"**Class G Notes**" means the Class G Income Notes due June 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive any Interest Proceeds remaining after all other amounts payable therefrom.

"**Class G Subordinate Interests**" has the meaning specified in Section 13.1(j) hereof.

"**Clean-up Call**" has the meaning specified in Section 9.1(a) hereof.

"**Clean-up Call Date**" has the meaning specified in Section 9.1(a) hereof.

"**Clearing Agency**" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"**Clearing Corporation**" has the meaning specified in Section 8-102(a)(5) of the UCC.

"**Clearstream**" means Clearstream Banking S.A.

"**Closing Date**" means June 23, 2017.

"**Closing Date Mortgage Loans**" means the Mortgage Loans acquired by the Intermediate Trust on the Closing Date, which are listed on Schedule A attached hereto.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended.

"**Collateral**" has the meaning specified in the Granting Clauses.

"**Collection Accounts**" means the Interest Collection Account and the Principal Collection Account.

"**Companion Participation**" means the non-controlling pari passu participation interest in a Participated Whole Loan that is not included in the Underlying Mortgage Pool or beneficially owned by the Issuer.

"**Controlling Class**" means the Class A Notes or, if there are no Class A Notes Outstanding, then the Class A-S Notes or, if there are no Class A-S Notes Outstanding, then the Class B Notes or, if there are no Class B Notes Outstanding, then the Class C Notes or, if there are no Class C Notes Outstanding, then the Class D Notes or, if there are no Class D Notes Outstanding, then the Class E Notes or, if there are no Class E Notes Outstanding, then the Class F Notes or, if there are no Class F Notes Outstanding, then the Class G Notes.

"**Control Shift Event**" has the meaning specified in the Servicing Agreement.

"**Consultation Termination Event**" has the meaning specified in the Servicing Agreement.

"**Corporate Trust Office**" means (a) in the case of the Indenture Trustee (i) for Note transfer purposes, the principal corporate trust office at Wells Fargo Bank, National

Association, Corporate Trust Operations, MAC N9300-070, 600 South Fourth Street, 7th Floor, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services – RAIT 2017-FL7, and (ii) for all other purposes, at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951, Attention: Client Manager – RAIT 2017-FL7 and (b) and in the case of the Owner Trustee, 919 N. Market Street, Suite 1600, Wilmington, Delaware 19801, Attention: RAIT 2017-FL7 and in each case, such other address as the Indenture Trustee or Owner Trustee may designate from time to time by notice to the Noteholders, the Servicer, and the Issuer, or the principal corporate trust office of any successor Indenture Trustee or Owner Trustee.

"**Credit Enhancement Level**" means, with respect to any Class of Principal Balance Notes, the fraction, expressed as a percentage, where the numerator is the Aggregate Outstanding Amount (excluding the Deferred Interest Amount) of each Class of Principal Balance Notes that is subordinate to such Class of Principal Balance Notes, and the denominator is the Aggregate Outstanding Amount (excluding the Deferred Interest Amount) of all Classes of Principal Balance Notes.

"**Credit Risk Retention Rules**" means the final credit risk retention rule issued by the Securities and Exchange Commission (appearing at 17 CFR § 246.1, et seq.) that adopted the joint final rule promulgated by the Regulatory Agencies (appearing at 79 F.R. 77601; pages 77740-77766) to implement the credit risk retention requirements of Section 15G of the Securities Exchange Act of 1934, as added by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as such rule may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Regulatory Agencies in the adopting release (79 FR 77601 et seq.) or by the staff of any such agency, or as may be provided by any such agency or its staff from time to time, in each case, as effective from time to time.

"**CREFC®**" means CRE Finance Council, formerly known as Commercial Mortgage Securities Association, or any association or organization that is a successor thereto.

"**CREFC® Intellectual Property Royalty License Fee**" means with respect to each Mortgage Loan and for any Payment Date, an amount accrued during the related Interest Period at the CREFC® Intellectual Property Royalty License Fee Rate on the Principal Balance of such Mortgage Loan as of the close of business on the Determination Date in such Interest Period; *provided* that such amounts shall be computed for the same period and on the same interest accrual basis respecting which any related interest payment due or deemed due on the related Mortgage Loan is computed and shall be prorated for partial periods.

"**CREFC® Intellectual Property Royalty License Fee Rate**" means, with respect to each Mortgage Loan, a rate equal to 0.0005% *per annum*.

"**Custodial Account**" means the Securities Account designated the "Custodial Account" and established in the name of the Indenture Trustee pursuant to Section 10.2(i) hereof.

"**Custodian**" has the meaning specified in Section 3.3(a) hereof.

"**Default**" means any Indenture Event of Default or any occurrence that, with notice or lapse of time or both, would become an Indenture Event of Default.

"**Defaulted Interest Amount**" means the Class A Defaulted Interest Amount, Class A-S Defaulted Interest Amount, Class B Defaulted Interest Amount, Class C Defaulted Interest Amount, Class D Defaulted Interest Amount, Class E Defaulted Interest Amount or Class F Defaulted Interest Amount, as applicable, in accordance with Section 5.1(a). For the avoidance of doubt, so long as a more senior Class of Principal Balance Notes is Outstanding, any interest payment due on the Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes, as applicable, that is not paid as a result of the operation of the Priority of Payments on any Payment Date shall not be considered a "Defaulted Interest Amount."

"**Defaulted Mortgage Loan**" means, for purposes of this Indenture, any Mortgage Loan (or, in the case of a Mortgage Loan that is a Pari Passu Participation, the related Participated Whole Loan) as to which either (x) a payment default (after giving effect to any applicable grace, notice or cure period but without giving effect to any waiver) has occurred and is continuing for more than 60 days; or (y) there is known to the Special Servicer a material non-monetary event of default that has occurred and is continuing (after giving effect to any applicable grace, notice or cure period but without giving effect to any waiver) for more than 60 days after the Special Servicer obtained actual knowledge thereof and provided any required notices have been delivered to the related borrower.

"**Deferred Interest Amount**" means the Class C Deferred Interest Amount, the Class D Deferred Interest Amount, the Class E Deferred Interest Amount and the Class F Deferred Interest Amount, as applicable.

"**Definitive Note**" has the meaning specified in Section 2.1(b) hereof.

"**Delayed Close Mortgage Loan**" means any of the Mortgage Loans identified on Schedule A attached hereto as Royal Oaks and Aqua Palms.

"**Depositor Purchase and Sale Agreement**" means the Purchase and Sale Agreement, dated on or about the Closing Date, by and among RAIT 2017-FL7 Trust, as purchaser and RAIT 2017-FL7, LLC, as seller and any other Depositor Purchase and Sale Agreement entered into after the Closing Date if a purchase agreement is necessary to comply with this Indenture, which agreement is pledged to the Indenture Trustee pursuant to this Indenture.

"**Depository**" or "**DTC**" means The Depository Trust Company, a New York corporation, its nominees, and their respective successors.

"**Depository Participant**" means a broker, dealer, bank or other financial institution or other Person for whom from time to time the Depository effects book-entry transfers and pledges of Notes deposited with the Depository.

"**Determination Date**" means the 8th day of each month, commencing in July 2017, or if such date is not a Business Day, the next succeeding Business Day.

"**Directing Holder**" means the Majority Holder(s) (or the appointed representative of the Majority Holder(s)) of the most subordinate of (1) the Class E Notes, (2) the Class F Notes, and (3) the Class G Notes, in each case, as to which no Control Shift Event has occurred and is continuing. None of the Holders of the Senior Notes will be eligible to act as (or appoint a

representative to act as) the Directing Holder at any time. The initial Directing Holder will be the Trust Depositor.

"**Distribution**" means, for purposes of this Indenture, any payment of principal, interest or fee or any dividend or premium payment made on, or any other distribution in respect of, the Intermediate Trust Certificate, an Eligible Investment or other Pledged Asset.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

"**Due Date**" means each date on which a Distribution is due on a Pledged Asset or a Mortgage Loan.

"**Due Period**" means, with respect to any Payment Date, the period that commences on the day after the second preceding Determination Date and ends on and includes the Determination Date immediately preceding such Payment Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes. The "Payment Date" relating to any Due Period shall be the first Payment Date following the last day of such Due Period.

"**Early Unused Proceeds Release Date**" means, in the event the Seller has reasonably determined that a Delayed Close Mortgage Loan will not be originated or be available for acquisition by the Trust Depositor to be included as an asset of the Intermediate Trust on or prior to the Purchase Termination Date, such earlier date as is designated by the Seller (by providing written notice to the Issuer, the Trust Depositor and the Indenture Trustee) for such Delayed Close Mortgage Loan. An Early Unused Proceeds Release Date shall not be any day from and including the Determination Date to and including the Payment Date in any month.

"**EHRI**" means the Class G Notes, which are retained by the Trust Depositor on the Closing Date.

"**Eligible Investments**" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Indenture Trustee and/or its Affiliates or the Servicer and/or its Affiliates provides services or receives compensation):

(a) Cash;

(b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or federal funds sold by any depository institution or trust company incorporated under the laws of the United States (including the Bank) or any state thereof and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the

commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment are rated (i) in the highest short-term debt rating category of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) the short-term obligations of which are rated (i) in the highest short-term debt rating category of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(e) registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that are rated (i) in the highest short-term debt rating category of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance that are rated (i) in the highest short-term debt rating category of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(g) registered reinvestment agreement issued or unconditionally guaranteed by any bank, or a Registered reinvestment agreement issued or unconditionally guaranteed by any insurance company or a Registered reinvestment agreement issued or unconditionally guaranteed by any other corporation or entity (if treated as debt by the obligor) that is rated (i) in the highest short-term debt rating category of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's; and

(h) interests in any money market fund, including the Wells Fargo Advantage Money Market Fund, or similar investment vehicle having at the time of investment therein (i) the highest short-term debt rating category of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) and (ii) a rating of at least "Aaa-mf" by Moody's;

and, in each case (other than clause (a) or (h)), with a stated maturity or, in the case of clause (g), a withdrawal date (in each case giving effect to any applicable grace period) no later than the Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (i) any mortgaged-backed security, (ii) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (iii) any security purchased at a price in excess of 100% of the par value thereof, (iv) any investment the income from or proceeds of disposition of which is or will be subject to reduction for or on account of any withholding or similar tax (other than pursuant to FATCA), (v) any security the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer or the Intermediate Trust to net income tax in any jurisdiction, (vi) any floating rate security (other than the time deposits

described in clause (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index *plus* or *minus* a spread, (vii) any security whose rating by S&P includes the subscript "r," "t," "p," "pi" or "q," (viii) any security that the Servicer determines (in accordance with the Servicing Agreement) to be subject to substantial non-credit-related risk, (ix) any interest-only securities or (x) any security the acquisition, ownership, enforcement and disposition of which will cause the Issuer or the Intermediate Trust to fail to be treated as an Issuer Parent Disregarded Entity; *provided further* that, if any of the rating requirements set forth in clauses (c), (d), (e), (f) or (g) above are not satisfied, such investment will qualify as an Eligible Investment upon satisfaction of the Rating Agency Condition with respect to the Rating Agencies. Eligible Investments may be obligations of, and may be purchased from, the Indenture Trustee and its Affiliates so long as (i) such Eligible Investments satisfy the minimum ratings requirements of KBRA (or, if not rated by KBRA, an equivalent rating by any two other NRSROs) set forth in clauses (c) – (h) above, and (ii) the Indenture Trustee has a capital and surplus of at least U.S. $200,000,000 and has a long term unsecured credit rating of at least "Baa1" by Moody's, and may include obligations for which the Indenture Trustee or an Affiliate thereof receives compensation for providing services. Notwithstanding the foregoing, except in the case of clauses (e) and (h), such obligation shall have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change.

"**Entitlement Holder**" has the meaning specified in Section 8-102(a)(7) of the UCC.

"**Entitlement Order**" has the meaning specified in Section 8-102(a)(8) of the UCC.

"**ERISA**" means the United States Employee Retirement Income Security Act of 1974, as amended.

"**E.U. Risk Retention Letter**" means that certain letter agreement between RAIT Partnership and the Trust Depositor, dated on or about the Closing Date.

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**Excepted Property**" means the Trust Certificate Account and all of the funds and other property from time to time deposited in or credited to the Trust Certificate Account.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Exchange Date**" means any Business Day other than the first or last Business Day of the month, subject to approval by the Indenture Trustee.

"**Exit Fees**" means, with respect to any Mortgage Loan, any fee identified in the related Loan Documents as an "exit fee", "exit additional interest" or similarly defined term and paid by the related borrower in connection with a repayment of such Mortgage Loan (other than any prepayment premium), including any fee that is payable upon a prepayment if such fee would

also be payable if the amount prepaid were paid on the scheduled maturity date of such Mortgage Loan.

"**Expense Account**" means the Securities Account designated the "Expense Account" and established in the name of the Indenture Trustee pursuant to Section 10.4 hereof.

"**Expense Year**" means each 12-month period commencing on the Business Day following the Payment Date in July each year (or in the case of the first Expense Year, the Closing Date) and ending on the Payment Date in July of the following year.

"**FATCA**" means Sections 1471 through 1474 of the Code and any regulations or official interpretations thereof.

"**Final Pool Principal Balance**" means, including the anticipated initial principal balance of the Delayed Close Mortgage Loan(s), $342,373,299.

"**Financial Asset**" has the meaning specified in Section 8-102(a)(9) of the UCC.

"**Financing Statement**" means a financing statement relating to the Collateral naming the Issuer as debtor and the Indenture Trustee on behalf of the Secured Parties as secured party.

"**Fitch**" means Fitch Ratings, Inc., or any successor thereto.

"**Floor Rate**" means a specified fixed minimum interest rate set forth in the Loan Documents for a Mortgage Loan.

"**Future Funding Account Control Agreement**" means any account control agreement entered into in accordance with the terms of the Future Funding Agreement by and among RAIT Partnership, L.P., as pledgor, the Indenture Trustee, as secured party, and an account bank, as the same may be amended, supplemented or replaced from time to time.

"**Future Funding Agreement**" means the future funding agreement, dated as of the Closing Date, by and among RAIT 2017-FL7 A-2 Holdings, LLC, as obligor, RAIT Partnership, L.P., as Future Funding Indemnitor, and the Indenture Trustee, as trustee on behalf of the Noteholders, as the same may be amended, supplemented or replaced from time to time.

"**Future Funding Holder**" with regard to each Future Funding Participation, means RAIT 2017-FL7 A-2 Holdings, LLC, or a permitted affiliate thereof in accordance with the related Participation Agreement.

"**Future Funding Indemnitor**" means RAIT Partnership, L.P., and its successors in interest.

"**Future Funding Participation**" means, with respect to each Mortgage Loan that is a Pari Passu Participation, the future funding companion participation interest, which (unless it is acquired as a Related Funded Companion Participation after the Closing Date in accordance

with the terms of this Agreement) is not included in the Underlying Mortgage Pool or beneficially owned by the Issuer or the Intermediate Trust.

"**Future Funding Reserve Account**" has the meaning specified in the Servicing Agreement.

"**Global Notes**" means the Regulation S Global Notes and the Rule 144A Global Notes.

"**Government Items**" means a security (other than a security issued by the Government National Mortgage Association) issued or guaranteed by the United States of America or an agency or instrumentality thereof representing a full faith and credit obligation of the United States of America and, with respect to each of the foregoing, that is maintained in book-entry form on the records of a Federal Reserve Bank.

"**Grant**" means to grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, grant and create a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Pledged Assets, or of any other security or instrument, shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including, without limitation, the immediate continuing right to claim, collect, receive and take receipt for principal, interest and fee payments in respect of the Pledged Assets or such other instruments, and all other Cash payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"**Holder**" or "**Noteholder**" means, with respect to any Note, the Person in whose name such Note is registered in the Note Register and with respect to the Trust Certificate, the Person in whose name such Trust Certificate is registered in the register maintained under the Certificate Register.

"**IAI**" means an institution that is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under Regulation D under the Securities Act or an entity in which all of the equity owners are such "accredited investors."

"**Impaired Mortgage Loan**" means (1) any Defaulted Mortgage Loan or (2) any Mortgage Loan as to which a default is reasonably foreseeable, as determined by the Special Servicer in accordance with the Servicing Standard.

"**Indenture**" means this instrument and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended.

"**Indenture Accounts**" means the Note Payment Account, the Permitted Funded Companion Participation Acquisition Account, the Unused Proceeds Account and the Custodial Account.

"**Indenture Event of Default**" has the meaning specified in Section 5.1 hereof.

"**Indenture Trustee**" means Wells Fargo Bank, National Association, a national banking association, solely in its capacity as trustee hereunder, unless a successor Person shall have become the Indenture Trustee pursuant to the applicable provisions of this Indenture, and thereafter Indenture Trustee shall mean such successor Person. Wells Fargo Bank, National Association, shall perform its duties hereunder through its Corporate Trust Services division.

"**Indenture Trustee Expenses**" means, with respect to any Payment Date, all expenses and indemnified amounts (other than fees) due or accrued with respect to such Payment Date that are payable by the Issuer to (i) the Indenture Trustee in its various capacities, including without limitation to (a) the Indenture Trustee pursuant to Section 6.7 hereof or any co-trustee appointed pursuant to Section 6.12 hereof, and (b) the Note Registrar pursuant to Section 2.4(a) hereof, (ii) the Custodian hereunder and pursuant to the Account Control Agreement, (iii) the Paying Agent, (iv) the Calculation Agent, (v) the Transfer Agent, (vi) the Backup Advancing Agent and (vii) the Intermediate Trust Trustee.

"**Indenture Trustee Fee**" means, a fee equal to $42,000 *per annum*, which will be payable in monthly installments on each Payment Date in accordance with the Priority of Payments, to Wells Fargo Bank, National Association, in its capacities (or any successor to it in such capacities) as (i) Note Registrar, Indenture Trustee, Rule 17g-5 Information Provider and Backup Advancing Agent under the Indenture and (ii) Custodian hereunder and under the Account Control Agreement. The Indenture Trustee will pay to the Owner Trustee the Owner Trustee Fee and to the Intermediate Trust Trustee the Intermediate Trust Trustee Fee, each out of the Indenture Trustee Fee.

"**Indenture Trustee Fee Rate**" means, with respect to each Payment Date, the annualized rate at which the Indenture Trustee Fee would need to accrue on the Aggregate Principal Balance of the Mortgage Loans as of the first day of the related Mortgage Loan Accrual Period, on the same basis as interest accrues on the Mortgage Loans, in order to yield the Indenture Trustee Fee for such Payment Date.

"**Independent**" means, as to any Person, any other Person (including, in the case of an accountant, or lawyer, a firm of accountants or lawyers and any member thereof or an investment bank and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions and (iii) if required to deliver an opinion or certificate to the Indenture Trustee pursuant to this Indenture, states in such opinion or certificate that the signer has read this definition and that the signer is Independent within the meaning hereof. "Independent" when used with respect to any accountant may include an accountant who performs agreed upon procedures on the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person under Interpretation 101-11 of Rule 101 of the Rules of Conduct of the Code of Professional Conduct of the American Institute of Certified Public Accountants.

"**Inquiry**" has the meaning set forth in Section 10.15 hereof.

"**Instrument**" has the meaning specified in Section 9-102(a)(47) of the UCC.

"**Interest Advance**" has the meaning specified in Section 10.12(a) hereof.

"**Interest Collection Account**" means the Securities Account designated the "Interest Collection Account" and established in the name of the Indenture Trustee pursuant to Section 10.2(a) hereof.

"**Interest Distribution Amount**" means, with respect to any Payment Date for any Class of Notes (other than the Class G Notes), the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Aggregate Outstanding Amount of the Principal Balance Notes of such Class during the applicable Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Payment Date) *plus* (b) any Defaulted Interest Amount in respect of the Notes of such Class and accrued interest thereon.

"**Interest Period**" means: (i) with respect to the first Payment Date, the period that commences on and includes the Closing Date and ends on and includes July 14, 2017; and (ii) with respect to each other Payment Date, the period that commences on the 15th day of the calendar month preceding the calendar month in which the related Payment Date occurs and ends on and includes the 14th day of the calendar month in which the related Payment Date occurs.

"**Interest Proceeds**" means, with respect to any Payment Date, (A) the sum (without duplication) of (1) all cash payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) and other distributions received by the Issuer (including by means of distribution from the Intermediate Trust) during the related Due Period in respect of (a) all Mortgage Loans other than Defaulted Mortgage Loans (net of the Servicing Fee, Special Servicing Fee, the Operating Advisor Fees, the amount of any Nonrecoverable Property Protection Advances and all other amounts retained by, or payable to, the Servicer, the Special Servicer or the Operating Advisor in accordance with the terms of the Servicing Agreement) and (b) Eligible Investments, in each case, excluding any accrued interest included in Principal Proceeds pursuant to clause (A)(3) or (4) of the definition of Principal Proceeds, (2) all make whole premiums, prepayment premiums or any interest amount paid in excess of the stated interest amount of a Mortgage Loan received during the related Due Period, (3) all amendment and waiver fees, late payment fees, commitment fees and other fees (but excluding Exit Fees and Scheduled Extension Fees, which are being retained by the Seller) and commissions received by the Issuer (including by means of distribution from the Intermediate Trust) during such Due Period in connection with such Mortgage Loans and Eligible Investments (other than, in each such case, fees and commissions received in connection with the restructuring of a Mortgage Loan and, for the avoidance of doubt, any origination fees paid by a related borrower), (4) funds remaining on deposit in the Expense Account upon redemption of the Notes in whole, in accordance with Section 10.4 hereof, (5) with respect to any Defaulted Mortgage Loan sold by or at the direction of the Issuer during the related Due Period, the excess, if any, of the amount received by the Issuer (including by means of distribution from the Intermediate Trust) in connection with such sale and the par amount of such Defaulted Mortgage Loan, (6) all payments of principal on Eligible Investments purchased with proceeds of items (A)(1), (2) and (3) of this definition, (7) Interest Advances, if any, advanced by the Advancing Agent or the Backup

Advancing Agent with respect to such Payment Date, (8) any excess proceeds received in respect of a Mortgage Loan after the principal amount of such Mortgage Loan has been reduced to zero, but only if, so long as no Control Shift Event with respect to the Class E Notes has occurred and is continuing, the Directing Holder instructs the Issuer to treat such amounts as "Interest Proceeds", and (9) any payments similar to the foregoing received with respect to any Mortgage Loan held by a Permitted Subsidiary, *provided* that Interest Proceeds will in no event include any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof, *minus* (B) the aggregate amount of any Nonrecoverable Interest Advances that were previously reimbursed to the Advancing Agent or the Backup Advancing Agent out of any of the items listed above.

For the avoidance of doubt, "Interest Proceeds" shall not include the Servicing Fee, Special Servicing Fee, the amount of any Nonrecoverable Property Protection Advances and any other amounts retained by, or payable to, the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement and shall not include any Exit Fees or any Scheduled Extension Fees.

"**Interest Proceeds Waterfall**" has the meaning specified in Section 11.1(a)(i) hereof.

"**Interest Shortfall**" has the meaning specified in Section 10.12(a) hereof.

"**Intermediate Trust**" means RAIT 2017-FL7 Intermediate Trust, a newly formed common law trust created and existing under the laws of the State of New York, and any successor Intermediate Trust under the Intermediate Trust Agreement.

"**Intermediate Trust Administration Agreement**" means the Intermediate Trust Administration Agreement, dated as of June 23, 2017, between the Intermediate Trust, the Trust Depositor and the Intermediate Trust Trustee, as amended from time to time.

"**Intermediate Trust Administrator**" means RAIT Partnership, L.P., or any successor thereto in such capacity.

"**Intermediate Trust Agreement**" means the Intermediate Trust Agreement, dated as of June 23, 2017, between the Trust Depositor and the Intermediate Trust Trustee, as amended from time to time.

"**Intermediate Trust Certificate**" means a certificate evidencing 100% of the ownership interest in the Intermediate Trust, substantially in the form of Exhibit A to the Intermediate Trust Agreement.

"**Intermediate Trust Trustee**" means Wells Fargo Bank, National Association, not in its individual capacity but solely as intermediate trust trustee under the Intermediate Trust Agreement, and any successor Intermediate Trust Trustee thereunder.

"**Intermediate Trust Trustee Fee**" means the annual fee (in an amount previously agreed to between the Intermediate Trust Trustee and the Trust Depositor) payable in equal monthly installments on each Payment Date, in accordance with the Priority of Payments, to Wells

Fargo Bank, National Association, in its capacity as Intermediate Trust Trustee. The Intermediate Trust Trustee Fee shall be paid by the Indenture Trustee from the Indenture Trustee Fee.

"Intervening ALRS" has the meaning specified in Section 3.3 hereof.

"**Intervening Assignments of Mortgage"** has the meaning specified in Section 3.3 hereof.

"Intervening UCC-3s" has the meaning specified in Section 3.3 hereof.

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended, and the rules thereunder.

"**Investor Certification**" means a certificate, substantially in the form of Exhibit G-1 or Exhibit G-2 hereto, representing that such person executing the certificate is a Noteholder or a beneficial owner of a Note, a holder of the Trust Certificate or a prospective purchaser of a Note and that either (a) such person is not an agent of, or an investment advisor to, any borrower or property manager or any affiliate of any borrower or property manager, in which case such person will have access to all the reports and information made available to Noteholders or the holder of the Trust Certificate hereunder, or (b) such person is an agent or affiliate of, or an investment advisor to, any borrower or property manager, in which case such person will only receive access to the Monthly Report. The Investor Certification may be submitted electronically by means of the Indenture Trustee's website.

"**Investor Registry**" means the Investor Registry described in Section 10.15 hereof.

"**Investor Q&A Forum**" means the Investor Q&A Forum described in Section 10.15 hereof.

"**Issuer**" means RAIT 2017-FL7 Trust, a newly formed statutory trust created and existing under the laws of the State of Delaware, unless a successor Person shall have become the Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor Person.

"**Issuer Order**" and "**Issuer Request**" mean, respectively, a written order or a written request (which may be in the form of a standing order or request), in each case dated and signed in the name of the Issuer by an Authorized Officer of the Issuer or by an Authorized Officer of the Servicer or the Trust Administrator (on behalf of the Issuer) where permitted pursuant to this Indenture or the Servicing Agreement, as the context may require or permit. An order or request provided in an email or other electronic means acceptable to the Indenture Trustee by an Authorized Officer of the Issuer shall constitute an Issuer Order except, in each case, to the extent the Indenture Trustee requests otherwise in writing.

"**Issuer Parent**" means the REIT that, for U.S. federal income tax purposes, directly or indirectly owns (or is deemed to own) 100% of the stock of the Issuer within the meaning of Section 856(i)(2) of the Code, as evidenced by an Opinion of Counsel. The initial Issuer Parent is RAIT Financial.

"**Issuer Parent Disregarded Entity**" means any Qualified REIT Subsidiary of the Issuer Parent and any other entity that is disregarded as an entity separate from the Issuer Parent within the meaning of Treasury Regulations Section 301.7701-3(b)(1)(ii) or the grantor trust provision of the Code.

"**Junior Notes"** means the Class E Notes, the Class F Notes and the Class G Notes authorized by, and authenticated and delivered under this Indenture.

"**KBRA**" means Kroll Bond Rating Agency, Inc. or any successor thereto.

"**Last Endorsee**" means, with respect to any Mortgage Loan, the Intermediate Trust.

"**LIBOR**" has the meaning specified in Schedule B hereto.

"**LIBOR Business Day**" has the meaning specified in Schedule B hereto.

"**LIBOR Determination Date**" has the meaning specified in Schedule B hereto.

"**Loan Document**" means the note, loan agreement, participation agreement or other agreements pursuant to which a Mortgage Loan has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Mortgage Loan or of which holders of such Mortgage Loan are the beneficiaries.

"**Loss Value Payment**" means a cash payment made to the Issuer by the Seller in connection with a breach of representation or warranty with respect to any Mortgage Loan pursuant to the Seller Purchase and Sale Agreement in an amount that the Servicer on behalf of the Issuer or the Intermediate Trust, subject to the consent of the Majority Holders of each Class of Notes (excluding any Note held by the Seller or any of its affiliates), determines is sufficient to compensate the Issuer or the Intermediate Trust for such breach of representation or warranty, which Loss Value Payment will be deemed to cure such breach of representation or warranty.

"**Majority Holder**", "**Majority Holders**" or "**Majority Holder(s)**" means, with respect to any Class or Classes of Notes, the Holder(s) of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Notes at such time.

"**Margin**" means a fixed percentage rate above LIBOR at which interest accrues on a Mortgage Loan, as specified in the related Loan Documents.

"**Maturity**" means, with respect to any Note, the date on which all Outstanding unpaid principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"**Modified Mortgage Loan**" means a Mortgage Loan that has (or, in the case of a Mortgage Loan that is a Pari Passu Participation that relates to a Participated Whole Loan that has) been modified by the Special Servicer pursuant to the Servicing Agreement in a manner that:

(a) except as expressly contemplated by the related Loan Documents, reduces or delays in a material and adverse manner the amount or timing of any payment of principal or interest due thereon (other than, or in addition to, bringing current monthly payments with respect to such Mortgage Loan or Participated Whole Loan, as applicable);

(b) except as expressly contemplated by the related Loan Documents, results in a release of the lien of the mortgage on any material portion of the related Mortgaged Property without a corresponding principal prepayment in an amount not less than the fair market value (as is), as determined by an Appraisal delivered to the Special Servicer (at the expense of the related borrower and upon which the Special Servicer may conclusively rely), of the property to be released; or

(c) in the reasonable good faith judgment of the Special Servicer, otherwise materially impairs the value of the security for such Mortgage Loan or related Participated Whole Loan, as applicable, or reduces the likelihood of timely payment of amounts due thereon.

"**Monthly Report**" has the meaning specified in Section 10.7(a) hereof.

"**Moody's**" means Moody's Investors Service, Inc., or any successor thereto.

"**Mortgage Loan**" means (a) any commercial mortgage loan secured by a first-lien mortgage on one or more commercial or multifamily real properties, and (b) any Pari Passu Participation, in each case, owned by the Intermediate Trust (including any Delayed Close Mortgage Loan and/or Related Funded Companion Participation if acquired by the Intermediate Trust).

"**Mortgage Loan Accrual Period**" means the interest accrual period specified in the related Loan Documents.

"**Mortgage Loan File**" has the meaning set forth in Section 3.3(d) hereof.

"**Net Outstanding Portfolio Balance**" means, as of any date of determination, the sum (without duplication) of (i) the Aggregate Principal Balance on such date of determination of the Mortgage Loans (other than Mortgage Loans as to which an Appraisal Reduction Event has occurred) and with respect to each Mortgage Loan as to which an Appraisal Reduction Event has occurred, the Calculation Amount on such date of determination of such Mortgage Loan; (ii) the aggregate Balance of all Principal Proceeds held as cash and Eligible Investments, including those held in the Unused Proceeds Account and the Permitted Funded Companion Participation Acquisition Account; and (iii) the Aggregate Principal Balance of all Cash and other Eligible Investments contributed to the Issuer by the holder of the Trust Certificate and Granted to the Indenture Trustee.

"**No Downgrade Confirmation**" means written confirmation from each Rating Agency that the proposed action, or failure to act or other specified event will not in and of itself result in the downgrade, withdrawal or qualification of the then-current rating assigned to the Rated Notes by such Rating Agency. For the purposes of this definition, any confirmation, waiver,

request, acknowledgment or approval which is required to be in writing may be in the form of electronic mail.

"**Non-Permitted Holder**" has the meaning specified in Section 2.4(r).

"**Nonrecoverable Interest Advance**" means any Interest Advance previously made or proposed to be made which subsequent payments or collections with respect to the Mortgage Loans, in the judgment of the Advancing Agent or the Backup Advancing Agent, as applicable, may be insufficient to fully reimburse such Interest Advance, plus interest thereon, within a reasonable period of time, at the Reimbursement Rate. Any determination of recoverability by the Advancing Agent or the Backup Advancing Agent, as applicable, shall be subject to the standard set forth in Section 10.12 hereof.

"**Nonrecoverable Property Protection Advances**" has the meaning specified in the Servicing Agreement.

"**Note Interest Rate**" means, with respect to the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes for any Interest Period, the annual rate at which interest accrues on the Notes of such Class for such Interest Period, as specified in Section 2.2 hereof.

"**Note Payment Account**" means the Securities Account designated the "Note Payment Account" and established in the name of the Indenture Trustee pursuant to Section 10.3 hereof.

"**Note Register**" and "**Note Registrar**" have the respective meanings specified in Section 2.4(a) hereof.

"**Notes**" means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes authorized by, and authenticated and delivered under, this Indenture.

"**NRSRO**" means any nationally recognized statistical rating organization, including the Rating Agencies.

"**NRSRO Certification**" means a certification substantially in the form of Exhibit E executed by an NRSRO in favor of the Issuer and the Rule 17g-5 Information Provider that states that such NRSRO is a Rating Agency or has provided the Issuer with the appropriate certifications under Exchange Act Rule 17g-5(a)(3)(iii)(B) and that such NRSRO has access to the Rule 17g-5 Website.

"**Offering**" means the offering of the Notes under the Offering Circular.

"**Offering Circular**" means the final Offering Circular, dated June 13, 2017, prepared and delivered in connection with the offer and sale of the Senior Notes, as amended or supplemented.

"**Officer**" means with respect to any corporation or limited liability company, any director, managing member, the chairman of the board of directors, the president, any vice president, the secretary, an assistant secretary, the treasurer or an assistant treasurer of such entity and with respect to any bank or trust company acting as trustee of an express trust or as custodian, any Trust Officer.

"**Officer's Certificate**" means, with respect to the Issuer, the Servicer, the Special Servicer or the Seller, any certificate executed by an Officer thereof.

"**Operating Advisor**" means the Operating Advisor appointed pursuant to the Servicing Agreement.

"**Operating Advisor Fees**" has the meaning specified in the Servicing Agreement.

"**Opinion of Counsel**" means a written opinion addressed to the Indenture Trustee and the Rating Agencies in form and substance reasonably satisfactory to the Indenture Trustee and the Rating Agencies, of an outside third party counsel of national reputation admitted to practice before the highest court of any state of the United States or the District of Columbia, which attorney may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer, and which counsel shall be reasonably satisfactory to the Indenture Trustee. Whenever an Opinion of Counsel is required hereunder, such Opinion of Counsel may rely on opinions of other counsel who are so admitted and so satisfactory which opinions of other counsel shall accompany such Opinion of Counsel and shall either be addressed to the Indenture Trustee and the Rating Agencies or shall state that the Indenture Trustee and the Rating Agencies shall be entitled to rely thereon.

"**Optional Redemption**" has the meaning specified in Section 9.1(b) hereof.

"**Outstanding**" means, with respect to the Notes or a particular Class of the Notes, as of any date of determination, all of (x) the Notes or (y) the Notes of such Class, as the case may be, theretofore authenticated and delivered under this Indenture as of such date except:

(i) Notes theretofore canceled by a Note Registrar or delivered to a Note Registrar for cancellation;

(ii) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Indenture Trustee or the Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Indenture Trustee has been made;

(iii) Notes issued in exchange for, or in lieu of, other Notes which have been authenticated and delivered pursuant to this Indenture, unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a holder in due course; and

(iv) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in Section 2.5 hereof; and

provided, in each case, that in determining whether the Holders of the requisite Aggregate Outstanding Amount of any Notes or Class of Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (1) Notes beneficially owned by the Issuer shall be disregarded and deemed not to be Outstanding and (2) in relation to any assignment or termination of any of the express rights of the Servicer or the Special Servicer under the Servicing Agreement, this Indenture (including the exercise of any right to remove the Servicer or Special Servicer or terminate the Servicing Agreement, and any right to select a replacement Servicer or Special Servicer when the Servicer or the Special Servicer, as the case may be, has been removed for "cause"), or any amendment or other modification of the Servicing Agreement or this Indenture that increases the rights or decreases the obligations of the Servicer or the Special Servicer, Notes that are held, owned or controlled by the Servicer or the Special Servicer or any of their respective Affiliates, or by accounts managed by them shall be disregarded and deemed not to be Outstanding; *provided* that, except as otherwise provided in the Servicing Agreement, the Servicer and the Special Servicer and any of their respective Affiliates will be entitled to vote Notes owned or controlled by them, or by accounts managed by them (and for which the Servicer or such Affiliate has discretionary authority), with respect to all other matters; except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Trust Officer of the Indenture Trustee actually knows to be beneficially owned in the manner indicated in clause (2) above shall be so disregarded. Notes owned in the manner indicated in clause (2) above that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee, the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer, the Servicer, the Special Servicer or an obligor upon the Notes or any Affiliate of the Servicer, the Special Servicer or such obligor or an account for which the Servicer, the Special Servicer or an Affiliate of the Servicer or the Special Servicer, as the case may be, acts as investment adviser (and for which the Servicer, the Special Servicer or such Affiliate has discretionary authority).

"**Owner Trustee**" means Wells Fargo Delaware Trust Company, N.A., not in its individual capacity but solely as owner trustee under the Trust Agreement, and any successor owner trustee thereunder.

"**Owner Trustee Fee**" means the annual fee (in an amount previously agreed to between the Owner Trustee and the Trust Depositor) payable in equal monthly installments on each Payment Date, in accordance with the Priority of Payments, to Wells Fargo Delaware Trust Company, N.A., in its capacity as Owner Trustee. The Owner Trustee Fee shall be paid by the Indenture Trustee from the Indenture Trustee Fee.

"**Pari Passu Participation**" means any fully funded *pari passu* participation interest in a Participated Whole Loan, that is included in the Underlying Mortgage Pool (and, accordingly, the Intermediate Trust) and is beneficially owned by the Issuer, as identified on the Mortgage Loan Schedule. The Mortgage Loans identified on Schedule A as (i) Tierra Linda, (ii) Fullerton University Village, (iii) 34Hundred Apartments, (iv) Royal Oaks, (v) 2807 West Sunset

and (vi) Aqua Palms are (or, in the case of any such Mortgage Loans that are Delayed Close Mortgage Loans, are expected to be) Pari Passu Participations.

"**Participated Whole Loan**" means a whole mortgage loan that has been participated into (i) a Pari Passu Participation, which will be held by the Intermediate Trust and thereby will be included in the Underlying Mortgage Pool, and (ii) one or more Future Funding Participations, which (unless later acquired, in whole or in part, as a Related Funded Companion Participation) will not be included in the Underlying Mortgage Pool or be owned by the Intermediate Trust or beneficially owned by the Issuer.

"**Participated Whole Loan Collection Account**" has the meaning specified in the Servicing Agreement.

"**Participation Agreement**" means with respect to each Participated Whole Loan, the participation agreement that governs the rights and obligations of the holders of (x) the related Pari Passu Participation and (y) the Companion Participation.

"**Paying Agent**" means Wells Fargo Bank, National Association, or any other Person authorized by the Issuer to pay the principal of, and interest on, Notes on behalf of the Issuer as specified in Section 7.2 hereof. With respect to the Trust Certificate, any paying agent appointed pursuant to Section 3.09 of the Trust Agreement, which initially shall be Wells Fargo Bank, National Association.

"**Payment Date**" means, the 5th Business Day following each Determination Date, commencing in July 2017. The first Payment Date is anticipated to be July 17, 2017.

"**Permitted Funded Companion Participation Acquisition Account**" means the account established by the Indenture Trustee pursuant to Section 10.16 hereof.

"**Permitted Funded Companion Participation Acquisition Period**" means the period beginning on the Closing Date and ending on the Payment Date in July 2019.

"**Permitted Principal Proceeds**" means amounts received in respect of principal on a Mortgage Loan that (i) are received as a result of an optional prepayment made by the related borrower or a principal repayment made by the related borrower on or prior to the related Mortgage Loan maturity date and (ii) are received during the Permitted Funded Companion Participation Acquisition Period.

"**Permitted Subsidiary**" means any one or more wholly-owned, single purpose entities established exclusively for the purpose of taking title to any mortgage, real property or Sensitive Asset in connection, in each case, with the exercise of remedies or otherwise.

"**Person**" means any individual, corporation (including a business trust), partnership, limited liability company, joint venture, estate, association, joint-stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"**Placement Agents**" means, collectively, Citigroup Global Markets Inc., UBS Securities LLC and Barclays Capital Inc.

"**Placement Agreement**" means the agreement dated as of the Closing Date among the Issuer and the Placement Agents, relating to the placement of the Notes.

"**Plan Asset Regulation**" means the plan asset regulations of the U.S. Department of Labor, 29 C.F.R. Section 2510.3-101(f).

"**Plan Fiduciary**" has the meaning specified in Section 2.4(s) hereof.

"**Pledged Assets**" means on any date of determination, (a) the Intermediate Trust Certificate, interests in any Permitted Subsidiaries and Eligible Investments that have been Granted to the Indenture Trustee and (b) all non-Cash proceeds thereof, in each case, to the extent not released from the lien of this Indenture pursuant hereto.

"**Principal Balance**" or "**par**" means, with respect to any Mortgage Loan or Eligible Investment, as of any date of determination, the outstanding principal amount of such Mortgage Loan or the Balance of such Eligible Investment, as the case may be.

"Principal Balance Notes" means the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes.

"**Principal Collection Account**" means the Securities Account designated the "Principal Collection Account" and established in the name of the Indenture Trustee pursuant to Section 10.2(c) hereof.

"**Principal Proceeds**" means, with respect to any Payment Date, (A) the sum (without duplication) of: (1) all principal payments (including prepayments and other unscheduled principal payments by the borrower) received during the related Due Period on (a) Eligible Investments (other than Eligible Investments purchased with Interest Proceeds, Eligible Investments in the Expense Account, Eligible Investments in the Permitted Funded Companion Participation Acquisition Account and any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) and (b) Mortgage Loans as a result of (i) a maturity, scheduled amortization or mandatory prepayment on a Mortgage Loan, (ii) optional prepayments made at the option of the borrower thereof, (iii) recoveries on Defaulted Mortgage Loans or (iv) any other principal payments with respect to Mortgage Loans (not included in Sale Proceeds), (2) all fees and commissions received during such Due Period in connection with Eligible Investments and the restructuring of a Mortgage Loan or default of such Eligible Investments and any origination fees paid by a related borrower, (3) any interest received during such Due Period on such Mortgage Loans or Eligible Investments to the extent such interest constitutes proceeds from accrued interest purchased with Principal Proceeds other than accrued interest purchased by the Issuer on or prior to the Closing Date, (4) Sale Proceeds received during such Due Period in respect of sales (excluding accrued interest included in Sale Proceeds (unless such accrued interest was purchased with Principal Proceeds) that are designated by the Servicer as Interest Proceeds in accordance with clause (A)(1) of the definition of Interest Proceeds), (5) all cash payments of interest received during such Due Period on Defaulted Mortgage Loans, (6) funds transferred to the Note Payment Account from the Permitted Funded Companion

Participation Acquisition Account pursuant to Section 10.16, (7) all funds transferred to the Note Payment Account from the Unused Proceeds Account pursuant to Section 10.5(d) and (e), excluding any interest proceeds from Eligible Investments in the Unused Proceeds Account, (8) all amounts received during such Due Period in respect of Defaulted Mortgage Loans (other than any amounts included in the definition of "Interest Proceeds" pursuant to item (5) of the definition thereof), (9) any payments similar to the foregoing, received with respect to any Mortgage Loan or REO Property held by a Permitted Subsidiary, (10) any Loss Value Payments received by the Issuer or the Intermediate Trust from the Seller, (11) cash and Eligible Investments contributed to the Issuer by the Holder of the Trust Certificate pursuant to the terms of this Indenture during the related Due Period and (12) all other payments received in connection with the Mortgage Loans and Eligible Investments that are not included in Interest Proceeds; *minus* (B) the aggregate amount of (i) any Nonrecoverable Interest Advances that were previously reimbursed to the Advancing Agent or the Backup Advancing Agent out of any of the items listed above and (ii) the portion of the amounts described in clause (A)(1) above that represent Permitted Principal Proceeds and were deposited by the Issuer into the Permitted Funded Companion Participation Acquisition Account for the acquisition of Related Funded Companion Participations by the Intermediate Trust.

For the avoidance of doubt, "Principal Proceeds" shall not include any amounts received in respect of principal that were retained by, or payable to, the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement and will not include any Exit Fees or any Scheduled Extension Fees.

References to "Principal Proceeds" on deposit in the Unused Proceeds Account mean all amounts on deposit therein other than interest proceeds from Eligible Investments.

"**Principal Proceeds Waterfall**" has the meaning specified in Section 11.1(a)(ii) hereof.

"**Priority of Payments**" has the meaning specified in Section 11.1(a) hereof.

"**Privileged Person**" includes RAIT Partnership or its affiliates and designees, the Placement Agents, the Servicer, the Special Servicer, the Operating Advisor, the Directing Holder, any NRSRO that provides the Indenture Trustee with an NRSRO Certification, the Indenture Trustee, the Paying Agent, the Advancing Agent and any person who provides the Indenture Trustee with an Investor Certification, which Investor Certification may be submitted electronically by means of the Indenture Trustee's website.

"**Proceeding**" means any suit in equity, action at law or other judicial or administrative proceeding.

"Proceeds Availability Period" has the meaning specified in Section 10.16(d) hereof.

"**Property Protection Advances**" has the meaning specified in the Servicing Agreement.

"**Purchase and Sale Agreements**" means any Seller Purchase and Sale Agreements and any Depositor Purchase and Sale Agreements in relation to this transaction.

"**Purchase Termination Date**" means the date that is 90 days after the Closing Date.

"**Q&A Respondent**" means the Q&A Respondent described in Section 10.15 hereof.

"**Qualified Buyer**" means, with respect to a Mortgage Loan, (i) one or more entities whose (A) long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating (or are guaranteed by an entity with such a credit rating) from the Rating Agencies at least equal to the rating of the most senior Class of Senior Notes then outstanding or (B) whose (1) short-term unsecured debt obligations have a credit rating of (a) at least "K1" by KBRA (if rated by KBRA or, if not rated by KBRA, an equivalent rating such as that listed above by at least two NRSROs (which may include S&P and/or Fitch)) and (b) at least "P-1" by Moody's and (2) long-term unsecured debt obligations have a credit rating of at least "A2" by Moody's, (ii) one or more purchasers that otherwise satisfies the Rating Agency Condition or (iii) one or more purchasers (a "**Cash Purchaser**") that have agreed to pay or have entered into a binding arrangement to pay the full purchase price of the related Mortgage Loan in cash.

"**Qualified Institutional Buyer**" or "**QIB**" has the meaning given in Rule 144A under the Securities Act.

"**Qualified REIT Subsidiary**" means a corporation that, for U.S. federal income tax purposes, is wholly owned by a real estate investment trust under Section 856(i)(2) of the Code.

"**RAIT Financial Trust**" or "**RAIT Financial**" means RAIT Financial Trust, a Maryland real estate investment trust.

"**RAIT Partnership, L.P.**" or "**RAIT Partnership**" means RAIT Partnership, L.P., a Delaware limited partnership.

"**Rated Notes**" means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes. the Class E Notes and the Class F Notes.

"**Rating Agencies**" means, collectively, KBRA and Moody's, and any successor thereto, or, if at any time KBRA, Moody's or any such successor ceases to provide rating services with respect to the Notes, any other nationally recognized investment rating agency selected by the Issuer and reasonably satisfactory to the Majority Holders of the Principal Balance Notes voting as a single Class.

"**Rating Agency Condition**" means a condition that is satisfied with respect to each Rating Agency if:

(a) the party required to satisfy the Rating Agency Condition (the "**Requesting Party**") has made a written request to each such Rating Agency for a No Downgrade Confirmation; and

(b) any one of the following has occurred with respect to each such Rating Agency:

(i) a No Downgrade Confirmation has been received from such Rating Agency; or

(ii) (A) within 10 Business Days of such request being sent to such Rating Agency, the Rating Agency has not replied to such request or has responded in a manner that indicates that such Rating Agency is neither reviewing such request nor waiving the requirement for confirmation;

(B)the Requesting Party has confirmed that such Rating Agency has received the confirmation request;

(C)the Requesting Party promptly requests the No Downgrade Confirmation a second time; and

(D)there is no response to either confirmation request within five (5) Business Days of such second request.

"**Rating Agency Expenses**" means, with respect to any Payment Date, all amounts due or accrued with respect to such Payment Date and payable by the Issuer to the Rating Agencies for fees and expenses in connection with any rating (or rating confirmation) of the Notes.

"**Rating Agency Inquiry**" has the meaning specified in Section 14.14 hereof.

"**Rating Agency Q&A Forum and Servicer Document Request Tool**" has the meaning specified in Section 14.14 hereof.

"**Regulatory Agencies**" means the Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; the Federal Housing Finance Agency; the Securities and Exchange Commission; and the Department of Housing and Urban Development.

"**REIT**" means a "real estate investment trust" as defined in Section 856(a) of the Code.

"**Record Date**" means the date on which the Holders of Notes entitled to receive a payment in respect of principal or interest on the succeeding Payment Date or Redemption Date are determined, such date as to any Payment Date or Redemption Date being the last day of the

most recently ended calendar month (whether or not a Business Day) prior to such Payment Date or Redemption Date.

"**Redemption Date**" means any date set for a redemption of Notes pursuant to Section 9.1 hereof or, if such date is not a Business Day, the next following Business Day.

"**Redemption Date Statement**" has the meaning specified in Section 10.7(c) hereof.

"**Redemption Price**" means, with respect to (1)(i) in the case of any Class of the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes, the Aggregate Outstanding Amount of such Class of Notes being redeemed *plus* (ii) accrued interest thereon (including any Defaulted Interest Amount and accrued, unpaid and uncapitalized interest on any Defaulted Interest Amount) and (2) in the case of the Class G Notes, an amount equal to the sum of all net proceeds from the sale of Mortgage Loans and cash, if any, remaining after the redemption of the Notes (other than the Class G Notes) and payment of all other fees and expenses of the Issuer. However, in the case of an Optional Redemption, if the holder of the Class G Notes also owns 100% of the Class E Notes and/or 100% of the Class F Notes, in lieu of paying the Redemption Price for one or more of such Classes, such holder may elect to exchange such Notes for the Intermediate Trust Certificate (which shall be immediately exchanged for all of the remaining Mortgage Loans and the other assets of the Intermediate Trust), and in such event, delivery of such Mortgage Loans and other assets of the Intermediate Trust shall constitute payment of the Redemption Price for each of the applicable Classes.

"**Reference Banks**" has the meaning specified in Schedule B hereto.

"**Registered**" means in registered form for U.S. federal tax purposes and issued after July 18, 1984; *provided* that a certificate of interest in a trust that is treated as a grantor trust for U.S. federal tax purposes shall not be treated as Registered unless each of the obligations or securities held by the trust were issued after that date.

"**Registered Form**" has the meaning specified in Section 8-102(a)(13) of the UCC.

"**Registered Securities**" has the meaning specified in Section 3.3(a)(iii) hereof.

"**Regulation S**" means Regulation S under the Securities Act.

"**Regulation S Global Note**" has the meaning specified in Section 2.1(a) hereof.

"**Reimbursement Interest**" means interest accrued on the amount of any Interest Advance made by the Advancing Agent or the Backup Advancing Agent, for so long as it is outstanding, at the Reimbursement Rate.

"**Reimbursement Rate**" means a *per annum* rate equal to the "prime rate" as published in the "Money Rates" section of T*he Wall Street Journal*, as such "prime rate" may change from time to time.

"**Related Funded Companion Participation**" means the funded portion of any Future Funding Participation.

"**Relevant Persons**" has the meaning specified in Section 2.7 hereof.

"**Remittance Date**" has the meaning specified in the Servicing Agreement.

"**Repurchase Price**" means, with respect to any Mortgage Loan, an amount equal to the sum of the following (in each case, without duplication) as of the date of such repurchase: (i) the then outstanding principal balance of such Mortgage Loan, discounted based on the percentage amount of any discount that was applied when such Mortgage Loan was purchased by the Intermediate Trust, plus (ii) accrued and unpaid interest on such Mortgage Loan, plus (iii) any unreimbursed advances on the Mortgage Loan, plus (iv) accrued and unpaid interest on Property Protection Advances and Interest Advances with respect to such Mortgage Loan, plus (v) any reasonable costs and expenses (including, but not limited to, the cost of any enforcement action incurred by the Issuer, the Intermediate Trust or the Indenture Trustee in connection with any such repurchase). For purposes of calculating the interest on Interest Advances made with respect to any individual Mortgage Loan for such purpose, the Servicer or Special Servicer, as applicable, will be required to deem a portion of the aggregate amount of Interest Advances outstanding at any point in time as having been allocated to each of the Mortgage Loans that generated an Interest Shortfall, pro rata, based on the amounts of the respective amounts of related unpaid interest payments.

"**Repurchase Request**" has the meaning specified in Section 7.17 hereof.

"**Retained Securities**" means, collectively, the Junior Notes and the Trust Certificate.

"**Royal Oaks Mortgage Loan**" means the Mortgage Loan identified on Schedule A attached hereto as Royal Oaks.

"**Rule 17g-5**" means Rule 17g-5 under the Exchange Act.

"**Rule 17g-5 Information**" has the meaning specified in Section 14.14 hereof.

"**Rule 17g-5 Information Provider**" means the Indenture Trustee acting in such capacity under this Agreement.

"**Rule 17g-5 Website**" means the Rule 17g-5 Information Provider's internet website, which shall initially be located within the Indenture Trustee's website (https://www.ctslink.com), under the "NRSRO" tab on the page relating to this transaction.

"**Rule 144A**" means Rule 144A under the Securities Act.

"**Rule 144A Global Note**" has the meaning set forth in Section 2.1(b) hereof.

"**Rule 144A Information**" means such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

"**S&P**" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, and any successor thereto.

"**Sale**" has the meaning specified in Section 5.17(a) hereof.

"**Sale Proceeds**" means all proceeds received as a result of the sale of the Intermediate Trust Certificate or the Underlying Mortgage Pool, as applicable, and Eligible Investments pursuant to Section 12.1(a), 12.1(b) or 12.1(c) hereof or otherwise which shall be calculated net of any reasonable out-of-pocket expenses of the Issuer, the Intermediate Trust, the Intermediate Trust Trustee, the Servicer or the Indenture Trustee in connection with any such sale.

"**Schedule of Mortgage Loans**" means the list of Mortgage Loans that is attached hereto as Schedule A, which Schedule shall include the principal balance and stated maturity of each Mortgage Loan.

"**Scheduled Extension Fees**" means, with respect to a Mortgage Loan, any fees payable in connection with a scheduled extension of the maturity date of such Mortgage Loan.

"**Secured Parties**" has the meaning specified in the Preliminary Statement of this Indenture.

"**Securities Account**" has the meaning specified in Section 8-501(a) of the UCC.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securities Intermediary**" has the meaning specified in Section 8-102(a)(14) of the UCC.

"**Security Entitlement**" has the meaning specified in Section 8-102(a)(17) of the UCC.

"**Segregated Liquidity**" has the meaning specified in the Servicing Agreement.

"**Seller**" means RAIT Partnership, L.P.

"**Seller Purchase and Sale Agreement**" means the Purchase and Sale Agreement, dated on or about the Closing Date, by and among RAIT Partnership, L.P., as seller and RAIT 2017-FL7, LLC, as purchaser and any other Seller Purchase and Sale Agreement entered into after the Closing Date if a purchase agreement is necessary to comply with this Indenture, which agreement is assigned to the Issuer and pledged to the Indenture Trustee pursuant to this Indenture.

"**Senior Notes**" means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes authorized by, and authenticated and delivered under this Indenture.

"**Sensitive Asset**" means (i) a Mortgage Loan, or a portion thereof, or (ii) a real property or other interest (including, without limitation, an interest in real property) resulting from the conversion, exchange, other modification or exercise of remedies with respect to a Mortgage

Loan or portion thereof, in either case, which the Servicer has determined pursuant to the Servicing Agreement, which may be based on an Opinion of Counsel, could give rise to material liability of the Issuer or the Intermediate Trust (including liability for taxes) if held directly by the Issuer or the Intermediate Trust.

"**Servicer**" means RAIT Partnership, solely in its capacity as Servicer under the Servicing Agreement, unless a successor Person shall have become the Servicer pursuant to the applicable provisions of the Servicing Agreement, and thereafter, the Servicer shall mean such successor Person.

"**Servicing Agreement**" means the servicing agreement, dated as of the Closing Date, among the Issuer, the Servicer, the Special Servicer, the Operating Advisor and the Indenture Trustee.

"**Servicing Fee**" means, with respect to each Due Period, the sum of the aggregate amount of all servicing fees payable to the Servicer pursuant to the Servicing Agreement.

"**Servicing Fee Rate**" has the meaning specified in the Servicing Agreement.

"**Servicing Standard**" has the meaning specified in the Servicing Agreement.

"**Similar Law**" means any federal, state or local law that is similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

"**Special Servicer**" means RAIT Partnership, solely in its capacity as Special Servicer under the Servicing Agreement unless a successor Person shall have become the Special Servicer pursuant to the applicable provisions of the Servicing Agreement, and thereafter, the Special Servicer shall mean such successor Person.

"**Special Servicing Fee**" means, with respect to each Due Period, the sum of the aggregate amount of all special servicing fees payable to the Special Servicer pursuant to the Servicing Agreement.

"**Specially Serviced Mortgage Loan**" has the meaning specified in the Servicing Agreement.

"**Specified Person**" has the meaning specified in Section 2.5 hereof.

"**Stated Maturity**" means, with respect to any Note, the Payment Date in June 2037, or, in each case, if such date is not a Business Day, the next following Business Day.

"**Subordinate Interests**" mean the Class A Subordinate Interests, the Class A-S Subordinate Interests, the Class B Subordinate Interests, the Class C Subordinate Interests, the Class D Subordinate Interests, the Class E Subordinate Interests, the Class F Subordinate Interests and/or the Class G Subordinate Interests, as the context may require.

"**Subsequent Transfer Certificate**" means a certificate substantially in the form of Exhibit K or Exhibit L hereto, and as described in Section 12.4 hereof.

"**Targeted Credit Enhancement Level**" means, with respect to each Class of Notes, the percentage set forth in the table below for such class:

Class	Targeted Credit Enhancement Level Scenario 1[(1)]	Targeted Credit Enhancement Level Scenario 2[(2)]	Targeted Credit Enhancement Level Scenario 3[(3)]
Class A Notes	44.000%	44.000%	44.000%
Class A-S Notes	39.750%	39.750%	39.875%
Class B Notes	33.625%	33.625%	33.750%
Class C Notes	27.875%	27.775%	28.125%
Class D Notes	19.750%	19.500%	20.125%
Class E Notes	15.500%	15.300%	15.750%
Class F Notes	11.250%	11.095%	11.375%
Class G Notes	0.000%	0.000%	0.000%

(1) Assumes only the Royal Oaks Mortgage Loan does not close by the Purchase Termination Date or is not acquired by the Intermediate Trust.
(2) Assumes only the Aqua Palms Mortgage Loan does not close by the Purchase Termination Date or is not acquired by the Intermediate Trust.
(3) Assumes both the Royal Oaks Mortgage Loan and the Aqua Palms Mortgage Loan do not close by the Purchase Termination Date or are not acquired by the Intermediate Trust.

"**Tax Event**" means an event that occurs if any jurisdiction imposes net income, profits or a similar tax on the Issuer or the Intermediate Trust.

"**Tax Materiality Condition**" means a condition that will be satisfied during any 12-month period if the aggregate amount of any net income, profits or similar tax imposed on the Issuer and the Intermediate Trust exceeds $1,000,000.

"**Tax Redemption**" has the meaning specified in Section 9.1(c) hereof.

"**Total Redemption Amount**" means the Redemption Prices of each of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, plus all Administrative Expenses of the Issuer described under clauses (1) through (3) of Section 11.1(a)(i) (without regard to any cap contained therein).

"**Transaction Documents**" means this Indenture, the Purchase and Sale Agreements, the Servicing Agreement, the Trust Agreement, the Intermediate Trust Agreement, the Trust Administration Agreement, the Intermediate Trust Administration Agreement, the Future Funding Agreement, the Participation Agreements, the Account Control Agreement and the Future Funding Account Control Agreement.

"**Transaction Parties**" has the meaning specified in Section 2.4(s) hereof.

"**Transfer Agent**" means the Person or Persons, which may be the Issuer, authorized by the Issuer to exchange or register the transfer of Notes. Wells Fargo Bank, National Association shall be appointed as the initial Transfer Agent.

"**Trust Administration Agreement**" means the trust administration agreement, dated as of the Closing Date, between the Trust Administrator and the Issuer, as amended from time to time.

"**Trust Administrator**" means RAIT Partnership, or any successor thereto in such capacity.

"**Trust Agreement**" means the Amended and Restated Trust Agreement, dated as of June 23, 2017, between the Trust Depositor, the Owner Trustee and the Indenture Trustee, as amended from time to time.

"**Trust Certificate**" means a certificate evidencing 100% of the ownership interest in the Issuer, substantially in the form of Exhibit A to the Trust Agreement.

"**Trust Certificate Account**" has the meaning given to such term in the Trust Agreement.

"**Trust Depositor**" means RAIT 2017-FL7, LLC, not in its individual capacity but solely as trust depositor under the Purchase and Sale Agreements, and any successor Trust Depositor thereunder.

"**Trust Officer**" means, when used with respect to the Indenture Trustee, any officer within Wells Fargo Bank, National Association's Corporate Trust Office (or any successor group of the Indenture Trustee) authorized to act for and on behalf of the Indenture Trustee, including any vice president, assistant vice president or other officer of the Indenture Trustee customarily performing functions similar to those performed by the persons who at the time shall be such Officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

"**UCC**" means the Uniform Commercial Code as in effect in the State of New York.

"**Uncertificated Security**" has the meaning specified in Section 8-102(a)(18) of the UCC.

"**Underlying Mortgage Pool**" means the pool of Mortgage Loans owned by the Intermediate Trust.

"**United States**" and "**U.S.**" mean the United States of America, including the States thereof and the District of Columbia.

"**Unregistered Securities**" has the meaning specified in Section 5.17(c) hereof.

"**Unused Proceeds Account**" means the trust account established pursuant to Section 10.5(a) hereof.

"**Unused Proceeds Principal Amortization Priority**" means, in the case of any special amortization of the Notes from the Unused Proceeds Principal Amortization Amount, the following priority of distribution: (a) first, to pay principal on the Notes (other than the most junior Class of Notes then Outstanding), in sequential order, in the amount necessary to cause the Credit Enhancement Level for each Class (after taking into account any other payments of principal scheduled to be made on such Class of Notes on such Payment Date) to equal the Targeted Credit

Enhancement Level for such Class, and (b) second, to pay any remaining amounts as principal to the most junior Class of Notes then Outstanding.

"**Unused Proceeds Principal Amortization Amount**" means, with respect to any Delayed Close Mortgage Loan, any Principal Proceeds remaining in the Unused Proceeds Account allocable to such Delayed Close Mortgage Loan for distribution on the first Payment Date after the Unused Proceeds Release Date for such Delayed Close Mortgage Loan.

"**Unused Proceeds Release Date**" means, with respect to a Delayed Close Mortgage Loan, the earlier of (i) the Purchase Termination Date and (ii) the Early Unused Proceeds Release Date for such Delayed Close Mortgage Loan, if applicable.

"**Updated Appraisal**" means an appraisal (or a letter update for an existing appraisal which is less than two years old) of the Mortgaged Property from an independent Member of the Appraisal Institute appraiser.

"**USA PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56 (2001).

"**U.S. Person**" has the meaning given in Regulation S under the Securities Act.

"**Voting Rights**" means, at all times during the term of this Agreement and the Servicing Agreement, 100% of the voting rights for the Principal Balance Notes that are allocated among the Holders of the respective Classes of Principal Balance Notes in proportion with the Aggregate Outstanding Amounts of the various Classes of the Principal Balance Notes.

Section 1.2 Assumptions and Calculations.

(a) All calculations required to be made and all reports which are to be prepared pursuant to this Indenture with respect to the Pledged Assets or the Underlying Mortgage Pool, shall be made on the basis of the settlement date for the acquisition, purchase, sale, disposition, liquidation or other transfer of an asset.

(b) All calculations of interest hereunder that are made with respect to the Notes shall be made on the basis of the actual number of days in the Interest Period divided by 360.

(c) Unless otherwise specified, test calculations that evaluate to a percentage will be rounded to the nearest ten-thousandth, and test calculations that evaluate to a number or decimal will be rounded to the nearest one hundredth.

Section 1.3 Rules of Construction.

Unless the context otherwise clearly requires:

(i) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined;

(ii) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms;

(iii) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation;"

(iv) the word "will" shall be construed to have the same meaning and effect as the word "shall;"

(v) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein);

(vi) any reference herein to any Person, or to any Person in a specified capacity, shall be construed to include such Person's successors and assigns or such Person's successors in such capacity, as the case may be; and

(vii) all references in this instrument to designated "Sections," "clauses" and other subdivisions are to the designated Sections, clauses and other subdivisions of this instrument as originally executed, and the words "herein," "hereof," "hereunder" and other words of similar import refer to this Indenture as a whole and not to any particular Section, clause or other subdivision.

ARTICLE II

THE NOTES

Section 2.1 Forms Generally.

(a) Form. The form of the Notes, including the Certificate of Authentication, shall be substantially as set forth in Exhibits A-1 to A-16 hereto.

(b) Global Notes and Definitive Notes.

(i) The Notes initially offered and sold in the United States to (or to U.S. Persons who are) QIBs (or, in the case of an initial transfer of the Junior Notes from the Issuer to RAIT 2017-FL7, LLC, an IAI that is not a QIB) shall be represented by one or more permanent global notes in definitive, fully Registered Form without interest coupons with the applicable legend set forth in Exhibits A-1, A-3, A-5, A-7, A-9, A-11, A-13 and A-15 hereto added to the form of such Notes (each, a "**Rule 144A Global Note**"), which shall be registered in the name of the nominee of the Depository and deposited with the Indenture Trustee, at its Corporate Trust Office, as custodian for the Depository, duly executed by the Issuer and authenticated by the Indenture Trustee as hereinafter provided. The aggregate principal amount of the Rule 144A Global Notes may from time to time be increased or decreased by adjustments made on the records of the Indenture Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

(ii) The Notes initially offered and sold in the United States to (or to U.S. Persons who are) IAIs that are not QIBs (other than with respect to the initial transfer of the Junior Notes from the Issuer to RAIT 2017-FL7, LLC) shall be issued in definitive form, registered in the name of the legal or beneficial owner thereof attached without interest coupons with the applicable legend set forth in Exhibits A-2, A-4, A-6, A-8, A-10, A-12, A-14 and A-16 hereto added to the form of such Notes (each a "**Definitive Note**"), which shall be duly executed by the Issuer and authenticated by the Indenture Trustee as hereinafter provided. The aggregate principal amount of the Definitive Notes may from time to time be increased or decreased by adjustments made on the records of the Indenture Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

(iii) The Notes initially sold in offshore transactions in reliance on Regulation S shall be represented by one or more permanent global notes in definitive, fully Registered Form without interest coupons with the applicable legend set forth in Exhibits A-1, A-3, A-5, A-7, A-9, A-11, A-13 and A-15 hereto added to the form of such Notes (each, a "**Regulation S Global Note**"), which shall be deposited on behalf of the subscribers for such Notes represented thereby with the Indenture Trustee as custodian for the Depository and registered in the name of a nominee of the Depository for the respective accounts of Euroclear and Clearstream or their respective depositories, duly executed by the Issuer and authenticated by the Indenture Trustee as hereinafter provided. The aggregate principal amount of the Regulation S Global Notes may from time to time be increased or decreased by adjustments made on the records of the Indenture Trustee or the Depository or its nominee, as the case may be, as hereinafter provided.

(c) Book-Entry Provisions. This Section 2.1(c) shall apply only to Global Notes deposited with or on behalf of the Depository.

The Issuer shall execute and the Indenture Trustee shall, in accordance with this Section 2.1(c), authenticate and deliver initially one or more Global Notes that shall be (i) registered in the name of the nominee of the Depository for such Global Note or Global Notes and (ii) delivered by the Indenture Trustee to such Depository or pursuant to such Depository's instructions or held by the Indenture Trustee's agent as custodian for the Depository.

Agent Members shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Indenture Trustee, as custodian for the Depository or under the Global Note, and the Depository may be treated by the Issuer and the Indenture Trustee and any of their respective agents the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer and the Indenture Trustee or any of their respective agents, from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a Holder of any Global Note.

(d) Delivery of Definitive Notes in Lieu of Global Notes. Except as provided in Section 2.9 hereof, owners of beneficial interests in a Class of Global Notes shall not be entitled to receive physical delivery of a Definitive Note.

Authorized Amount; Note Interest Rate; Stated Maturity; Denominations.

(a) (a) The Aggregate Outstanding Amount of Notes which may be issued under this Indenture may not exceed $342,373,299, excluding Notes issued upon registration of, transfer of, or in exchange for, or in lieu of, other Notes pursuant to Section 2.4, 2.5 or 8.5 hereof.

(b) The Notes shall be divided into eight Classes having designations, aggregate original principal amounts, Note Interest Rates and Stated Maturities as follows:

Designation	Aggregate Original Principal Amount	Note Interest Rate	Note Stated Maturity
Class A Notes	$191,729,000	LIBOR + 0.95%(1)	June 2037
Class A-S Notes	$16,262,000	LIBOR + 1.30%(1)	June 2037
Class B Notes	$21,399,000	LIBOR + 1.60%(1)	June 2037
Class C Notes	$19,686,000	LIBOR + 2.50%(1)	June 2037
Class D Notes	$27,818,000	LIBOR + 4.00%(1)	June 2037
Class E Notes	$14,123,000	LIBOR + 5.50%	June 2037
Class F Notes	$14,123,000	LIBOR + 7.50%	June 2037
Class G Notes	$37,233,299	(2)	June 2037

(1) Beginning with the payment to be made on the Payment Date in July 2022, the Note Interest Rate (i) on the Class A Notes and the Class A-S Notes will increase by 0.25% and (ii) on the Class B Notes, the Class C Notes and the Class D Notes will increase by 0.50% and such increased rate will continue to apply with respect to each Payment Date (and related Interest Period) thereafter.

(2) The Class G Notes will not have a specified interest rate. The holder of the Class G Notes will be entitled to receive monthly payments on each Payment Date if and to the extent that payments are being made in accordance with the Interest Proceeds Waterfall, the Aggregate Outstanding Amount of the Class G Notes has not been reduced to zero on any prior Payment Date and funds are available for payment pursuant to clause (17) of the Interest Payments Waterfall.

The Notes will be issuable in a minimum denomination of $250,000 and will be offered only in such minimum denomination or an integral multiple of $1,000 in excess thereof (or such lesser integral amount in the case of any Global Note that otherwise satisfies the minimum denomination requirement); *provided* that, after issuance, a Note may fail to be in compliance with the minimum denomination requirement as a result of the repayment of principal thereof in accordance with the Priority of Payments.

(c) Interest shall accrue on the Aggregate Outstanding Amount of each Class of Notes during each Interest Period (determined after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on the Payment Date related to the preceding Interest Period). To the extent lawful and enforceable, interest shall accrue on the Defaulted Interest Amount in respect of any Senior Note at the Note Interest Rate applicable to such Note until such Defaulted Interest Amount is paid in full.

(d) The Notes shall be redeemable as provided in Articles IX and XII.

(e) The Notes shall be numbered, lettered or otherwise distinguished in such manner as may be consistent herewith, determined by the Authorized Officer of the Issuer executing such Notes as evidenced by their execution of such Notes.

(f) All of the Notes will be issued on the Closing Date.

Section 2.3 Execution, Authentication, Delivery and Dating.

(a) The Notes shall be executed on behalf of the Issuer by an Authorized Officer of the Issuer. The signatures of such Authorized Officers on the Notes may be manual or facsimile (including in counterparts).

(b) Notes bearing the manual or facsimile signatures of individuals who were at any time the Authorized Officers of the Issuer shall bind such Person, notwithstanding the fact that such individuals or any of them have ceased to hold such offices prior to the authentication and delivery of such Notes or did not hold such offices at the date of issuance of such Notes.

(c) At any time and from time to time after the execution and delivery of this Indenture, the Issuer may deliver Notes executed by the Issuer to the Indenture Trustee or the Authenticating Agent for authentication, and the Indenture Trustee or the Authenticating Agent, upon Issuer Order, shall authenticate and deliver such Notes as provided in this Indenture and not otherwise.

(d) Each Note authenticated and delivered by the Indenture Trustee or the Authenticating Agent to or upon Issuer Order on the Closing Date shall be dated as of the Closing Date. All other Notes that are authenticated after the Closing Date for any other purpose under this Indenture shall be dated the date of their authentication.

(e) Notes issued upon transfer, exchange or replacement of other Notes shall be issued in authorized denominations reflecting the original Aggregate Outstanding Amount of the Notes so transferred, exchanged or replaced, but shall represent only the current Aggregate Outstanding Amount of the Notes so transferred, exchanged or replaced. In the event that any Note is divided into more than one Note in accordance with this Article II, the original Aggregate Outstanding Amount of such Note shall be proportionately divided among the Notes delivered in exchange therefor and shall be deemed to be the original Aggregate Outstanding Amount of such subsequently issued Notes.

(f) No Note shall be entitled to any benefit under this Indenture or be valid or obligatory for any purpose, unless there appears on such Note a certificate of authentication (the "**Certificate of Authentication**"), substantially in the form provided for herein, executed by the Indenture Trustee or by the Authenticating Agent by the manual signature of one of their Authorized Officers, and such certificate upon any Note shall be conclusive evidence, and the only evidence, that such Note has been duly authenticated and delivered hereunder.

Section 2.4 Registration, Transfer and Exchange of Notes.

(a) Registration of Notes. The Issuer shall cause to be kept a register (the "**Note Register**") in which, subject to such reasonable regulations as it may prescribe, the Issuer shall

provide for the registration of Notes and the registration of transfers and exchanges of Notes. The Indenture Trustee is hereby initially appointed "**Note Registrar**" for the purpose of maintaining the Note Register and registering Notes and transfers and exchanges of such Notes with respect to the Note Register kept in the United States as herein provided. Upon any resignation or removal of the Note Registrar, the Issuer shall promptly appoint a successor or, in the absence of such appointment, assume the duties of Note Registrar.

If a Person other than the Indenture Trustee is appointed by the Issuer as Note Registrar, the Issuer shall give the Indenture Trustee prompt written notice of the appointment of a successor Note Registrar and of the location, and any change in the location, of the Note Register, and the Indenture Trustee shall have the right to inspect the Note Register at all reasonable times and to obtain copies thereof and the Indenture Trustee shall have the right to rely upon a certificate executed on behalf of the Note Registrar by an Officer thereof as to the names and addresses of the Holders of the Notes and the principal amounts and numbers of such Notes.

Subject to this Section 2.4, upon surrender for registration of transfer of any Notes at the Corporate Trust Office of the Indenture Trustee, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in the name of the designated transferee or transferees, one or more new Notes of any authorized denomination and of a like aggregate principal amount.

At the option of the Holder, Notes may be exchanged for Notes of like terms, in any authorized denominations and of like aggregate principal amount, upon surrender of the Notes to be exchanged at the Corporate Trust Office of the Indenture Trustee. Whenever any Note is surrendered for exchange, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, the Notes that the Noteholder making the exchange is entitled to receive.

All Notes issued and authenticated upon any registration of transfer or exchange of Notes shall be the valid obligations of the Issuer, evidencing the same debt, and entitled to the same benefits under this Indenture, as the Notes surrendered upon such registration of transfer or exchange.

Every Note presented or surrendered for registration of transfer or exchange shall be duly endorsed, or be accompanied by a written instrument of transfer in form satisfactory to the Issuer and the Note Registrar duly executed by the Holder thereof or his attorney duly authorized in writing.

No service charge shall be made to a Holder for any registration of transfer or exchange of Notes, but the Indenture Trustee may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Neither the Note Registrar nor the Issuer shall be required (i) to issue, register the transfer of or exchange any Note during a period beginning at the opening of business 15 days before any selection of Notes to be redeemed and ending at the close of business on the day of the mailing of the relevant notice of redemption, or (ii) to register the transfer of or exchange any Note so selected for redemption.

(b) No Note may be sold or transferred (including, without limitation, by pledge or hypothecation) unless such sale or transfer is exempt from the registration requirements of the

Securities Act and is exempt from the registration requirements under applicable state securities laws.

(c) No Note may be offered, sold, resold or delivered, within the United States or to, or for the benefit of, U.S. Persons except in accordance with Section 2.4(e) below and in accordance with Rule 144A to QIBs or, solely with respect to (1) Definitive Notes, (2) the initial transfer of the Junior Notes from the Issuer to RAIT 2017-FL7, LLC or (3) any subsequent transfer of the Junior Notes to an Affiliate of RAIT Partnership that has delivered a duly completed certificate substantially in the form of Exhibit B-4 attached hereto, IAIs that are not QIBs purchasing for their own account or for the accounts of one or more other QIBs or IAIs, as applicable, for which the purchaser is acting as fiduciary or agent. The Notes may be offered, sold, resold or delivered, as the case may be, in offshore transactions to non-U.S. Persons in reliance on Regulation S. None of the Issuer, the Trust Depositor, the Indenture Trustee or any other Person may register the Notes under the Securities Act or any state securities laws.

(d) Upon final payment due on the Stated Maturity of a Note, the Holder thereof shall present and surrender such Note at the Corporate Trust Office of the Indenture Trustee prior to the distribution of such final payment.

(e) Transfers of Global Notes. Notwithstanding any provision to the contrary herein, so long as a Global Note remains outstanding and is held by or on behalf of the Depository, transfers of a Global Note, in whole or in part, shall be made only in accordance with Section 2.1(c) and this Section 2.4(e).

(i) Except as otherwise set forth below, transfers of a Global Note shall be limited to transfers of such Global Note in whole, but not in part, to nominees of the Depository or to a successor of the Depository or such successor's nominee. Transfers of a Global Note to a Definitive Note may only be made in accordance with Section 2.9.

(ii) Regulation S Global Note to Rule 144A Global Note or Definitive Note. If a holder of a beneficial interest in a Regulation S Global Note wishes at any time to exchange its interest in such Regulation S Global Note for an interest in the corresponding Rule 144A Global Note or for a Definitive Note or to transfer its interest in such Regulation S Global Note to a Person who wishes to take delivery thereof in the form of an interest in the corresponding Rule 144A Global Note or for a Definitive Note, such holder may, subject to the immediately succeeding sentence and the rules and procedures of Euroclear, Clearstream and/or DTC, as the case may be, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Rule 144A Global Note or for a Definitive Note. Upon receipt by the Indenture Trustee or the Note Registrar of:

(A) if the transferee is taking a beneficial interest in a Rule 144A Global Note, instructions from Euroclear, Clearstream and/or DTC, as the case may be, directing the Note Registrar to cause to be credited a beneficial interest in the corresponding Rule 144A Global Note in an amount equal to the beneficial interest in such Regulation S Global Note, but not less than the minimum denomination applicable to such holder's Notes to be exchanged or transferred,

such instructions to contain information regarding the participant account with DTC to be credited with such increase and a duly completed certificate in the form of Exhibit B-2 attached hereto, or

(B) if the transferee is taking a Definitive Note, a duly completed transfer certificate in substantially the form of Exhibit B-3 hereto, certifying that such transferee is an IAI,

then the Note Registrar shall either (x) if the transferee is taking a beneficial interest in a Rule 144A Global Note, approve the instructions at DTC to reduce, or cause to be reduced, the Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Regulation S Global Note to be transferred or exchanged and the Note Registrar shall instruct DTC, concurrently with such reduction, to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the corresponding Rule 144A Global Note equal to the reduction in the principal amount of the Regulation S Global Note or (y) if the transferee is taking an interest in a Definitive Note, the Note Registrar shall record the transfer in the Note Register in accordance with Section 2.4(a) and, upon execution by the Issuer, authenticate and deliver one or more Definitive Notes, as applicable, registered in the names specified in the instructions described above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the interest in the Regulation S Global Note transferred by the transferor).

(iii) Definitive Note or Rule 144A Global Note to Regulation S Global Note. If a holder of a beneficial interest in a Rule 144A Global Note or a Holder of a Definitive Note wishes at any time to exchange its interest in such Rule 144A Global Note or Definitive Note for an interest in the corresponding Regulation S Global Note, or to transfer its interest in such Rule 144A Global Note or Definitive Note to a Person who wishes to take delivery thereof in the form of an interest in the corresponding Regulation S Global Note, such holder, provided such holder or, in the case of a transfer, the transferee is not a U.S. Person and is acquiring such interest in an offshore transaction, may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such interest for an equivalent beneficial interest in the corresponding Regulation S Global Note. Upon receipt by the Indenture Trustee or the Note Registrar of:

(A) instructions given in accordance with DTC's procedures from an Agent Member directing the Indenture Trustee or the Note Registrar to credit or cause to be credited a beneficial interest in the corresponding Regulation S Global Note, but not less than the minimum denomination applicable to such holder's Notes, in an amount equal to the beneficial interest in the Rule 144A Global Note or Definitive Note to be exchanged or transferred, and in the case of a transfer of Definitive Notes, such Holder's Definitive Notes properly endorsed for assignment to the transferee,

(B) a written order given in accordance with DTC's procedures containing information regarding the participant account of DTC and the Euroclear or Clearstream account to be credited with such increase,

(C) in the case of a transfer of Definitive Notes, a Holder's Definitive Note properly endorsed for assignment to the transferee, and

(D) a duly completed certificate in the form of Exhibit B-1 attached hereto,

then the Indenture Trustee or the Note Registrar shall approve the instructions at DTC to reduce the principal amount of the Rule 144A Global Note (or, in the case of a transfer of Definitive Notes, the Indenture Trustee or the Note Registrar shall cancel such Definitive Notes) and to increase the principal amount of the Regulation S Global Note by the aggregate principal amount of the beneficial interest in the Rule 144A Global Note or Definitive Note to be exchanged or transferred, and to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the corresponding Regulation S Global Note equal to the reduction in the principal amount of the Rule 144A Global Note (or, in the case of a cancellation of Definitive Notes, equal to the principal amount of Definitive Notes so cancelled).

(iv) Transfer of Rule 144A Global Notes to Definitive Notes. If, in accordance with Section 2.9, a holder of a beneficial interest in a Rule 144A Global Note wishes at any time to exchange its interest in such Rule 144A Global Note for a Definitive Note or to transfer its interest in such Rule 144A Global Note to a Person who wishes to take delivery thereof in the form of a Definitive Note in accordance with Section 2.9, such holder may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such interest for a Definitive Note. Upon receipt by the Indenture Trustee or the Note Registrar of (A) a duly complete certificate substantially in the form of Exhibit B-3 and (B) appropriate instructions from DTC, if required, the Indenture Trustee or the Note Registrar shall approve the instructions at DTC to reduce, or cause to be reduced, the Rule 144A Global Note by the aggregate principal amount of the beneficial interest in the Rule 144A Global Note to be transferred or exchanged, record the transfer in the Register in accordance with Section 2.4(a) and upon execution by the Issuer authenticate and deliver one or more Definitive Notes, registered in the names specified in the instructions described in clause (B) above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the interest in the Rule 144A Global Note transferred by the transferor).

(v) Transfer of Definitive Notes to Rule 144A Global Notes. If a holder of a Definitive Note wishes at any time to exchange its interest in such Definitive Note for a beneficial interest in a Rule 144A Global Note or to transfer such Definitive Note to a Person who wishes to take delivery thereof in the form of a beneficial interest in a Rule 144A Global Note, such holder may, subject to the immediately succeeding sentence and the rules and procedures of DTC, exchange or transfer, or cause the exchange or transfer of, such Definitive Note for beneficial interest in a Rule 144A Global Note

(*provided* that, other than as described in Section 2.4(e)(vii) below, no IAI that is a QIB may hold an interest in a Rule 144A Global Note). Upon receipt by the Indenture Trustee or the Note Registrar of (A) a Holder's Definitive Note properly endorsed for assignment to the transferee; (B) a duly completed certificate substantially in the form of Exhibit B-2 attached hereto; (C) instructions given in accordance with DTC's procedures from an Agent Member to instruct DTC to cause to be credited a beneficial interest in the Rule 144A Global Notes in an amount equal to the Definitive Notes to be transferred or exchanged; and (D) a written order given in accordance with DTC's procedures containing information regarding the participant's account of DTC to be credited with such increase, the Indenture Trustee or the Note Registrar shall cancel such Definitive Note in accordance herewith, record the transfer in the Note Register in accordance with Section 2.4(a) and approve the instructions at DTC, concurrently with such cancellation, to credit or cause to be credited to the securities account of the Person specified in such instructions a beneficial interest in the corresponding Rule 144A Global Note equal to the principal amount of the Definitive Note transferred or exchanged.

(vi) Other Exchanges. In the event that, pursuant to Section 2.9 hereof, a Global Note is exchanged for Definitive Notes, such Notes may be exchanged for one another only in accordance with such procedures as are substantially consistent with the provisions above (including certification requirements intended to ensure that such transfers are to a QIB or are to a non-U.S. Person, or otherwise comply with Rule 144A or Regulation S, as the case may be) and as may be from time to time adopted by the Issuer and the Indenture Trustee.

(vii) It is the intent of the foregoing that under no circumstances may an IAI that is not a QIB take delivery in the form of a beneficial interest in a Rule 144A Global Note other than (1) the initial transfer of a Junior Note from the Issuer to RAIT 2017-FL7, LLC or (2) a subsequent transfer of a Junior Note or a repurchased or retained Senior Note to an IAI that is an Affiliate of RAIT Partnership that has delivered to the Indenture Trustee or the Note Registrar a duly completed certificate substantially in the form of Exhibit B-4 attached hereto.

(f) Removal of Legend. If Notes are issued upon the transfer, exchange or replacement of Notes bearing the applicable legends set forth in Exhibits A-1 to A-16 hereto, and if a request is made to remove such applicable legend on such Notes, the Notes so issued shall bear such applicable legend, or such applicable legend shall not be removed, as the case may be, unless there is delivered to the Issuer such satisfactory evidence, which may include an Opinion of Counsel of an attorney at law licensed to practice law in the State of New York (and addressed to the Issuer and the Indenture Trustee), as may be reasonably required by the Issuer to the effect that neither such applicable legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A or Regulation S, as applicable or ERISA. Upon provision of such satisfactory evidence, as confirmed in writing by the Issuer to the Indenture Trustee, the Indenture Trustee, at the direction of the Issuer shall authenticate and deliver Notes that do not bear such applicable legend.

(g) Each beneficial owner of Regulation S Global Notes shall be deemed to make the representations and agreements set forth in Exhibit B-1 hereto.

(h) Each beneficial owner of Rule 144A Global Notes shall be deemed to make the representations and agreements set forth in Exhibit B-2 hereto.

(i) Each Holder of Definitive Notes shall make the representations and agreements set forth in the certificate attached as Exhibit B-3 hereto.

(j) Any purported transfer of a Note not in accordance with Section 2.4(a) shall be null and void and shall not be given effect for any purpose hereunder.

(k) Notwithstanding anything contained in this Indenture to the contrary, neither the Indenture Trustee nor the Note Registrar (nor any other Transfer Agent) shall be responsible or liable for compliance with applicable federal or state securities laws (including, without limitation, the Securities Act or Rule 144A or Regulation S promulgated thereunder), ERISA, the Code (or any applicable regulations thereunder) or the laws of any foreign jurisdiction; *provided, however*, that if a specified transfer certificate or Opinion of Counsel is required by the express terms of this Section 2.4 to be delivered to the Indenture Trustee or Note Registrar prior to registration of transfer of a Note, the Indenture Trustee and/or Note Registrar, as applicable, is required to request, as a condition for registering the transfer of the Note, such certificate or Opinion of Counsel and to examine the same to determine whether it conforms on its face to the requirements hereof (and the Indenture Trustee or Note Registrar, as the case may be, shall promptly notify the party delivering the same if it determines that such certificate or Opinion of Counsel does not so conform).

(l) If the Indenture Trustee determines or is notified by the Issuer that (i) a transfer or attempted or purported transfer of any interest in any Note was consummated in compliance with the provisions of this Section 2.4 on the basis of a materially incorrect certification from the transferee or purported transferee, (ii) a transferee failed to deliver to the Indenture Trustee any certification required to be delivered hereunder or (iii) the holder of any interest in a Note is in breach of any representation or agreement set forth in any certification or any deemed representation or agreement of such holder, the Indenture Trustee shall not register such attempted or purported transfer and if a transfer has been registered, such transfer shall be absolutely null and void *ab initio* and shall vest no rights in the purported transferee (such purported transferee, a "**Disqualified Transferee**") and the last preceding holder of such interest in such Note that was not a Disqualified Transferee shall be restored to all rights as a Holder thereof retroactively to the date of transfer of such Note by such Holder.

In addition, the Indenture Trustee may require that the interest in the Note referred to in (i), (ii) or (iii) in the preceding paragraph be transferred to any person designated by the Issuer or the Servicer at a price determined by the Issuer or the Servicer, as applicable, based upon its estimation of the prevailing price of such interest and each Holder, by acceptance of an interest in a Note, authorizes the Indenture Trustee to take such action. In any case, the Indenture Trustee shall not be held responsible for any losses that may be incurred as a result of any required transfer under this this Section 2.4(l).

(m) Each Holder of Notes approves and consents to (i) the initial purchase of the Intermediate Trust Certificate by the Issuer from the Trust Depositor on the Closing Date, (ii) the acquisition of any Related Funded Companion Participation by the Intermediate Trust and

(iii) any other transaction between the Issuer, the Intermediate Trust, the Trust Depositor and RAIT Partnership or its Affiliates that is permitted under the terms of this Indenture.

(n) Each person acquiring an interest in a Note will be deemed to represent (or in the case of Definitive Notes will be required to represent) that either (a) it is not an "employee benefit plan" (as defined in Section 3(3) of ERISA) or "plan" (as defined in Section 4975(e)(1) of the Code) that is subject to Title I of ERISA or Section 4975 of the Code, or any other employee benefit plan or plan which is subject to any federal, state or local law ("**Similar Law**") that is substantially similar to Section 406 of ERISA or Section 4975 of the Code (each a "**Benefit Plan**") or an entity whose underlying assets include plan assets of any such Benefit Plan or (b) in the case of a Senior Note, its purchase and holding of such Senior Note will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code, or, in the case of a Benefit Plan subject to Similar Law, do not result in a non-exempt violation of Similar Law.

(o) For so long as any Senior Note is outstanding, the holder of any Retained Security or any retained or repurchased Senior Note (or any person which for U.S. federal income tax purposes is considered the same person as such holder), shall not transfer (whether by means of an actual transfer or a transfer of beneficial ownership for U.S. federal income tax purposes), pledge or hypothecate any Retained Security or any retained or repurchased Senior Note to any other person or entity (except to (i) RAIT Financial, (ii) an entity that is wholly owned by and is a disregarded entity for U.S. federal income tax purposes of RAIT Financial or (iii) a subsequent REIT (in the case of clause (iii), only if all the Retained Securities and any such Senior Notes are transferred to such subsequent REIT)) unless, in each case, the Issuer receives advice from Orrick, Herrington & Sutcliffe LLP, Winston & Strawn LLP or Ledgewood, P.C. or receives a written opinion of another nationally recognized tax counsel experienced in such matters that such transfer, pledge or hypothecation will not cause the Issuer to be treated as an association taxable as a corporation, a "taxable mortgage pool" or a "publicly traded partnership" for U.S. federal income tax purposes that, in each case, is subject to U.S. federal, state or local income tax on a net income basis.

(p) Any financing arrangement shall prohibit any further transfer (whether by means of actual transfer or a transfer of beneficial ownership for U.S. federal income tax purposes) of any Retained Security or any retained or repurchased Senior Note, including a transfer in connection with any exercise of remedies under such financing unless the Issuer receives advice from Orrick, Herrington & Sutcliffe LLP, Winston & Strawn LLP or Ledgewood, P.C. or receives a written opinion of another nationally recognized tax counsel experienced in such matters that such transfer, pledge or hypothecation will not cause the Issuer to be treated as an association taxable as a corporation, a "taxable mortgage pool" or a "publicly traded partnership" for U.S. federal income tax purposes that, in each case, is subject to U.S. federal, state or local income tax on a net income basis.

(q) After the Closing Date, for so long as any Senior Note is outstanding, the holder of the Retained Securities or any retained or repurchased Senior Notes shall not be permitted to transfer, pledge or hypothecate any retained or repurchased Senior Note or any Retained Security to any affiliate of RAIT Financial unless the Issuer receives a bring-down of each of the

non-consolidation opinion and the true sale opinion of Winston & Strawn LLP to be delivered on the Closing Date.

(r) Except as permitted by Section 2.4(e)(vii) hereof, any transfer of a Senior Note or interest therein to a U.S. Person that is determined not to have been a QIB (or solely with respect to Senior Notes issued as Definitive Notes, a U.S. Person that is not an IAI) at the time of acquisition of the Senior Note or interest therein will be null and void and any such proposed transfer of which the Issuer or the Indenture Trustee have notice may be disregarded by the Issuer and the Indenture Trustee for all purposes.

If the Issuer determines that any holder of a Senior Note has not satisfied the applicable requirement described in the preceding paragraph (any such Person a "**Non-Permitted Holder**"), then the Issuer will promptly after discovery that such Person is a Non-Permitted Holder by the Issuer, the Indenture Trustee (and notice by the Indenture Trustee to the Issuer, if it receives written notice thereof), send notice to such Non-Permitted Holder demanding that such Non-Permitted Holder transfer its interest to a Person that is not a Non-Permitted Holder within 30 days of the date of such notice. If such Non-Permitted Holder fails to so transfer its Senior Note or interest therein, the Issuer will have the right, without further notice to the Non-Permitted Holder, to sell such Note or interest therein to a purchaser selected by the Issuer that is not a Non-Permitted Holder on such terms as the Issuer may choose. The Issuer, or the Indenture Trustee acting on behalf of the Issuer, may select the purchaser by soliciting one or more bids from one or more brokers or other market professionals that regularly deal in securities similar to the Senior Note, and selling such Note to the highest such bidder. However, the Issuer or the Indenture Trustee may select a purchaser by any other means determined by it in its sole discretion. The last holder of such Senior Note that satisfied the applicable requirement in the preceding paragraph, the Non-Permitted Holder and each other Person in the chain of title from such last holder to the Non-Permitted Holder, by its acceptance of an interest in the Senior Note, agrees to cooperate with the Issuer and the Indenture Trustee to effect such transfers. The proceeds of such sale, net of any commissions, expenses and taxes due in connection with such sale will be remitted to the Non-Permitted Holder. The terms and conditions of any such sale will be determined in the sole discretion of the Issuer, and the Issuer will not be liable to any Person having an interest in the Senior Note sold as a result of any such sale or exercise of such discretion.

(s) Each beneficial owner of any Senior Notes or any interest therein that is a Benefit Plan, including any fiduciary purchasing any such Senior Notes on behalf of a Benefit Plan ("**Plan Fiduciary**"), will be deemed to have represented by its acquisition of such Senior Notes that:

(i) none of the Issuer, any borrower, any Placement Agent, the Indenture Trustee, the Intermediate Trust Trustee, the Trust Administrator, the Intermediate Trust Administrator, the Operating Advisor, the Servicer, the Special Servicer, any sub-servicer, or any of their respective affiliated entities (the "**Transaction Parties**"), has provided or will provide advice with respect to the acquisition of Senior Notes by the Benefit Plan, other than to the Plan Fiduciary which is independent of the Transaction Parties, and the Plan Fiduciary either: (a) is a bank as defined in Section 202 of the Investment Advisers Act of 1940 (the "**Advisers Act**"), or similar institution that is regulated and supervised and subject to periodic examination by a State or Federal agency; (b) is an insurance carrier

which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Benefit Plan; (c) is an investment adviser registered under the Advisers Act, or, if not registered an as investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; (d) is a broker-dealer registered under the Exchange Act; or (e) has, and at all times that the Benefit Plan is invested in the Senior Notes will have, total assets of at least U.S. $50,000,000 under its management or control (provided that this clause (e) shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the Benefit Plan investing in such Notes in such capacity);

(ii) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Benefit Plan of the Senior Notes;

(iii) the Plan Fiduciary is a "fiduciary" with respect to the Benefit Plan within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Benefit Plan's acquisition of the Senior Notes;

(iv) none of the Transaction Parties has exercised any authority to cause the Benefit Plan to invest in the Senior Notes or to negotiate the terms of the Benefit Plan's investment in such Notes;

(v) the Plan Fiduciary has been informed by the Transaction Parties: (a) that none of the Transaction Parties is undertaking to provide impartial investment advice or to give advice in a fiduciary capacity, and that no such entity has given investment advice or otherwise made a recommendation, in connection with the Benefit Plan's acquisition of the Senior Notes; and (b) of the existence and nature of the Transaction Parties financial interests in the Benefit Plan's acquisition of such Notes; and

(vi) none of the Transaction Parties will receive any fee or other compensation directly from the Benefit Plan, Plan Fiduciary, any participant or beneficiary, individual retirement account or owner of any such Benefit Plan (as applicable) for any provision of investment advice (as opposed to other services) in connection with the acquisition of the Senior Notes.

The above representations in this Section 2.4(s) are intended to comply with the U.S. Department of Labor's Reg. Sections 29 C.F.R. 2510.3-21(a) and (c)(1) as promulgated on April 8, 2016 (81 Fed. Reg. 20,997). If such regulations are revoked, repealed or no longer effective, such representations shall be deemed to be no longer in effect.

Section 2.5 Mutilated, Defaced, Destroyed, Lost or Stolen Notes.

If (a) any mutilated or defaced Note is surrendered to a Transfer Agent, or if there shall be delivered to the Issuer, the Indenture Trustee and the Transfer Agent (each, a "**Specified Person**") evidence to their reasonable satisfaction of the destruction, loss or theft of any Note, and

(b) there is delivered to the Specified Persons such security or indemnity as may reasonably be required by them to save each of them harmless then, in the absence of notice to the Specified Persons that such Note has been acquired by a *bona fide* purchaser, the Issuer shall execute and shall direct the Indenture Trustee to authenticate, and upon Issuer Request the Indenture Trustee shall authenticate and deliver, in lieu of any such mutilated, defaced, destroyed, lost or stolen Note, a new Note of the same Class as such mutilated, defaced, destroyed, lost or stolen Note, of like tenor (including the same date of issuance) and equal principal amount, registered in the same manner, dated the date of its authentication, bearing interest from the date to which interest has been paid on the mutilated, defaced, destroyed, lost or stolen Note and bearing a number not contemporaneously outstanding.

If, after delivery of such new Note, a *bona fide* purchaser of the predecessor Note presents for payment, transfer or exchange such predecessor Note, the Specified Persons shall be entitled to recover such new Note from the Person to whom it was delivered or any Person taking therefrom, and shall be entitled to recover upon the security or indemnity provided therefor to the extent of any loss, damage, cost or expense incurred by the Specified Persons in connection therewith.

In case any such mutilated, defaced, destroyed, lost or stolen Note has become due and payable, the Issuer in its discretion may, instead of issuing a new Note, pay such Note without requiring surrender thereof except that any mutilated Note shall be surrendered.

Upon the issuance of any new Note under this Section 2.5, the Issuer, the Indenture Trustee or the Transfer Agent may require the payment by the registered Holder thereof of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Indenture Trustee) connected therewith.

Every new Note issued pursuant to this Section 2.5 in lieu of any mutilated, defaced, destroyed, lost or stolen Note, shall constitute an original additional contractual obligation of the Issuer and such new Note shall be entitled, subject to the second paragraph of this Section 2.5, to all the benefits of this Indenture equally and proportionately with any and all other Notes duly issued hereunder.

The provisions of this Section 2.5 are exclusive and shall preclude (to the extent lawful) all other rights and remedies with respect to the replacement or payment of mutilated, defaced, destroyed, lost or stolen Notes.

Section 2.6 Payment of Principal and Interest; Rights Preserved.

Each Class of Notes (other than Class G) shall accrue interest during each Interest Period at the applicable Note Interest Rate specified in Section 2.2(b) hereof. Interest on each Class of Notes shall be due and payable on each Payment Date; *provided* that (i) payment of interest on the Class A-S Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes (including the Class A Defaulted Interest Amount, if any), (ii) payment of interest on the Class B Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes and Class A-S Notes (including the Class A

Defaulted Interest Amount and the Class A-S Defaulted Interest Amount, if any), (iii) payment of interest on the Class C Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, Class A-S Notes and Class B Notes (including the Class A Defaulted Interest Amount, the Class A-S Defaulted Interest Amount and the Class B Defaulted Interest Amount, if any), (iv) payment of interest on the Class D Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, Class A-S Notes, Class B Notes and Class C Notes (including the Class A Defaulted Interest Amount, the Class A-S Defaulted Interest Amount, the Class B Defaulted Interest Amount and the Class C Defaulted Interest Amount, if any), (v) of interest on the Class E Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes and Class D Notes (including the Class A Defaulted Interest Amount, the Class A-S Defaulted Interest Amount, the Class B Defaulted Interest Amount, the Class C Defaulted Interest Amount and the Class D Defaulted Interest Amount, if any), (vi) payment of interest on the Class F Notes is subordinated to the payment on each Payment Date of the interest due and payable on the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes (including the Class A Defaulted Interest Amount, the Class A-S Defaulted Interest Amount, the Class B Defaulted Interest Amount, the Class C Defaulted Interest Amount, the Class D Defaulted Interest Amount and the Class E Defaulted Interest Amount, if any), (vii) any payments to the Class G Notes in accordance with the Interest Proceeds Waterfall will be made only after, and will be subordinate to, all other amounts payable therefrom have been made, and (viii) payments of interest on all Notes are subordinated to the payment on each Payment Date of other amounts payable prior thereto in accordance with the Priority of Payments.

(b)

(b) For so long as any Class A Notes, Class A-S Notes or Class B Notes are Outstanding, any interest due on the Class C Notes that is not paid as a result of the operation of the Priority of Payments on any Payment Date (any such interest, the "**Class C Deferred Interest Amount**") shall be deferred and added to the Aggregate Outstanding Amount of the Class C Notes and shall not be considered "due and payable" for the purposes of Section 5.1(a) hereof until the Payment Date on which such Class C Deferred Interest Amount is available to be paid in accordance with the Priority of Payments. Notwithstanding the foregoing, no accrued interest on the Class C Notes shall constitute Class C Deferred Interest Amounts unless Class A Notes, Class A-S Notes or Class B Notes are then Outstanding. The Class C Deferred Interest Amount accrued to any Payment Date shall bear interest at the Note Interest Rate for the Class C Notes and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of the Class C Deferred Interest Amount on any Payment Date, the Aggregate Outstanding Amount of the Class C Notes will be reduced by the amount of such payment.

(c) For so long as any Class A Notes, Class A-S Notes, Class B Notes or Class C Notes are outstanding, any interest due on the Class D Notes that is not paid as a result of the operation of the Priority of Payments on any Payment Date (any such interest, the "**Class D Deferred Interest Amount**") shall be deferred and added to the Aggregate Outstanding Amount of the Class D Notes, and shall not be considered "due and payable" until the Payment Date on which funds are available to pay such Class D Deferred Interest Amounts in accordance with the Priority of Payments. Notwithstanding the foregoing, no accrued interest on the Class D Notes shall constitute Class D Deferred Interest Amounts unless Class A Notes, Class A-S Notes, Class

B Notes or Class C Notes are then outstanding. The Class D Deferred Interest Amount accrued to any Payment Date shall bear interest at the Note Interest Rate for the Class D Notes and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of the Class D Deferred Interest Amount on any Payment Date, the Aggregate Outstanding Amount of the Class D Notes will be reduced by the amount of such payment.

(d) [Reserved.]

(e) [Reserved.]

(f) For so long as any Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, any interest due on the Class E Notes that is not paid as a result of the operation of the Priority of Payments on any Payment Date (any such interest, the "**Class E Deferred Interest Amount**") shall be deferred and added to the Aggregate Outstanding Amount of the Class E Notes and shall not be considered "due and payable" for the purposes of Section 5.1(a) hereof until the Payment Date on such Class E Deferred Interest Amount is available to be paid in accordance with the Priority of Payments. Notwithstanding the foregoing, no accrued interest on the Class E Notes shall constitute Class E Deferred Interest Amount unless Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are then Outstanding. The Class E Deferred Interest Amount accrued to any Payment Date shall bear interest at the Class E Note Rate and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of the Class E Deferred Interest Amount on any Payment Date, the Aggregate Outstanding Amount of the Class E Notes will be reduced by the amount of such payment.

(g) For so long as any Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding, any interest due on the Class F Notes that is not paid as a result of the operation of the Priority of Payments on any Payment Date (any such interest, the "**Class F Deferred Interest Amount**") shall be deferred and added to the Aggregate Outstanding Amount of the Class F Notes and shall not be considered "due and payable" for the purposes of Section 5.1(a) hereof until the Payment Date on which such Class F Deferred Interest Amount is available to be paid in accordance with the Priority of Payments. Notwithstanding the foregoing, no accrued interest on the Class F Notes shall constitute Class F Deferred Interest Amount unless Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are then Outstanding. The Class F Deferred Interest Amount accrued to any Payment Date shall bear interest at the Class F Note Rate and shall be payable on the first Payment Date on which funds are permitted to be used for such purpose in accordance with the Priority of Payments. Upon the payment of the Class F Deferred Interest Amount on any Payment Date, the Aggregate Outstanding Amount of the Class F Notes will be reduced by the amount of such payment.

(h) [Reserved.]

(i) The principal of each Note shall be payable no later than the Stated Maturity thereof unless the unpaid principal of such Note becomes due and payable at an earlier date by declaration of acceleration, call for redemption or otherwise.

(j) As a condition to the payment of principal of and interest on any Note without the imposition of U.S. withholding tax, the Issuer, the Indenture Trustee or the Paying Agent shall require certification acceptable to it to enable the Issuer, the Indenture Trustee and the Paying Agent to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Note or the Holder of such Note under any present or future law or regulation of the United States or any present or future law or regulation of any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation. Such certification may include U.S. federal income tax forms (such as IRS Form W-8BEN (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Individuals)), IRS Form W-8BEN-E (Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding and Reporting (Entities)), IRS Form W-8IMY (Certificate of Foreign Intermediary, Foreign Flow-through Entity, or Certain U.S. Branches for United States Tax Withholding and Reporting), IRS Form W-9 (Request for Taxpayer Identification Number and Certification), or IRS Form W-8ECI (Certificate of Foreign Person's Claim that Income is Effectively Connected with the Conduct of a Trade or Business in the United States) or any successors to such IRS forms). In addition, the Issuer, the Indenture Trustee or the Paying Agent may require certification acceptable to it to enable the Issuer to qualify for a reduced rate of withholding in any jurisdiction from or through which the Issuer receives payments on its assets. Each Holder agrees to provide any certification requested pursuant to this paragraph and to update or replace such form or certification in accordance with its terms or its subsequent amendments.

(k) The Issuer shall not be obligated to pay any additional amounts to the Holders of the Notes as a result of deduction for, or an account of, any present or future taxes, duties, assessments or governmental charges with respect to the Notes.

(l) Payments in respect of principal of and interest on the Notes shall be payable by wire transfer in immediately available funds to an account maintained by the Noteholders in accordance with wire transfer instructions received by the Paying Agent on or before the Record Date or, if no wire transfer instructions are received by the Paying Agent in respect of such Note on or before the Record Date, by check drawn on a bank in the United States mailed by first class mail to the address of such Noteholder as it appears on the Note Register at the close of business on the Record Date for such payment.

(m) The principal of and interest on any Note that is payable on a Redemption Date or in accordance with the Priority of Payments on a Payment Date and is punctually paid or duly provided for on such Redemption Date or Payment Date shall be paid to the Person in whose name that Note (or one or more predecessor Notes) is registered at the close of business on the Record Date for such payment. All such payments that are mailed or wired and returned to the Paying Agent shall be held for payment as herein provided at the office or agency of the Issuer to be maintained as provided in Section 7.2 hereof.

Payments to Holders of the Notes of each Class shall be made in the proportion that the Aggregate Outstanding Amount of the Notes of such Class registered in the name of each such Holder on the Record Date for such payment bears to the Aggregate Outstanding Amount of all Notes of such Class on such Record Date.

(n) Payment of any Defaulted Interest Amount may be made in any other lawful manner in accordance with the Priority of Payments if notice of such payment is given by the Indenture Trustee to the Issuer and the Noteholders, and such manner of payment shall be deemed practicable by the Indenture Trustee.

(o) All reductions in the principal amount of a Note (or one or more predecessor Notes) effected by payments of installments of principal made on any Payment Date or Redemption Date shall be binding upon all future Holders of such Note and of any Note issued upon the registration of transfer thereof or in exchange therefor or in lieu thereof, whether or not such payment is noted on such Note.

(p) Notwithstanding any other provision to the contrary, the obligations of the Issuer under the Notes and this Indenture are limited-recourse obligations of the Issuer payable solely from the Collateral in accordance with the Priority of Payments and following realization of the Collateral, any claims of the Noteholders, the other Secured Parties or any third party beneficiary of this Indenture shall be extinguished and shall not thereafter be revived. This provision shall survive termination of this Indenture for any reason whatsoever. No recourse shall be had against the Issuer, the Owner Trustee, the Intermediate Trust, the Intermediate Trust Trustee, the Indenture Trustee, the Rating Agencies, the Placement Agents, the Operating Advisor or any of their respective successors or assigns or any Officer, member, direct or indirect equity owner, Affiliate, director, manager, employee, security holder or incorporator of the Issuer, the Owner Trustee, the Intermediate Trust, the Intermediate Trust Trustee, the Indenture Trustee, the Rating Agencies, the Placement Agents, Operating Advisor or any of its respective successors or assigns for the payment of any amounts payable under the Notes or this Indenture. It is understood that the foregoing provisions of this Section 2.6(p) shall not (i) prevent recourse to the Collateral for the sums due or to become due under any security, instrument or agreement which is part of the Collateral or (ii) constitute a waiver, release or discharge of any indebtedness or obligation evidenced by the Notes or secured by this Indenture until such Collateral has been realized, whereupon any outstanding indebtedness or obligation shall be extinguished. It is further understood that the foregoing provisions of this Section 2.6(p) shall not limit the right of any Person to name the Issuer as a party defendant in any action or suit or in the exercise of any other remedy under the Notes or this Indenture, so long as no judgment in the nature of a deficiency judgment or seeking personal liability shall be asked for or (if obtained) enforced against any such Person or entity.

(q) Subject to the foregoing provisions of this Section 2.6 and the provisions of Sections 2.4 and 2.5 hereof, each Note delivered under this Indenture and upon registration of transfer of or in exchange for or in lieu of any other Note shall carry the rights of unpaid interest and principal that were carried by such other Note.

(r) Payments to the Holder of the Trust Certificate as contemplated by Sections 11.1(a)(i)(17), 11.1(a)(ii)(16) and 11.1(a)(iii)(18) shall be made by the Indenture Trustee to the holder of the Trust Certificate.

Section 2.7 Persons Deemed Owners.

The Issuer, the Indenture Trustee, the Operating Advisor and any agent of any of them (collectively, the "**Relevant Persons**") shall treat the Person in whose name any Note on the Note Register is registered as the owner of such Note on the applicable Record Date for the purpose of receiving payments of principal of and interest on such Note and on any other date for all other purposes whatsoever (whether or not such Note is overdue), and no Relevant Person shall be affected by notice to the contrary; *provided*, *however*, that the Depository, or its nominee, shall be deemed the owner of the Global Notes, and owners of beneficial interests in Global Notes shall not be considered the owners of any Notes for the purpose of receiving notices. With respect to the Trust Certificate, on any Payment Date, the Indenture Trustee shall make all distributions thereon to the Holder of the Trust Certificate.

Section 2.8 Cancellation.

All Notes surrendered for payment, registration of transfer, exchange or redemption, or deemed lost or stolen, shall, if surrendered to any Person other than the Indenture Trustee, be delivered to the Indenture Trustee, shall promptly be canceled by it and may not be reissued or resold. No Notes shall be authenticated in lieu of or in exchange for any Notes canceled as provided in this Section 2.8, except as expressly permitted by this Indenture. All canceled Notes held by the Indenture Trustee shall be destroyed or held by the Indenture Trustee in accordance with its standard policy unless the Issuer shall direct by an Issuer Order that they be returned to it prior to such Notes' cancellation and destruction. Any Notes purchased by the Issuer shall be immediately delivered to the Indenture Trustee for cancellation.

Section 2.9 Global Notes; Definitive Notes; Temporary Notes.

(a) Definitive Notes. Definitive Notes shall only be issued in the following limited circumstances:

(i) upon Transfer of Global Notes to an IAI that is not a QIB in accordance with the procedures set forth in Section 2.4(e)(ii) or Section 2.4(e)(iii);

(ii) if a holder of a Definitive Note wishes at any time to exchange such Definitive Note for one or more Definitive Notes or transfer such Definitive Note to a transferee who wishes to take delivery thereof in the form of a Definitive Note in accordance with Section 2.9, such holder may effect such exchange or transfer upon receipt by the Indenture Trustee or the Note Registrar of (A) a Holder's Definitive Note properly endorsed for assignment to the transferee, and (B) duly completed certificates in the form of Exhibit B-3, upon receipt of which the Indenture Trustee or the Note Registrar shall then cancel such Definitive Note in accordance herewith, record the transfer in the Notes Register in accordance with Section 2.4(a) and upon execution by the Issuer authenticate and deliver one or more Definitive Notes bearing the same designation as the Definitive Note endorsed for transfer, registered in the names specified in the assignment described in clause (A) above, in principal amounts designated by the transferee (the aggregate of such principal amounts being equal to the aggregate principal amount of the Definitive Note surrendered by the transferor).

(iii) in the event that the Depository notifies the Issuer that it is unwilling or unable to continue as Depository for a Global Note or if at any time such Depository ceases to be a "Clearing Agency" registered under the Exchange Act and a successor depository is not appointed by the Issuer within ninety (90) days of such notice, the Global Notes deposited with the Depository pursuant to Section 2.1 hereof shall be transferred to the beneficial owners thereof subject to the procedures and conditions set forth in this Section 2.9.

(b) Any Global Note that is exchanged for a Definitive Note shall be surrendered by the Depository to the Indenture Trustee's Corporate Trust Office together with necessary instruction for the registration and delivery of a Definitive Note to the beneficial owners (or such owner's nominee) holding the ownership interests in such Global Note. Any such transfer shall be made, without charge, and the Indenture Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Note, an equal aggregate principal amount of Definitive Notes of the same Class and authorized denominations. Any Definitive Notes delivered in exchange for an interest in a Global Note shall, except as otherwise provided by Section 2.4(f), bear the applicable legend set forth in Exhibits B-1 or B-2, as applicable, and shall be subject to the transfer restrictions referred to in such applicable legend.

(c) Subject to the provisions of Section 2.9(b) above, the registered Holder of a Global Note may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a Holder is entitled to take under this Indenture or the Notes.

(d) In the event of the occurrence of any of the events specified in Section 2.9(a) above, the Issuer shall promptly make available to the Indenture Trustee a reasonable supply of Definitive Notes.

Pending the preparation of Definitive Notes pursuant to this Section 2.9, the Issuer may execute and, upon Issuer Order, the Indenture Trustee shall authenticate and deliver, temporary Notes that are printed, lithographed, typewritten, mimeographed or otherwise reproduced, in any authorized denomination, substantially of the tenor of the Definitive Notes in lieu of which they are issued and with such appropriate insertions, omissions, substitutions and other variations as the Officers executing such Definitive Notes may determine, as conclusively evidenced by their execution of such Definitive Notes.

If temporary Definitive Notes are issued, the Issuer shall cause permanent Definitive Notes to be prepared without unreasonable delay. The Definitive Notes shall be printed, lithographed, typewritten or otherwise reproduced, or provided by any combination thereof, or in any other manner permitted by the rules and regulations of any applicable notes exchange, all as determined by the Officers executing such Definitive Notes. After the preparation of Definitive Notes, the temporary Notes shall be exchangeable for Definitive Notes upon surrender of the applicable temporary Notes at the office or agency maintained by the Issuer for such purpose, without charge to the Holder. Upon surrender for cancellation of any one or more temporary Notes, the Issuer shall execute, and the Indenture Trustee shall authenticate and deliver, in exchange therefor the same aggregate principal amount of Definitive Notes of authorized

denominations. Until so exchanged, the temporary Notes shall in all respects be entitled to the same benefits under this Indenture as Definitive Notes.

Section 2.10 U.S. Tax Treatment of the Issuer and the Notes.

(a) The Issuer intends that, for purposes of U.S. federal income, state and local income and franchise tax and any other income taxes, (i) each of the Issuer and the Intermediate Trust will be treated as an Issuer Parent Disregarded Entity (unless the Issuer has received an opinion of Orrick, Herrington & Sutcliffe LLP, Winston & Strawn LLP or Ledgewood, P.C. or another nationally recognized tax counsel experienced in such matters that the Issuer and the Intermediate Trust will not be treated as an association taxable as a corporation, a "taxable mortgage pool" or a "publicly traded partnership" for U.S. federal, state or local income tax purposes that, in each case, is subject to U.S. federal, state or local income tax on a net income basis) and (ii) the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes and Class D Notes (unless held by the Issuer Parent or an Issuer Parent Disregarded Entity) will be treated as indebtedness, in accordance with Section 10.11 hereof. Each prospective purchaser and any subsequent transferee of a Note or any interest therein shall, by virtue of its purchase or other acquisition of such Note or interest therein, be deemed to have agreed to treat such Note in a manner consistent with the preceding sentence for U.S. federal income tax purposes.

(b) The Trust Administrator, on behalf of the Issuer, shall account for the Notes and prepare any reports to Noteholders and shall prepare or cause to be prepared, file and deliver any income tax or information returns to tax authorities consistent with the intentions expressed in Section 2.10(a) above. For the avoidance of doubt, the Indenture Trustee shall have no responsibility for the preparation of any tax returns or related reports on behalf of or for the benefit of the Issuer or any Noteholder, or the calculation of any original issue discount on the Notes.

(c) Each Holder of Notes shall timely furnish to the Issuer or its agents properly completed and signed applicable tax certifications (generally, in the case of U.S. federal income tax, an Internal Revenue Service Form W-9 (or applicable successor form) in the case of a United States person within the meaning of Section 7701(a)(30) of the Code or the applicable Internal Revenue Service Form W-8 (or applicable successor form) in the case of a Person that is not a United States person within the meaning of Section 7701(a)(30) of the Code) or other certification acceptable to it to enable the Issuer or its agents to determine their duties and liabilities with respect to any taxes or other charges that they may be required to pay, deduct or withhold from payments in respect of such Note or the Holder or beneficial owner of such Note under any present or future law or regulation of the United States, any other jurisdiction or any political subdivision thereof or taxing authority therein or to comply with any reporting or other requirements under any such law or regulation and the delivery of any information or documentation required under FATCA to determine if any payments by the Issuer are subject to withholding. Each Holder of Notes further agrees to promptly update any such information or documentation provided above upon learning that any such information or documentation previously provided has become obsolete or incorrect or is otherwise required and each Noteholder shall be deemed by the acceptance of its Note to agree to provide the Issuer, the Indenture Trustee or their agents information relating to such Noteholder solely to the extent necessary for the Issuer, the Indenture Trustee or their agents to determine any required withholding amounts.

(d) Each purchaser, beneficial owner and subsequent transferee of a Note (or interest therein) will be required or deemed to represent and agree that: if it is not a United States Person (as defined in Section 7701(a)(30) of the Code), (i) either (A) it is not a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business (within the meaning of Section 881(c)(3)(A) of the Code), a 10% shareholder of the Issuer within the meaning of Section 871(h)(3)(B) of the Code or a controlled foreign corporation within the meaning of Section 957(a) of the Code that is related to the Issuer within the meaning of Section 881(c)(3)(C) of the Code, (B) it is a person that is eligible for benefits under an income tax treaty with the United States that eliminates U.S. federal income taxation of U.S. source interest not attributable to a permanent establishment in the United States, or (C) it has provided an IRS Form W-8ECI representing that all payments received or to be received by it from the Issuer are effectively connected with the conduct of a trade or business in the United States, and (ii) it is not purchasing the Notes in order to reduce its U.S. federal income tax liability pursuant to a tax avoidance plan.

Section 2.11 Authenticating Agents.

Upon the request of the Issuer, the Indenture Trustee shall, and if the Indenture Trustee so chooses the Indenture Trustee may, pursuant to this Indenture, appoint one or more Authenticating Agents with power to act on its behalf and subject to its direction in the authentication of Notes in connection with issuance, transfers and exchanges under Sections 2.3, 2.4, 2.5 and 8.5 hereof, as fully to all intents and purposes as though each such Authenticating Agent had been expressly authorized by such Sections to authenticate such Notes. For all purposes of this Indenture, the authentication of Notes by an Authenticating Agent pursuant to this Section 2.11 shall be deemed to be the authentication of Notes by the Indenture Trustee.

Any corporation or banking association into which any Authenticating Agent may be merged or converted or with which it may be consolidated, or any corporation or banking association resulting from any merger, consolidation or conversion to which any Authenticating Agent shall be a party, or any corporation succeeding to the corporate trust business of any Authenticating Agent, shall be the successor of such Authenticating Agent hereunder, without the execution or filing of any further act on the part of the parties hereto or such Authenticating Agent or such successor corporation. Any Authenticating Agent may at any time resign by giving written notice of resignation to the Indenture Trustee and the Issuer. The Indenture Trustee may at any time terminate the agency of any Authenticating Agent by giving written notice of termination to such Authenticating Agent and the Issuer. Upon receiving such notice of resignation or upon such a termination, the Indenture Trustee shall promptly appoint a successor Authenticating Agent and shall give written notice of such appointment to the Issuer.

The Indenture Trustee agrees to pay to each Authenticating Agent appointed by it from time to time reasonable compensation for its services, and reimbursement for its reasonable expenses relating thereto and the Indenture Trustee shall be entitled to be reimbursed for such payments, subject to Section 6.7 hereof. The provisions of Sections 2.8, 6.5 and 6.6 hereof shall be applicable to any Authenticating Agent.

Section 2.12 Book-Entry Provisions.

This Section 2.12 shall apply only to Global Notes deposited with or on behalf of the Depository.

The Issuer shall execute and the Indenture Trustee shall, in accordance with this Section 2.12, authenticate and deliver initially one or more Global Notes that shall be (i) registered in the name of the nominee of the Depository for such Global Note or Global Notes and (ii) delivered by the Indenture Trustee to such Depository or pursuant to such Depository's instructions or held by the Indenture Trustee's agent as custodian for the Depository.

Agent Members shall have no rights under this Indenture with respect to any Global Note held on their behalf by the Indenture Trustee, as custodian for the Depository or under the Global Note, and the Depository may be treated by the Issuer, the Indenture Trustee and any agent of the Issuer or the Indenture Trustee as the absolute owner of such Global Note for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Issuer, the Indenture Trustee, or any agent of the Issuer or the Indenture Trustee, from giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices governing the exercise of the rights of a holder of any Global Note.

Section 2.13 No Gross Up.

The Issuer shall not be obligated to pay any additional amounts to the Holders or beneficial owners of the Notes as a result of any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges. Amounts withheld pursuant to applicable tax laws will be treated as having been paid to a beneficial owner by the Issuer.

ARTICLE III

CONDITIONS PRECEDENT

Section 3.1 General Provisions.

The Notes may be executed by the Owner Trustee on behalf of the Issuer and delivered to the Indenture Trustee for authentication and thereupon the same shall be authenticated and delivered by the Indenture Trustee (or an Authenticating Agent on its behalf) upon Issuer Request, upon receipt by the Indenture Trustee of the following:

(a) (i) an Officer's Certificate of the Issuer, (A) evidencing the authorization by Board Resolution of the execution and delivery of, and the performance of the Issuer's obligations under, this Indenture, the Trust Agreement, the Purchase and Sale Agreements, the Trust Administration Agreement, the Intermediate Trust Agreement, the Intermediate Trust Administration Agreement, the Account Control Agreement, the Servicing Agreement, the Future Funding Agreement, the Future Funding Account Control Agreement, the Participation Agreements and the Placement Agreement, in each case as may be amended on or prior to, and as

in effect on, the Closing Date, and the execution, authentication and delivery of the Notes and the issuance of the Trust Certificate and specifying the Stated Maturity, the principal amount and, except in the case of the Class G Notes, the Note Interest Rate with respect to each Class of Notes to be authenticated and delivered, and (B) certifying that (1) the attached copy of such Board Resolution is a true and complete copy thereof, (2) such resolutions have not been rescinded and are in full force and effect on and as of the Closing Date and (3) the Officers authorized to execute and deliver such documents hold the offices and have the signatures indicated thereon; and

(ii) either (A) a certificate of the Issuer or other official document evidencing the due authorization, approval or consent of any governmental body or bodies, at the time having jurisdiction in the premises, together with an Opinion of Counsel to the Issuer, satisfactory in form and substance to the Indenture Trustee and on which the Indenture Trustee is entitled to rely, to the effect that no other authorization, approval or consent of any governmental body is required for the valid issuance of the Notes and the Trust Certificate, or (B) an Opinion of Counsel to the Issuer to the effect that no such authorization, approval or consent of any governmental body is required under the laws of the State of New York or the federal laws of the United States for the valid issuance of the Notes except as may have been given;

(b) the following opinions of counsel:

(i) opinions of Winston & Strawn LLP, special counsel to the Issuer and the Intermediate Trust, dated the Closing Date, relating to (A) certain U.S. federal income tax, (B) certain bankruptcy matters and (C) securities law matters;

(ii) an opinion of Winston & Strawn LLP, counsel to the Issuer, RAIT Partnership and the Trust Depositor, dated as of the Closing Date, relating to certain corporate matters;

(iii) opinions of Orrick, Herrington & Sutcliffe LLP, counsel to the Placement Agents, dated as of the Closing Date, relating to (A) the validity of the Grant hereunder and the perfection of the Indenture Trustee's security interest in the Collateral and (B) securities law matters;

(iv) an opinion of Alston & Bird LLP, counsel to the Indenture Trustee, dated as of the Closing Date, regarding certain securities law matters;

(v) an opinion of Alston & Bird LLP, special Delaware counsel to the Issuer, dated the Closing Date, regarding certain issues of Delaware law;

(vi) opinions of Alston & Bird LLP, counsel to the Owner Trustee, dated as of the Closing Date relating to certain issues of Delaware law and New York law;

(vii) opinions of Alston & Bird LLP, counsel to the Intermediate Trust Trustee, dated as of the Closing Date relating to certain issues of New York law;

(viii) opinions of Alston & Bird LLP, counsel to the Indenture Trustee, dated as of the Closing Date relating to certain issues of Delaware law and New York law;

(ix) an opinion of Alston & Bird LLP, special counsel to the Indenture Trustee, dated the Closing Date, regarding certain issues of Minnesota law;

(x) an opinion of Richards, Layton & Finger, P.A., special Delaware counsel to the Trust Depositor, dated the Closing Date, regarding certain issues of Delaware law;

(xi) an opinion of Polsinelli PC, counsel to the Operating Advisor, regarding certain matters of New York law;

(xii) an opinion of Richards, Layton & Finger, P.A., special Delaware counsel to the Indenture Trustee, dated the Closing Date, regarding certain issues of Delaware law; and

(xiii) opinions of Ledgewood, P.C., a professional corporation and special counsel to RAIT Financial Trust, the Intermediate Trust and the Issuer, dated the Closing Date, (A) regarding certain Investment Company Act issues and (B) regarding the Issuer's, the Intermediate Trust's and RAIT Financial Trust's qualification and taxation as Issuer Parent Disregarded Entities and a REIT, respectively;

(c) an Officer's Certificate given on behalf of the Issuer and without personal liability, stating that the Issuer is not in Default under this Indenture and that the issuance of the Securities will not result in a breach of any of the terms, conditions or provisions of, or constitute a Default under the Trust Agreement, any indenture, contract, other agreement or instrument to which the Issuer is a party or by which it is bound, or any order of any court or administrative agency entered in any Proceeding to which the Issuer is a party or by which it may be bound or to which it may be subject; that no Indenture Event of Default shall have occurred and be continuing; that all of the representations and warranties contained herein are true and correct as of the Closing Date; that all conditions precedent provided in this Indenture relating to the authentication and delivery of the Notes have been complied with; and that all expenses due or accrued with respect to the Offering or relating to actions taken on or in connection with the Closing Date have been paid;

(d) an Independent accountant's report (A) confirming the information specified in such Independent accountant's report with respect to each Mortgage Loan set forth on the Schedule of Mortgage Loans attached hereto as Schedule A (not including information relating to the ratings, balance or price of such Mortgage Loan) by reference to such sources as shall be specified therein (and allowing for such exceptions due to scope limitations as may be acceptable to the Issuer and the Placement Agents, in each case in their sole discretion) and (B) specifying the procedures undertaken by them to review data and computations relating to the foregoing statements;

(e) an Officer's Certificate from the Seller (i) confirming that Schedule A correctly lists the Mortgage Loans to be owned by the Intermediate Trust, 100% beneficial ownership interest in which is evidenced by the Intermediate Trust Certificate, such Intermediate Trust Certificate to be owned by the Issuer and to be Granted to the Indenture Trustee on the Closing Date, and (ii) stating the Aggregate Principal Amount of the Mortgage Loans;

(f) an executed copy of each of this Indenture, the Account Control Agreement, the Servicing Agreement, the Trust Agreement, the Intermediate Trust Agreement, the Participation Agreements, the Future Funding Agreement, the Future Funding Account Control Agreement, the Trust Administration Agreement, the Intermediate Trust Administration Agreement, the Purchase and Sale Agreements, the Placement Agreement and the E.U. Risk Retention Letter;

(g) evidence of preparation for filing at the appropriate filing office in the State of Delaware of a financing statement, on behalf of the Issuer, relating to the perfection of the lien of this Indenture; and

(h) an Issuer Order executed by the Issuer directing the Indenture Trustee to (a) authenticate the Notes specified therein, in the amounts set forth therein and registered in the name(s) set forth therein and (b) deliver the authenticated Notes to the Issuer or as otherwise directed by the Issuer.

Section 3.2 Security for the Notes.

Prior to the issuance of the Notes on the Closing Date, the Issuer shall cause the following conditions to be satisfied:

(a) Grant of Security Interest; Delivery of Closing Date Mortgage Loans. The Grant pursuant to the Granting Clauses of this Indenture of all of the Issuer's right, title and interest in and to the Collateral shall be effective and all Closing Date Mortgage Loans deposited into the Intermediate Trust on the Closing Date (as set forth in Schedule A hereto) together with the Loan Documents with respect thereto shall have been delivered to, and received by, the Indenture Trustee, without recourse (except as expressly provided in each applicable purchase and sale agreement), in the manner provided in Section 3.3(b) hereof.

(b) Certificate of the Issuer. The delivery to the Indenture Trustee of a certificate of an Authorized Officer of the Issuer given on behalf of the Issuer and without personal liability, dated as of the Closing Date, to the effect that, in the case of each Closing Date Mortgage Loan owned by the Intermediate Trust on the Closing Date and immediately prior to the delivery thereof on the Closing Date:

(i) the Issuer, in its capacity as the 100% beneficial owner of the Intermediate Trust, certifies that the Intermediate Trust is the owner of such Mortgage Loan free and clear of any liens, claims or encumbrances of any nature whatsoever except for those that are being released on the Closing Date;

(ii) the Issuer, in its capacity as the 100% beneficial owner of the Intermediate Trust, certifies that the Intermediate Trust has acquired its ownership in such Mortgage Loan in good faith without notice of any adverse claim (within the meaning given to such term by Section 8-102(a)(1) of the UCC), except as described in clause (i) above;

(iii) the Issuer, in its capacity as the 100% beneficial owner of the Intermediate Trust, certifies that the Intermediate Trust has not assigned, pledged or otherwise encumbered any interest in such Mortgage Loan (or, if any such interest has been assigned,

pledged or otherwise encumbered, it has been released) other than interests Granted pursuant to (or permitted under) this Indenture;

(iv) the Issuer is the owner of the Intermediate Trust Certificate free and clear of any liens, claims or encumbrances of any nature whatsoever except for those that are being released on the Closing Date;

(v) the Issuer has acquired its ownership in the Intermediate Trust Certificate in good faith without notice of any adverse claim (within the meaning given to such term by Section 8-102(a)(1) of the UCC), except as described in clause (v) above;

(vi) the Issuer has not assigned, pledged or otherwise encumbered any interest in the Intermediate Trust Certificate (or, if any such interest has been assigned, pledged or otherwise encumbered, it has been released) other than interests Granted pursuant to (or permitted under) this Indenture;

(vii) the Issuer has full right to Grant a security interest in and assign and pledge all of its right, title and interest in such Intermediate Trust Certificate to the Indenture Trustee;

(viii) the information set forth with respect to such Closing Date Mortgage Loan in the Schedule of Mortgage Loans hereto is correct;

(ix) each such Mortgage Loan is transferred to the Intermediate Trust as required by Section 3.2(a) hereof; and

(x) the Grant pursuant to the Granting Clauses of this Indenture shall result in a first priority security interest in favor of the Indenture Trustee for the benefit of the Holders of the Notes in all of the Issuer's right, title and interest in and to the Collateral pledged to the Indenture Trustee on the Closing Date.

(c) Rating Letters. The delivery to the Indenture Trustee of an Officer's Certificate of the Issuer, to the effect that (i) attached thereto are true and correct copies of one or more letters signed by KBRA and Moody's, as applicable, confirming that the Class A Notes have been rated "AAA(sf)" by KBRA and "Aaa(sf)" by Moody's, that the Class A-S Notes have been rated "AAA(sf)" by KBRA, that the Class B Notes have been rated at least "AA-(sf)" by KBRA, that the Class C Notes have been rated at least "A-(sf)" by KBRA, that the Class D Notes have been rated at least "BBB-(sf)" by KBRA, that the Class E Notes have been rated at least "BB-(sf)" by KBRA, and that the Class F Notes have been rated at least "B-(sf)" by KBRA; and (ii) each such rating is in full force and effect on the Closing Date.

(d) Accounts. The delivery by the Indenture Trustee of evidence of the establishment of the Note Payment Account, the Interest Collection Account, the Principal Collection Account, the Expense Account, the Custodial Account, the Unused Proceeds Account, the Permitted Funded Companion Participation Acquisition Account and the Trust Certificate Account to be established on the Closing Date.

(e) Deposit to Unused Proceeds Account; Allocable Amounts. On the Closing Date, the Issuer shall deposit into the Unused Proceeds Account, U.S. $20,000,000, which represents the purchase price of the Delayed Close Mortgage Loan(s).

Section 3.3 Transfer of Pledged Assets.

(a) Wells Fargo Bank, National Association is hereby appointed as: (i) Securities Intermediary (in such capacity, the "**Custodian**") to hold all Pledged Assets delivered to it in physical form at its office in Minneapolis, Minnesota; and (ii) document custodian (in such capacity, also the "**Custodian**") to hold all Mortgage Loan Files delivered to it on behalf of the Intermediate Trust. Any successor to the Custodian, whether as such Securities Intermediary or as custodian for the Mortgage Loan Files, shall be a U.S. state or national bank or trust company that is not an Affiliate of the Issuer and has capital and surplus of at least $200,000,000. Subject to the limited right to relocate Pledged Assets set forth in Section 7.5(b), the Custodian, as a Securities Intermediary, shall hold all Eligible Investments and other investments purchased in accordance with this Indenture in the respective Accounts in which the funds used to purchase such investments are held in accordance with Article X, and, in respect of each Account (other than the Note Payment Account and the Trust Certificate Account), the Indenture Trustee shall have entered into an agreement with the Securities Intermediary (the "**Account Control Agreement**") providing, inter alia, that the establishment and maintenance of such Account will be governed by the laws of the state of New York. To the maximum extent feasible, Pledged Assets shall be transferred to the Indenture Trustee as Security Entitlements in the manner set forth in clause (i) below. In the event that the measures set forth in clause (i) below cannot be taken as to any Pledged Assets, such Pledged Asset may be transferred to the Indenture Trustee in the manner set forth in clauses (ii) through (vii) below, as appropriate. The security interest of the Indenture Trustee in Pledged Assets shall be perfected and otherwise evidenced as follows:

(i) in the case of such Pledged Assets consisting of Security Entitlements by (A) the Issuer causing the Custodian, in accordance with the Account Control Agreement, to indicate by book entry that a Financial Asset has been credited to the Custodial Account and (B) the Issuer causing the Custodian to agree pursuant to the Account Control Agreement that it will comply with Entitlement Orders originated by the Indenture Trustee with respect to each such Security Entitlement without further consent by the Issuer;

(ii) in the case of Pledged Assets that are "uncertificated securities" (as such term is defined in the UCC) to the extent that any such uncertificated securities do not constitute Financial Assets forming the basis of Security Entitlements by the Indenture Trustee pursuant to clause (i) (the "**Uncertificated Securities**"), by the Issuer (A) causing the issuer(s) of such Uncertificated Securities to register on their respective books the Indenture Trustee as the registered owner thereof upon original issue or transfer thereof or (B) causing another Person, other than a Securities Intermediary, either to become the registered owner of such Uncertificated Securities on behalf of the Indenture Trustee, or such Person having previously become the registered owner, to acknowledge that it holds such Uncertificated Securities for the Indenture Trustee;

(iii) in the case of Pledged Assets consisting of Certificated Securities in Registered Form to the extent that any such Certificated Securities do not constitute

Financial Assets forming the basis of Security Entitlements acquired by the Indenture Trustee pursuant to clause (i) (the "**Registered Securities**"), by the Issuer (A) causing (1) the Indenture Trustee to obtain possession of such Registered Securities in the State of Minnesota or (2) another Person, other than a Securities Intermediary, either to acquire possession of such Registered Securities on behalf of the Indenture Trustee, or having previously acquired such Registered Securities, in either case, in the State of Minnesota to acknowledge that it holds such Registered Securities for the Indenture Trustee and (B) causing (1) the endorsement of such Registered Securities to the Indenture Trustee by an effective endorsement; or (2) the registration of such Registered Securities in the name of the Indenture Trustee by the issuer thereof upon its original issue or registration of transfer;

(iv) in the case of Pledged Assets consisting of Certificated Securities in bearer form to the extent that any such Certificated Securities do not constitute Financial Assets forming the basis of Security Entitlements acquired by the Indenture Trustee pursuant to clause (i) (the "**Bearer Securities**"), by the Issuer causing (A) the Indenture Trustee to obtain possession of such Bearer Securities in the State of Minnesota or (B) another Person, other than a Securities Intermediary, either to acquire possession of such Bearer Securities on behalf of the Indenture Trustee or, having previously acquired possession of such Bearer Securities, in either case, in the State of Minnesota to acknowledge that it holds such Bearer Securities for the Indenture Trustee;

(v) in the case of Pledged Assets that consist of Money or Instruments (the "**Minnesota Collateral**"), to the extent that any such Minnesota Collateral does not constitute a Financial Asset forming the basis of a Security Entitlement acquired by the Indenture Trustee pursuant to clause (i), by the Issuer causing (A) the Indenture Trustee to acquire possession of such Minnesota Collateral in the State of Minnesota or (B) another Person (other than the Issuer or a Person controlling, controlled by, or under common control with, the Issuer) (1) to (x) take possession of such Minnesota Collateral in the State of Minnesota and (y) authenticate a record acknowledging that it holds such possession for the benefit of the Indenture Trustee or (2) to (x) authenticate a record acknowledging that it will hold possession of such Minnesota Collateral for the benefit of the Indenture Trustee and (y) take possession of such Minnesota Collateral in the State of Minnesota; and

(vi) in the case of Pledged Assets that consist of UCC Accounts or General Intangibles ("**Accounts Receivable**"), and all other Pledged Assets of the Issuer in which a security interest may be perfected by filing a financing statement under Article 9 of the UCC as in effect in the State of Delaware, filing or causing the filing of a UCC financing statement naming the Issuer as debtor and the Indenture Trustee as secured party, which financing statement reasonably identifies all such Assets, with the Secretary of State of the State of Delaware.

(b) The Issuer hereby authorizes the filing of UCC financing statements describing as the collateral covered thereby "all of the debtor's personal property and assets," or words to that effect, notwithstanding that such wording may be broader in scope than the Collateral described in this Indenture.

(c) Without limiting the foregoing, the Issuer and the Indenture Trustee on behalf of the Bank agree, and the Bank shall cause the Custodian, to take such different or additional action as the Indenture Trustee may reasonably request in order to maintain the perfection and priority of the security interest of the Indenture Trustee in the event of any change in applicable law or regulation, including Articles 8 and 9 of the UCC and Treasury Regulations governing transfers of interests in Government Items (it being understood that the Indenture Trustee shall be entitled to rely upon an Opinion of Counsel, including an Opinion of Counsel delivered in accordance with Section 7.6, as to the need to file any financing statements or continuation statements, the dates by which such filings are required to be made and the jurisdictions in which such filings are required to be made).

(d) Without limiting any of the foregoing, in connection with each Grant hereunder, the Issuer shall deliver (or cause to be delivered by the Seller) to the Custodian the following documents (collectively, the "**Mortgage Loan File**") with respect to each Mortgage Loan on or prior to the Closing Date (or, in the case of any Delayed Close Mortgage Loan or Related Funded Companion Participation acquired on behalf of the Intermediate Trust after the Closing Date, on or prior to the date of acquisition on behalf of the Intermediate Trust):

(i) The original or replacement original mortgage note or promissory note (or a copy of such note together with a lost note affidavit), as applicable, bearing all intervening endorsements, endorsed in blank and signed in the name of the Last Endorsee by an authorized Person;

(ii) An original of any participation certificate together with any and all intervening endorsements thereon, endorsed in blank on its face or by endorsement or stock power attached thereto (without recourse, representation or warranty, express or implied);

(iii) An original blanket assignment of all unrecorded documents in blank;

(iv) The original or a copy of any guarantee executed in connection with the promissory note;

(v) The original mortgage with evidence of recording thereon, or a copy thereof; provided that the original has been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

(vi) The originals of all assumption, modification, consolidation or extension agreements with evidence of recording thereon (or a copy thereof provided that the original has been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required), together with any other recorded document relating to the Mortgage Loan otherwise included in the Mortgage Loan File;

(vii) An original assignment of mortgage in blank, in form and substance acceptable for recording and signed in the name of the Intermediate Trust;

(viii) Either (1) the originals of all intervening assignments of mortgage, if any, showing an unbroken chain of title from the originator thereof to the Last Endorsee ("**Intervening Assignments of Mortgage**"), either (A) with evidence of recording thereon or (B) in recordable form, or (2) copies thereof provided that the originals have each been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

(ix) An original mortgagee policy of title insurance, which may be in electronic form or a conformed version of the mortgagee's title insurance commitment either marked as binding for insurance or attached to an escrow closing letter, countersigned by the title company or its authorized agent if the original mortgagee's title insurance policy has not yet been issued;

(x) The original or a copy of any security agreement, chattel mortgage or equivalent document executed in connection with the Mortgage Loan;

(xi) The original assignment of leases and rents, if any, with evidence of recording thereon, or a copy thereof provided that the original has been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

(xii) An original assignment of any assignment of leases and rents from the Last Endorsee in blank, in form and substance acceptable for recording;

(xiii) The originals of all intervening assignments of assignments of leases, if any, showing an unbroken chain of title from the originator thereof to the Last Endorsee ("**Intervening ALRS**"), either (A) with evidence of recording thereon or (B) in recordable form, or copies thereof provided that that such originals have each been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording office of the jurisdiction where the encumbered property is located, in which case, recordation information shall not be required;

(xiv) A copy of the UCC-1 financing statements either (A) with evidence of filing thereon or (B) a copy thereof provided that the originals have each been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording or filing office;

(xv) UCC-3 assignments in blank from the Last Endorsee, which UCC-3 assignments shall be in form and substance acceptable for filing;

(xvi) UCC-3 assignments showing a complete chain from the originator to the Last Endorsee ("**Intervening UCC-3s**"), either (A) with evidence of filing thereon or (B) a copy thereof provided that the originals have each been or will be in accordance with this Section 3.3(d) submitted or delivered for recordation in the appropriate governmental recording or filing office;

(xvii) An original or copy of any environmental indemnity agreement;

(xviii) originals or copies of any other material Loan Documents, including, if applicable, any mezzanine intercreditor agreements; and

(xix) if such Mortgage Loan is a Pari Passu Participation or a Related Funded Companion Participation:

(1) each of the documents specified in (d)(i) above with respect to the related Mortgage Loan and (d)(ii) above;

(2) an original or a copy of the related Participation Agreement; and

(3) a copy of any related companion participation certificate.

With respect to any documents which have been delivered or are being delivered to recording offices for recording and have not been returned to the Issuer (or the Seller) in time to permit their delivery hereunder at the time required, the Issuer (or the Seller) shall deliver such original recorded documents to the Custodian promptly when received by the Issuer (or the Seller) from the applicable recording office.

In addition, within 30 days of the Closing Date, or with respect to a Delayed Close Mortgage Loan, within 30 days of the acquisition thereof on behalf of the Intermediate Trust, the Issuer (or Seller) shall submit for filing or recordation, all Intervening Assignments of Mortgage, Intervening ALRs and Intervening UCC-3s that have not previously been recorded or filed, subject to the following two paragraphs of this Section 3.3(d).

In the event that any document or instrument submitted for recordation or filing is lost or returned unrecorded or unfiled, as the case may be, because of a defect therein, the Issuer shall promptly prepare or cause the preparation of a substitute therefor or cure or cause the curing of such defect, as the case may be, and shall thereafter deliver the substitute or corrected document for recording or filing, as appropriate, and the Issuer shall not be deemed to be in breach of this Section 3.3(d) as a result of any delay in submitting such document for recordation or filing caused thereby or for any other reason, so long as the Issuer shall diligently and in good faith continue to take commercially reasonable action to effect such recordation or filing. In addition, the Issuer shall not be obligated to submit for recordation or filing any Intervening Assignments of Mortgage, Intervening ALRs and Intervening UCC-3s, with respect to any recently originated Mortgage Loan as to which the original recordable document or financing statement has not yet been recorded, until the date that is 30 days after the recorded or filed copy of such recordable document or financing statement has been received by the Issuer. Notwithstanding anything to the contrary contained in this Section 3.3, in those instances where the public recording or filing office retains the original recorded or filed document, if applicable, after it has been recorded or filed, the obligations hereunder of the Issuer shall be deemed to have been satisfied upon delivery to the Custodian of a copy of the recorded or filed original of such document.

(e) The execution and delivery of this Indenture by the Indenture Trustee shall constitute certification by the Indenture Trustee that, except with respect to a Delayed Close Mortgage Loan, (i) each original note specified to the Indenture Trustee by the Issuer (or the Seller)

and all allonges thereto, if any, have been received by the Custodian; and (ii) such original note has been reviewed by the Custodian and (A) appears regular on its face (handwritten additions, changes or corrections shall not constitute irregularities if initialed by the borrower), (B) appears to have been executed and (C) purports to relate to the Mortgage Loan. The Indenture Trustee, or the Custodian on its behalf, agrees to review or cause to be reviewed the Mortgage Loan File within 45 days after the Closing Date, or with respect to a Delayed Close Mortgage Loan, within 45 days after the acquisition of such Delayed Close Mortgage Loan on behalf of the Intermediate Trust, and to deliver to the Issuer and the Servicer a report in the form of Exhibit I attached hereto, indicating, subject to any exceptions found by it in such review, (A) those documents referred to in Section 3.3(d) that have been received, and (B) that such documents have been executed, appear on their face to be what they purport to be, purport to be recorded or filed (as applicable) and have not been torn, mutilated or otherwise defaced, and appear on their faces to relate to the Mortgage Loan. The Custodian shall have no responsibility for reviewing the Mortgage Loan File except as expressly set forth in this Section 3.3(e). Neither the Indenture Trustee nor the Custodian shall be under any duty or obligation to inspect, review, or examine any such documents, instruments or certificates to independently determine that they are valid, genuine, enforceable, legally sufficient, duly authorized, or appropriate for the represented purpose, whether the text of any assignment or endorsement is in proper or recordable form (except to determine if the endorsement conforms to the requirements of Section 3.3(d)), whether any document has been recorded in accordance with the requirements of any applicable jurisdiction, to independently determine that any document has actually been filed or recorded in the appropriate office, that any document is other than what it purports to be on its face, or whether the title insurance policies relate to the Underlying Mortgaged Property.

(f) Upon the first anniversary of the Closing Date, the Custodian shall (i) deliver to the Issuer and the Servicer a final exception report in the form of Exhibit I attached hereto as to any remaining documents that are not in the Mortgage Loan File and (ii) request that the Issuer cause such document deficiency to be cured. If the Issuer cannot deliver, or cause to be delivered, as to any Mortgage Loan, the original or a copy of any recordable document or financing statement (including without limitation any Intervening Assignments of Mortgage, Intervening ALRs and Intervening UCC-3s) or any copy thereof referred to in Section 3.3(d) with evidence of recording or filing thereon, solely because of a delay caused by the public recording or filing office where such document or instrument has been delivered for recordation or filing, or because such original recorded or filed document has been lost or returned from the recording or filing office and subsequently lost, as the case may be, the delivery requirements of Section 3.3(d) shall be deemed to have been satisfied as to such missing item, and such missing item shall be deemed to have been included in the related Mortgage Loan File, *provided* that a copy of such document or instrument (without evidence of recording or filing thereon, but certified (which certificate may relate to multiple documents and/or instruments) by the applicable public recording or filing office, the applicable title insurance company or by the Trust Administrator on behalf of the Issuer to be a true and complete copy of the original thereof submitted for recording or filing, as the case may be) has been delivered to the Custodian within 45 days after the issuance of the final exception report, and either the original of such missing document or instrument, or a copy thereof, with evidence of recording or filing, as the case may be, thereon, is delivered to the Indenture Trustee promptly after any receipt thereof by the Issuer from the applicable recording or filing office, and the Trust Administrator on behalf of the Issuer shall certify to the Indenture Trustee, no less often

than quarterly, that it is in good faith attempting to obtain from the appropriate public recording or filing office such original or copy.

(g) Without limiting the generality of the foregoing:

(i) from time to time upon the request of the Indenture Trustee or the Servicer, the Issuer shall deliver (or cause to be delivered) to the Custodian any Loan Document in the possession of the Issuer and not previously delivered hereunder (including originals of Loan Documents not previously required to be delivered as originals) and as to which the Indenture Trustee or the Servicer, as applicable, shall have reasonably determined to be necessary or appropriate for the administration of such Mortgage Loan hereunder or under the Servicing Agreement or for the protection of the security interest of the Indenture Trustee under this Indenture;

(ii) in connection with any delivery of documents to the Custodian pursuant to clause (i) above, the Indenture Trustee, or the Custodian on its behalf, shall deliver to the Servicer, on behalf of the Issuer, a Trust Receipt in the form of Exhibit C acknowledging the receipt of such documents by the Custodian and that it is holding such documents on behalf of the Intermediate Trust subject to the terms of this Indenture;

(iii) from time to time upon request of the Servicer, the Custodian shall, upon delivery by the Servicer of a duly completed Request for Release in the form of Exhibit D hereto, release to the Servicer such of the Loan Documents then in its custody as the Servicer reasonably so requests. By submission of any such Request for Release, the Servicer shall be deemed to have represented and warranted that it has determined, in accordance with the Servicing Standard, that the requested release is necessary for one or more of the purposes described in such Request for Release. The Servicer shall return to the Custodian each Loan Document released from custody pursuant to this clause (iii) within twenty (20) Business Days of receipt thereof (except such Loan Documents as are released in connection with a sale, exchange or other disposition, in each case only as permitted under this Indenture, of the related Mortgage Loan that is consummated within such 20-Business Day period). Notwithstanding the foregoing provisions of this clause (iii), (A) any note, certificate or other instrument evidencing a Mortgage Loan shall be released only for the purpose of (1) a sale, exchange or other disposition of such Mortgage Loan (including without limitation a foreclosure of the related REO Property or deed in-lieu of foreclosure) that is permitted in accordance with the terms of this Indenture or (2) presentation, collection, renewal or registration of transfer of such Mortgage Loan and (B) the Custodian may refuse to honor any Request for Release following the occurrence of an Indenture Event of Default under this Indenture.

(h) As of the Closing Date (with respect to the Collateral) and each date on which Collateral is acquired (only with respect to the Collateral so acquired) the Issuer represents and warrants as follows:

(i) this Indenture creates a valid and continuing security interest (as defined in the UCC) in the Collateral in favor of the Indenture Trustee for the benefit of the

Noteholders, which security interest is prior to all other liens, and is enforceable as such against creditors of and purchasers from the Issuer;

(ii) the Issuer owns and has good and marketable title to such Collateral free and clear of any lien, claim or encumbrance of any Person;

(iii) in the case of each item of Collateral that is a financial asset, the Issuer has acquired its ownership in such Collateral in good faith without notice of any adverse claim as defined in Section 8-102(a)(1) of the UCC as in effect on the date hereof;

(iv) other than the security interest granted to the Indenture Trustee for the benefit of the Noteholders pursuant to this Indenture, the Issuer has not, pledged, assigned, sold, granted a security interest in, or otherwise conveyed any of the Collateral;

(v) the Issuer has not authorized the filing of and is not aware of any financing statements against the Issuer that include a description of collateral covering the Collateral other than any financing statement relating to the security interest granted to the Indenture Trustee for the benefit of the Noteholders hereunder or that has been terminated; the Issuer is not aware of any judgment or Pension Benefit Guarantee Corporation lien and tax lien filings against the Issuer;

(vi) the Issuer has received all consents and approvals required by the terms of each item of Collateral and the Loan Documents to grant to the Indenture Trustee its interest and rights in such Collateral hereunder;

(vii) the Issuer has caused or will have caused, within ten (10) days, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Collateral granted to the Indenture Trustee for the benefit of the Noteholders hereunder;

(viii) the Collateral is an Instrument, a General Intangible or a Certificated Security or Uncertificated Security or a securities account or Cash or a Security Entitlement or an account or has been and will have been credited to a Securities Account;

(ix) the Custodian has agreed to treat all assets credited to the Securities Account as Financial Assets;

(x) the Issuer has delivered a fully executed Account Control Agreement pursuant to which the Custodian has agreed to comply with all instructions and entitlement orders originated by the Indenture Trustee relating to the Custodial Account without further consent of the Issuer; the Custodial Account is not in the name of any person other than the Issuer or the Indenture Trustee; the Issuer has not consented to the Securities Intermediary of the Custodial Account to comply with Entitlement Orders of any person other than the Indenture Trustee;

(xi) (A) all original executed copies of each promissory note, participation certificate or other writings that constitute or evidence any pledged obligation that constitutes Instruments have been delivered to the Custodian for the benefit of the

Indenture Trustee, (B) the Issuer has received a written acknowledgement from the Custodian that the Custodian is acting solely as agent of the Indenture Trustee and (C) none of the promissory notes, participation or other writings that constitute or evidence such collateral has any marks or notations indicating that they have been pledged, assigned or otherwise conveyed by the Issuer to any Person other than the Indenture Trustee;

(xii) each Account is a Securities Account.

(i) The Indenture Trustee shall only invest in Eligible Investments which the Custodian agrees to credit to the applicable account. To the extent any Eligible Investment shall not be delivered to the Indenture Trustee by causing the Custodian to create a Security Entitlement in the Securities Account in favor of the Indenture Trustee, the Issuer shall first deliver an Opinion of Counsel to the Indenture Trustee to the effect that any proposed alternative delivery will effect a perfected security interest in favor of the Indenture Trustee in such Eligible Investment.

ARTICLE IV

SATISFACTION AND DISCHARGE

Section 4.1 Satisfaction and Discharge of Indenture.

This Indenture shall be discharged and shall cease to be of further effect with respect to the Collateral securing the Notes except as to (i) rights of registration of transfer and exchange, (ii) substitution of mutilated, defaced, destroyed, lost or stolen Notes, (iii) rights of Noteholders to receive payments of principal thereof and interest thereon, as provided herein, (iv) the rights, obligations and immunities of the Indenture Trustee hereunder, (v) the rights and immunities of the Servicer hereunder and (vi) the rights of the Noteholders as beneficiaries hereof with respect to the property deposited with the Indenture Trustee and payable to all or any of them; and the Indenture Trustee, on demand of and at the expense of the Issuer, shall execute proper instruments acknowledging satisfaction and discharge of this Indenture, when:

(a) either:

(i) all Notes theretofore authenticated and delivered (other than (A) Notes which have been mutilated, defaced, destroyed, lost or stolen and which have been replaced or paid as provided in Section 2.5 hereof and (B) Notes for whose payment Cash has theretofore irrevocably been deposited in trust and thereafter repaid to the Issuer or discharged from such trust, as provided in Section 7.3 hereof) have been delivered to the Indenture Trustee for cancellation; or

(ii) all Notes not theretofore delivered to the Indenture Trustee for cancellation (A) have become due and payable, (B) will become due and payable at their Stated Maturity within one year, or (C) are to be called for redemption pursuant to Section 9.1 hereof under an arrangement satisfactory to the Indenture Trustee for the giving of notice of redemption by the Issuer pursuant to Section 9.4 hereof and the Issuer has irrevocably deposited or caused to be deposited with the Indenture Trustee, in trust for such purpose, Cash or noncallable direct obligations of the United States in an amount sufficient, as verified by a

firm of nationally recognized Independent certified public accountants, to pay and discharge the entire indebtedness on all Notes not theretofore delivered to the Indenture Trustee for cancellation, including all principal and interest (including Deferred Interest Amount, Defaulted Interest Amount and interest on Defaulted Interest Amount, if any) accrued to the date of such deposit (in the case of Notes which have become due and payable) or to the Stated Maturity or the Redemption Date, as the case may be; *provided* that (x) such obligations are entitled to the full faith and credit of the United States and (y) this clause (a) shall not apply if an election to act in accordance with the provisions of Section 5.5(a) hereof shall have been made and not rescinded and all proceeds of such liquidation has been made;

(b) the Issuer has paid or caused to be paid or provided for all other sums payable hereunder and under the Servicing Agreement and the Trust Administration Agreement; and

(c) the Issuer has delivered to the Indenture Trustee Officer's Certificates and an Opinion of Counsel, stating that all conditions precedent herein provided for relating to the satisfaction and discharge of this Indenture have been complied with.

Notwithstanding the satisfaction and discharge of this Indenture, the rights and obligations of the Issuer, the Indenture Trustee, the Servicer and, if applicable, the Noteholders, as the case may be, under Sections 2.6, 4.2, 5.4(d), 5.9, 5.18, 6.7, 6.8, 7.1 and 7.3 hereof shall survive.

Section 4.2 Application of Trust Cash.

All Cash deposited with the Indenture Trustee pursuant to Section 4.1 hereof for the payment of principal and interest on the Notes shall be held in trust and applied by it in accordance with the provisions of the Notes and this Indenture, in each case subject to the Priority of Payments, for the payment either directly or through the Paying Agent, as the Indenture Trustee may determine, to the Person entitled thereto of the respective amounts in respect of which such Cash has been deposited with the Indenture Trustee; but such Cash need not be segregated from other funds held by the Indenture Trustee except to the extent required herein or required by law.

Section 4.3 Repayment of Cash Held by Paying Agent.

In connection with the satisfaction and discharge of this Indenture with respect to the Notes, all Cash then held by the Paying Agent other than the Indenture Trustee under the provisions of this Indenture shall, upon demand of the Issuer, be paid to the Indenture Trustee to be held and applied pursuant to Section 7.3 hereof and in accordance with the Priority of Payments and thereupon the Paying Agent shall be released from all further liability with respect to such Cash.

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

Section 5.1 Indenture Events of Default.

"**Indenture Event of Default**," wherever used herein, means any one of the following events (whatever the reason for such Indenture Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) a default in the payment of any accrued interest, (i) on any Class A Note, Class A-S Note or Class B Note when the same becomes due and payable, or (ii) if no Class A Notes, Class A-S Notes or Class B Notes are outstanding, on the Class C Notes, or (iii) if no Class A Notes, Class A-S Notes, Class B Notes or Class C Notes are outstanding, on the Class D Notes or, (iv) if no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, on the Class E Notes, or (v) if no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding, on the Class F Notes, in each case which default continues for a period of five (5) Business Days;

(b) a default in the payment of principal of any Note when the same becomes due and payable at its Stated Maturity or Redemption Date (and, in the case of a default in payment resulting solely from an administrative error or omission by the Indenture Trustee, the Paying Agent or the Note Registrar, such default continues for a period of five (5) Business Days);

(c) the failure on any Payment Date to disburse amounts available in the Interest Collection Account or Principal Collection Account in accordance with the order of priority set forth under Section 11.1(a) hereof (other than a default in payment described in clause (a) or (b) of this Section 5.1), which failure (other than a failure of the Indenture Trustee to disburse funds to the Holder of the Trust Certificate) continues for a period of three (3) Business Days (or, in the case of a default in payment resulting solely from an administrative error or omission by the Indenture Trustee, the Paying Agent or the Note Registrar, such default continues for a period of five (5) Business Days after any of the Issuer or the Servicer has actual knowledge thereof) or after notice thereof (x) to the Issuer and the Servicer by the Indenture Trustee, (y) to the Issuer and the Indenture Trustee by the Servicer or (z) to the Issuer and the Indenture Trustee by the holders of at least 25% of the Aggregate Outstanding Amount of Notes of the Controlling Class, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under this Indenture;

(d) the Issuer, the Intermediate Trust or the Underlying Mortgage Pool becomes an investment company required to be registered under the Investment Company Act;

(e) a default in the performance, or breach, of any other covenant or other agreement of the Issuer under this Indenture or any representation or warranty of the Issuer made in this Indenture or in any certificate or other writing delivered pursuant hereto or in connection herewith proves to be incorrect in any material respect when made (which breach, violation, default or incorrect representation or warranty is reasonably expected to have a material and adverse effect

on the interest of any of the Noteholders) and the continuation of such default, breach or incorrectness for a period of 30 consecutive days (or, if such default, breach or incorrectness has an adverse effect on the validity, perfection or priority of the security interest granted hereunder or thereunder, 15 consecutive days) after any of the Issuer or the Servicer has actual knowledge thereof or after notice thereof (x) to the Issuer and the Servicer by the Indenture Trustee, (y) to the Issuer and the Indenture Trustee by the Servicer or (z) to the Issuer and the Indenture Trustee by the Holders of at least 25% of the Aggregate Outstanding Amount of Notes of the Controlling Class, in each case specifying such default or breach and requiring it to be remedied and stating that it is a "notice of default" under this Indenture;

(f) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) winding up, liquidation, reorganization or other relief in respect of the Issuer or its debts, or of a substantial part of its assets, under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 90 days; or an order or decree approving or ordering any of the foregoing shall be entered;

(g) the Issuer or the Intermediate Trust shall (i) voluntarily commence any proceeding or file any petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in Section 5.1(f) hereof, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing; or

(h) the Issuer or the Intermediate Trust is not treated as an Issuer Parent Disregarded Entity, unless (A) the Issuer has received (1) an opinion of tax counsel of nationally recognized standing in the United States experienced in such matters to the effect that, notwithstanding the Issuer's or the Intermediate Trust's loss of Issuer Parent Disregarded Entity status, as applicable, the Issuer or the Intermediate Trust, as applicable, is not, and has not been, an association taxable as a corporation, a "taxable mortgage pool" or a "publicly traded partnership" for U.S. federal income tax purposes that, in each case, is subject to U.S. federal, state or local income tax on a net income basis, payments of interest on the Collateral will not be subject to withholding or other taxes, fees or assessments, and the Holders of the Senior Notes are not otherwise materially adversely affected by the Issuer's or the Intermediate Trust's loss of Issuer Parent Disregarded Entity status, as applicable, or (2) an amount from the Holder of the Junior Notes sufficient to discharge in full the amounts then due and unpaid on the Senior Notes and amounts and expenses described in clauses (1) through (3) (without regard to the limitations therein) under Section 11.1(a)(i) in accordance with the Priority of Payments or (B) all Classes of Principal Balance Notes are subject to a Tax Redemption announced by the Issuer in compliance with this Indenture, and such redemption has not been rescinded.

If the Issuer shall obtain knowledge or have reason to believe that an Indenture Event of Default shall have occurred and be continuing, the Issuer shall promptly notify, in writing,

the Indenture Trustee, the Noteholders, the Servicer, the Special Servicer, the Operating Advisor, the Holder of the Trust Certificate and, after providing such notice to the Rule 17g-5 Information Provider for posting to the Rule 17g-5 Website, the Rating Agencies of such Indenture Event of Default.

Section 5.2 Acceleration of Maturity; Rescission and Annulment.

(a) If an Indenture Event of Default occurs and is continuing (other than an Indenture Event of Default specified in Section 5.1(f) or 5.1(g) hereof), (i) the Indenture Trustee (at the direction of the Majority Holders of the Controlling Class by notice to the Issuer) or (ii) the Majority Holders of the Controlling Class, by notice to the Issuer and the Indenture Trustee, may declare the principal of and accrued and unpaid interest on all of the Notes to be immediately due and payable, and upon any such declaration such principal, together with all accrued and unpaid interest thereon, and other amounts payable hereunder, shall become immediately due and payable. If an Indenture Event of Default specified in Section 5.1(f) or 5.1(g) hereof occurs, all unpaid principal, together with all accrued and unpaid interest thereon, of all the Notes, and other amounts payable hereunder, shall automatically become due and payable without any declaration or other act on the part of the Indenture Trustee or any Noteholder. Notwithstanding the foregoing, if an Indenture Event of Default specified in Section 5.1(a) or 5.1(b) hereof occurs and is continuing solely with respect to a default in the payment of any principal of or interest on Notes of a Class other than the Controlling Class, neither the Indenture Trustee nor the Holders of such non-Controlling Class shall have the right to declare such principal and other amounts to be immediately due and payable.

(b) At any time after such a declaration of acceleration of maturity has been made and before a judgment or decree for payment of the Cash due has been obtained by the Indenture Trustee as hereinafter provided in this Article V, the Majority Holders of the Controlling Class, by written notice to the Issuer and the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(A) all unpaid installments of principal of and interest on the Notes that would be due and payable hereunder if the Indenture Event of Default giving rise to such acceleration had not occurred; and

(B) all accrued and unpaid taxes and Administrative Expenses and other sums paid by the Indenture Trustee hereunder and the reasonable compensation, expenses and disbursements of the Indenture Trustee, its agents and counsel; and

(ii) the Indenture Trustee has determined that all Indenture Events of Default of which a Trust Officer has actual knowledge, other than the nonpayment of the principal of or interest on the Notes that have become due solely by such acceleration, have been cured and the Majority Holders of the Controlling Class by written notice to the Indenture Trustee has agreed with such determination or waived as provided in Section 5.14 hereof.

At any such time as the Indenture Trustee shall rescind and annul such declaration and its consequences, the Indenture Trustee shall preserve the Collateral and the Underlying Mortgage Pool in accordance with the provisions of Section 5.5 hereof; *provided* that, if such preservation of the Collateral and the Underlying Mortgage Pool is rescinded pursuant to Section 5.5 hereof, the Notes may be accelerated pursuant to Section 5.2(a), notwithstanding any previous rescission and annulment of a declaration of acceleration pursuant to this Section 5.2(b) hereof.

No such rescission and annulment shall affect any subsequent Default or impair any right consequent thereon.

Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.

The Issuer covenants that if a Default occurs in respect of (a) the payment of principal of or interest, if any, on any Class A Note, (b) the payment of principal of or interest, if any, on any Class A-S Note (but with respect to interest, only after the Class A Notes and all interest accrued thereon have been paid in full), (c) the payment of principal of or interest, if any, on any Class B Note (but with respect to interest, only after the Class A Notes and Class A-S Notes and all interest accrued thereon have been paid in full), (d) the payment of principal of or interest, if any, on any Class C Note (but with respect to interest, only after the Class A Notes, Class A-S Notes and Class B Notes and all interest accrued thereon have been paid in full), (e) the payment of principal of or interest, if any, on any Class D Note (but with respect to interest, only after the Class A Notes, Class A-S Notes, Class B Notes and Class C Notes and all interest accrued thereon have been paid in full), (f) the payment of principal of or interest, if any, on any E Note (but with respect to interest, only after the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes and Class D Notes and all interest accrued thereon have been paid in full), (g) the payment of principal of or interest, if any, on any Class F Note (but with respect to interest, only after the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes and Class E Notes and all interest accrued thereon have been paid in full) and (h) the payment of principal, if any, on any Class G Note (but only after the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes and Class F Notes and all interest accrued thereon have been paid in full), the Issuer shall upon demand by the Indenture Trustee or any affected Noteholder, pay to the Indenture Trustee, for the benefit of the Holder of such Note, the whole amount, if any, then due and payable on such Note for principal, interest upon the overdue principal and, to the extent that payments of such interest shall be legally enforceable, upon overdue installments of interest at the applicable Note Interest Rate and, in addition thereto, such further amount as shall be sufficient to cover the costs and expenses of collection, including the reasonable compensation, expenses and disbursements of the Indenture Trustee and such Noteholder and their respective agents and counsel.

If the Issuer fails to pay such amounts forthwith upon such demand, the Indenture Trustee, in its own name and as trustee of an express trust, may institute a Proceeding for the collection of the sums so due and unpaid, and may, and shall, upon the direction by the Majority Holders of the Controlling Class, prosecute such Proceeding to judgment or final decree, and may enforce the same against the Issuer or any other obligor upon the Notes and collect the Cash adjudged or decreed to be payable in the manner provided by law out of the Collateral.

If an Indenture Event of Default occurs and is continuing, the Indenture Trustee may in its discretion proceed to protect and enforce its rights and the rights of the Secured Parties by such appropriate Proceedings as shall be deemed most effectual (if no direction by the Majority

Holders of the Controlling Class is received by the Indenture Trustee) or as the Indenture Trustee may be directed by the Majority Holders of the Controlling Class, to protect and enforce any such rights, whether for the specific enforcement of any covenant or agreement in this Indenture or in aid of the exercise of any power granted herein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by this Indenture or by law.

In case there shall be pending Proceedings relative to the Issuer or any other obligor upon the Notes under the Bankruptcy Code or any other applicable bankruptcy, insolvency, reorganization or other similar law, or in case a receiver, assignee or trustee in bankruptcy or reorganization, liquidator, sequestrator or similar official shall have been appointed for or taken possession of the Issuer or its respective property or such other obligor or its property, or in case of any other comparable Proceedings relative to the Issuer or other obligor upon the Notes, or the creditors or property of the Issuer or such other obligor, the Indenture Trustee, regardless of whether the principal of any Notes shall then be due and payable as therein expressed or by declaration or otherwise and regardless of whether the Indenture Trustee shall have made any demand pursuant to the provisions of this Section 5.3 hereof, shall be entitled and empowered, by intervention in such Proceedings or otherwise:

(a) to file and prove a claim or claims for the whole amount of principal and interest owing and unpaid in respect of the Notes upon direction by the Majority Holders of the Controlling Class and to file such other papers or documents as may be necessary or advisable in order to have the claims of the Indenture Trustee (including any claim for reasonable compensation to the Indenture Trustee and each predecessor Indenture Trustee, and their respective agents, attorneys and counsel, and for reimbursement of all expenses and liabilities incurred, by the Indenture Trustee and each predecessor Indenture Trustee) and of the Noteholders allowed in any Proceedings relative to the Issuer or other obligor upon the Notes or to the creditors or property of the Issuer or such other obligor;

(b) unless prohibited by applicable law and regulations, to vote on behalf of the Holders of the Notes, upon the direction of such Holders, in any election of a trustee or a standby trustee in arrangement, reorganization, liquidation or other bankruptcy or insolvency Proceedings or person performing similar functions in comparable Proceedings; and

(c) to collect and receive any Cash or other property payable to or deliverable on any such claims, and to distribute all amounts received with respect to the claims of the Noteholders and of the Indenture Trustee on behalf of the Noteholders and the Indenture Trustee; and any trustee, receiver or liquidator, custodian or other similar official is hereby authorized by each of the Noteholders to make payments to the Indenture Trustee, and, in the event that the Indenture Trustee shall consent to the making of payments directly to the Noteholders, to pay to the Indenture Trustee such amounts as shall be sufficient to cover reasonable compensation to the Indenture Trustee, each predecessor Indenture Trustee and their respective agents, attorneys and counsel, and all other reasonable expenses and liabilities incurred, by the Indenture Trustee and each predecessor Indenture Trustee except as a result of negligence, willful misconduct or Bad Faith.

Nothing herein contained shall be deemed to authorize the Indenture Trustee to authorize or consent to or vote for or accept or adopt on behalf of any Noteholder, any plan of

reorganization, arrangement, adjustment or composition affecting the Notes or the rights of any Holder thereof, or to authorize the Indenture Trustee to vote in respect of the claim of any Noteholder in any such Proceeding except, as aforesaid, to vote for the election of a trustee in bankruptcy or similar person.

In any Proceedings brought by the Indenture Trustee on behalf of the Holders, the Indenture Trustee shall be held to represent, subject to Section 6.16 hereof, all the Secured Parties, if applicable, pursuant to Section 6.16.

Notwithstanding anything in this Section 5.3 to the contrary, the Indenture Trustee may not sell or liquidate the Collateral or institute Proceedings in furtherance thereof pursuant to this Section 5.3 hereof except in accordance with Section 5.5(a) hereof.

Section 5.4 Remedies.

(a) If an Indenture Event of Default shall have occurred and be continuing, and the Notes have been declared due and payable and such declaration and its consequences have not been rescinded and annulled, the Issuer agrees that the Indenture Trustee may after notice to the Noteholders, the Servicer and, after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website, the Rating Agencies, and shall, upon direction by the Majority Holders of the Controlling Class, to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

(i) institute Proceedings for the collection of all amounts then payable on the Notes or otherwise payable under this Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral any Cash adjudged due;

(ii) sell all or a portion of the Collateral or rights of interest therein, at one or more public or private sales called and conducted in any manner permitted by law and in accordance with Section 5.17 hereof;

(iii) institute Proceedings from time to time for the complete or partial foreclosure of this Indenture with respect to the Collateral;

(iv) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Secured Parties hereunder;

(v) exercise any other rights and remedies that may be available at law or in equity; and

(vi) direct the Intermediate Trustee, the Servicer and/or the Special Servicer, as applicable, to sell the Underlying Mortgage Pool, in whole or in part;

provided that the Indenture Trustee may not sell or liquidate the Collateral or institute Proceedings in furtherance thereof pursuant to this Section 5.4 hereof or direct the sale or liquidation of all or any part of the Underlying Mortgage Pool except in accordance with Section 5.5(a) hereof.

The Indenture Trustee may, but need not, obtain and rely upon an opinion of an Independent investment banking firm of national reputation (the cost of which shall be considered an Administrative Expense) as to the feasibility of any action proposed to be taken in accordance with this Section 5.4 hereof and as to the sufficiency of the proceeds and other amounts receivable with respect to the Collateral or the Underlying Mortgage Pool to make the required payments of principal of and interest on all the Notes to be redeemed, which opinion shall be conclusive evidence as to such feasibility or sufficiency.

(b) If an Indenture Event of Default as described in Section 5.1(e) hereof shall have occurred and be continuing, the Indenture Trustee may, and, at the request of the Holders of not less than 25% of the Aggregate Outstanding Amount of the Controlling Class shall, institute a Proceeding solely to compel performance of the covenant or agreement or to cure the representation or warranty, the breach of which gave rise to the Indenture Event of Default under such Section, and enforce any equitable decree or order arising from such proceeding; *provided* that if the Indenture Trustee shall receive conflicting or inconsistent requests from two or more groups of Holders of the Notes of the Controlling Class, each representing less than the Majority Holders of the Controlling Class, the Indenture Trustee shall follow the instructions of the group representing the higher percentage of interest in the Aggregate Outstanding Amount of the Notes of the Controlling Class, notwithstanding any other provisions of this Indenture.

(c) Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, any Noteholder or Noteholders or Holder of the Trust Certificate or the Servicer or any of its Affiliates may bid for and purchase the Collateral or any part thereof and, upon compliance with the terms of sale, may hold, retain, possess or dispose of such property in its or their own absolute right without accountability; and any purchaser at any such Sale may, in paying the purchase Money, turn in any of the Notes in lieu of Cash equal to the amount which shall, upon distribution of the net proceeds of such sale, be payable on the Notes so turned in by such Holder (taking into account the Class of such Notes). Such Notes, in case the amounts so payable thereon shall be less than the amount due thereon, shall be returned to the Holders thereof after proper notation has been made thereon to show partial payment.

Upon any sale, whether made under the power of sale hereby given or by virtue of judicial proceedings, the receipt of Cash by the Indenture Trustee, or by the Officer making a sale under judicial proceedings, shall be a sufficient discharge to the purchaser or purchasers at any sale for its or their purchase and such purchaser or purchasers shall not be obliged to see to the application thereof.

Any such sale, whether under any power of sale hereby given or by virtue of judicial proceedings, shall bind the Issuer, the Intermediate Trust, the Indenture Trustee, the Noteholders and the Holder of the Trust Certificate, shall operate to divest all right, title and interest whatsoever, either at law or in equity, of each of them in and to the property sold, and shall be a perpetual bar, both at law and in equity, against each of them and their successors and assigns, and against any and all Persons claiming through or under them.

(d) Notwithstanding any other provision of this Indenture, the Indenture Trustee may not, prior to the date which is one year and one day, or if longer the applicable preference period then in effect, after the payment in full of all Notes, institute against, or join any

other Person in instituting against, the Issuer or any Permitted Subsidiary any bankruptcy, reorganization, arrangement, insolvency, moratorium or liquidation proceedings, or other proceedings under federal or state bankruptcy or similar laws of any jurisdiction. Nothing in this Section 5.4 hereof shall preclude, or be deemed to stop, the Indenture Trustee (i) from taking any action prior to the expiration of the aforementioned one year and one day period, or if longer the applicable preference period then in effect, in (A) any case or proceeding voluntarily filed or commenced by the Issuer or (B) any involuntary insolvency proceeding filed or commenced by a Person other than the Indenture Trustee, or (ii) subject to the limitations contained in this Section 5.4 hereof, from commencing against the Issuer or any of its properties any legal action which is not a bankruptcy, reorganization, arrangement, insolvency, moratorium, liquidation or similar proceeding. This provision shall survive termination of this Indenture.

Section 5.5 Preservation of Collateral.

(a) Notwithstanding anything herein to the contrary, if an Indenture Event of Default shall have occurred and be continuing when any Class of Notes is Outstanding, the Indenture Trustee shall retain the Collateral and the Underlying Mortgage Pool intact, collect and cause the collection of the proceeds thereof and make and apply all payments and deposits and maintain all accounts in respect of the Collateral and the Notes in accordance with the Priority of Payments and the provisions of Articles X, XII and XIII unless:

(i) the Indenture Trustee determines that the anticipated net proceeds of a sale or liquidation of such Collateral or the Underlying Mortgage Pool (after deducting the reasonable expenses of such sale or liquidation) would be sufficient to discharge in full the amounts then due and unpaid on the Notes for principal and interest on the Notes that would be due and payable under the Indenture if the Indenture Event of Default giving rise to such acceleration had not occurred, and to pay due and unpaid Administrative Expenses and Indenture Trustee Fees, all unreimbursed Interest Advances together with Reimbursement Interest, and any accrued and unpaid Servicing Fees, Special Servicing Fees, workout fees, liquidation fees and other fees and amounts (including without limitation Property Protection Advances and interest thereon) due to the Servicer or Special Servicer under the Servicing Agreement; or

(ii) the Holders of at least 66⅔% of the Aggregate Outstanding Amount of each Class of Principal Balance Notes, subject to the provisions hereof, direct the sale and liquidation of the Collateral.

The Indenture Trustee shall give written notice of the retention of the Collateral to the Issuer with a copy to the Servicer, the Operating Advisor and the Holders of the Notes. So long as such Indenture Event of Default is continuing, any such retention pursuant to this Section may be rescinded at any time when the conditions specified in clause (i) or (ii) exist.

If either of the conditions set forth in clause (i) or clause (ii) above is satisfied, the Indenture Trustee will liquidate the Collateral or cause the liquidation of the Underlying Mortgage Pool and, on the sixth Business Day (the "**Accelerated Maturity Date**") following the Business Day (which shall be the Determination Date for such Accelerated Maturity Date) on which the Indenture Trustee notifies the Issuer, the Servicer and, after providing such notice to the Rule 17g-

5 Information Provider for prior posting on the Rule 17g-5 Website, the Rating Agencies that such liquidation is completed, apply the proceeds of such liquidation in accordance with the Priority of Payments. The Accelerated Maturity Date will be treated as a Payment Date, and distributions on such date will be made in accordance with the Priority of Payments.

(b) Nothing contained in Section 5.5(a) hereof shall be construed to require the Indenture Trustee to preserve the Collateral securing the Notes if prohibited by applicable law.

(c) In determining whether the condition specified in Section 5.5(a)(i) hereof exists, the Indenture Trustee shall obtain bid prices with respect to each security contained in the Collateral from two nationally recognized dealers, as specified by the Servicer in writing, which are Independent from each other and the Servicer, at the time making a market in such securities and shall compute the anticipated proceeds of sale or liquidation on the basis of the lower of such bid prices for each such security. For purposes of making the determinations required pursuant to Section 5.5(a)(i) hereof, the Indenture Trustee shall apply the standards set forth in Section 9.2(a) hereof. In addition, for the purposes of determining issues relating to the execution of a sale or liquidation of the Pledged Assets and/or the Underlying Mortgage Pool and the execution of a sale or other liquidation thereof in connection with a determination whether the condition specified in Section 5.5(a)(i) hereof exists, the Indenture Trustee may, but shall not be required to, retain (at the expense of the Issuer, payable from the Collateral), consult with, and rely on an opinion of an Independent investment banking firm of national reputation.

The Indenture Trustee shall deliver to the Noteholders, the Servicer and the Issuer a report prepared by such investment bank or accountant stating the results of any determination required pursuant to Section 5.5(a)(i) hereof as soon as reasonably practicable after making such determination. The Indenture Trustee shall make the determinations required by Section 5.5(a)(i) hereof within 30 days after an Indenture Event of Default and at the request of the Majority Holders of the Controlling Class at any time during which the Indenture Trustee retains the Collateral pursuant to Section 5.5(a)(i) hereof. In the case of each calculation made by the Indenture Trustee pursuant to Section 5.5(a)(i) hereof (which may be made in consultation with an investment bank or accountant), the Indenture Trustee shall obtain (at the expense of the Issuer, payable from the Collateral) a letter of an Independent certified public accountant confirming the accuracy of the computations of the Indenture Trustee and certifying their conformity to the requirements of this Indenture. In determining whether the Holders of the requisite Aggregate Outstanding Amount of any Class of Notes have given any direction or notice or have agreed pursuant to Section 5.5(a) hereof, any Holder of a Note of a Class who is also a Holder of Notes of another Class or any Affiliate of any such Holder shall be counted as a Holder of each such Note for all purposes.

Section 5.6 Indenture Trustee May Enforce Claims Without Possession of Notes.

All rights of action and claims under this Indenture or the Notes may be prosecuted and enforced by the Indenture Trustee without the possession of any of the Notes or the production thereof in any Proceeding relating thereto, and any such Proceeding instituted by the Indenture Trustee shall be brought in its own name as trustee of an express trust, and any recovery of judgment shall be applied as set forth in Section 5.7 hereof.

Section 5.7 Application of Cash Collected.

Any Cash collected by the Indenture Trustee with respect to the Notes pursuant to this Article V and any Cash that may then be held or thereafter received by the Indenture Trustee with respect to the Notes hereunder shall be applied subject to Section 13.1 hereof and in accordance with the provisions of (and subject to the limitations in) Section 11.1 hereof, at the date or dates fixed by the Indenture Trustee.

Section 5.8 Limitation on Suits.

No Holder of any Note shall have any right to institute any Proceedings, judicial or otherwise, with respect to this Indenture, or for the appointment of a receiver or trustee, or for any other remedy hereunder, unless:

(a) such Holder has previously given to the Indenture Trustee written notice of an Indenture Event of Default;

(b) except as otherwise provided in Section 5.9 hereof, the Holders of at least 25% of the then Aggregate Outstanding Amount of the Notes of the Controlling Class shall have made a written request to the Indenture Trustee to institute Proceedings in respect of such Indenture Event of Default in its own name as Indenture Trustee hereunder;

(c) such Holder or Holders have offered to the Indenture Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request;

(d) the Indenture Trustee for 30 days after its receipt of such notice, request and offer of indemnity has failed to institute any such Proceeding; and

(e) no direction inconsistent with such written request has been given to the Indenture Trustee during such 30-day period by the Majority Holders of the Controlling Class;

it being understood and intended that no one or more Holders of Notes shall have any right in any manner whatever by virtue of, or by availing itself of, any provision of this Indenture to affect, disturb or prejudice the rights of any other Holders of Notes or to obtain or to seek to obtain priority or preference over any other Holders of the Notes or to enforce any right under this Indenture, except in the manner herein provided and for the equal and ratable benefit of all the Holders of Notes of the same Class subject to and in accordance with Section 13.1 hereof and the Priority of Payments.

If the Indenture Trustee shall receive conflicting or inconsistent requests (each with indemnity provisions) from two or more groups of Holders of the Notes of the Controlling Class, each representing less than the Majority Holders of the Controlling Class, the Indenture Trustee shall follow the instructions of the group representing the higher percentage of interest in the Aggregate Outstanding Amount of the Controlling Class, notwithstanding any other provisions of this Indenture.

Section 5.9 Unconditional Rights of Noteholders to Receive Principal and Interest.

(a) Notwithstanding any other provision in this Indenture (other than Section 2.6(i)) hereof, the Holder of any Note shall have the right, which is absolute and unconditional, to receive payment of the principal and/or interest on such Note as such principal and/or interest become due and payable in accordance with Section 13.1 hereof and the Priority of Payments and, subject to the provisions of Section 5.8 hereof, to institute proceedings for the enforcement of any such payment, and such right shall not be impaired without the consent of such Holder.

(b) If collections in respect of the Collateral are insufficient to make payments due in respect of the Notes, no other assets will be available for payment of the deficiency following realization of the Collateral and application of the proceeds thereof in accordance with Section 13.1 hereof and the Priority of Payments, and the obligations of the Issuer to pay any deficiency shall thereupon be extinguished and shall not thereafter revive.

Section 5.10 Restoration of Rights and Remedies.

If the Indenture Trustee or any Noteholder has instituted any Proceeding to enforce any right or remedy under this Indenture and such Proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Indenture Trustee or to such Noteholder, then and in every such case the Issuer, the Indenture Trustee and the Noteholder shall, subject to any determination in such Proceeding, be restored severally and respectively to their former positions hereunder, and thereafter all rights and remedies of the Secured Parties shall continue as though no such Proceeding had been instituted.

Section 5.11 Rights and Remedies Cumulative.

No right or remedy herein conferred upon or reserved to the Indenture Trustee or to the Noteholders is intended to be exclusive of any other right or remedy, and every right and remedy shall, to the extent permitted by law, be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing by law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other appropriate right or remedy.

Section 5.12 Delay or Omission Not Waiver.

No delay or omission of the Indenture Trustee or of any Noteholder to exercise any right or remedy accruing upon any Indenture Event of Default shall impair any such right or remedy or constitute a waiver of any such Indenture Event of Default or an acquiescence therein or a waiver of a subsequent Indenture Event of Default. Every right and remedy given by this Article V or by law to the Indenture Trustee or to the Noteholders may be exercised from time to time, and as often as may be deemed expedient, by the Indenture Trustee or by the Noteholders, as the case may be.

Section 5.13 Control by Controlling Class.

Notwithstanding any other provision of this Indenture (but subject to the proviso in the definition of "Outstanding" in Section 1.1 hereof), the Majority Holders of the Controlling Class shall have the right to direct the Indenture Trustee in the conduct of any proceedings for any remedy available to the Indenture Trustee for exercising any trust, right, remedy or power conferred on the Indenture Trustee; *provided* that:

(a) such direction shall not conflict with any rule of law or with this Indenture;

(b) the Indenture Trustee may take any other action deemed proper by the Indenture Trustee that is not inconsistent with such direction; *provided* that, subject to Section 6.1 hereof, the Indenture Trustee need not take any action that it determines might involve it in liability (unless the Indenture Trustee has received satisfactory indemnity against such liability as set forth below);

(c) the Indenture Trustee shall have been provided with indemnity satisfactory to it; and

(d) any direction to the Indenture Trustee to undertake a Sale of the Collateral or to direct the sale of all or any portion of the Underlying Mortgage Pool shall be made only pursuant to, and in accordance with, Sections 5.4(a) and 5.5 hereof.

Section 5.14 Waiver of Past Defaults.

Prior to the time a judgment or decree for payment of the Cash due has been obtained by the Indenture Trustee, as provided in this Article V, the Majority Holders of the Controlling Class may on behalf of the Holders of all the Notes waive any past Default and its consequences (including rescinding the acceleration of the Notes), except a Default:

(a) in the payment of the principal of any Note or in the payment of interest (including Defaulted Interest Amount and interest on Defaulted Interest Amount) on the Notes; or

(b) in respect of a covenant or provision hereof that under Section 8.2 hereof cannot be modified or amended without the waiver or consent of the Holder of each Outstanding Note affected thereby.

In the case of any such waiver, (i) the Issuer, the Indenture Trustee and the Holders of the Notes shall be restored to their former positions and rights hereunder, respectively, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto, and (ii) the Indenture Trustee shall promptly give written notice of any such waiver to each Holder of Notes. The Rating Agencies shall be notified by the Issuer (after the Issuer provides such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website) of any such waiver under this Section 5.14.

Upon any such waiver, such Default shall cease to exist, and any Indenture Event of Default arising therefrom shall be deemed to have been cured for every purpose of this

Indenture, but no such waiver shall extend to any subsequent or other Default or impair any right consequent thereto.

Section 5.15 Undertaking for Costs.

All parties to this Indenture agree, and each Holder of any Note by its acceptance thereof shall be deemed to have agreed, that any court may in its discretion require, in any suit for the enforcement of any right or remedy under this Indenture, or in any suit against the Indenture Trustee for any action taken, or omitted by it as Indenture Trustee, the filing by any party litigant in such suit of an undertaking to pay the costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this Section 5.15 hereof shall not apply to any suit instituted by the Indenture Trustee or any Noteholder, or group of Noteholders, holding in the aggregate more than 10% in Aggregate Outstanding Amount of the Controlling Class, or to any suit instituted by any Noteholder for the enforcement of the payment of the principal of or interest, as applicable, on any Note or any other amount payable hereunder on or after the Stated Maturity expressed in such Note (or, in the case of redemption, on or after the applicable Redemption Date).

Section 5.16 Waiver of Stay or Extension Laws.

The Issuer covenants (to the extent that it may lawfully do so) that it will not at any time insist upon, or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law wherever enacted, now or at any time hereafter in force (including filing a voluntary petition under Chapter 11 of the Bankruptcy Code and by the voluntary commencement of a proceeding or the filing of a petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect), which may affect the covenants, the performance of or any remedies under this Indenture; and the Issuer (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law, and covenant that it will not hinder, delay or impede the execution of any power herein granted to the Indenture Trustee, but will suffer and permit the execution of every such power as though no such law had been enacted.

Section 5.17 Sale of Collateral or Underlying Mortgage Pool.

(a) The power to effect or direct any sale, assignment or termination (a "**Sale**") of any portion of the Collateral pursuant to Sections 5.4(a) and 5.5 hereof shall not be exhausted by any one or more Sales as to any portion of such Collateral or Underlying Mortgage Pool remaining unsold, but shall continue unimpaired until the entire Collateral or Underlying Mortgage Pool shall have been sold or all amounts secured by the Collateral shall have been paid or discharged. The Indenture Trustee may upon notice to the Noteholders, and shall, upon direction of the Majority Holders of the Controlling Class from time to time postpone or cause the postponement of any Sale by announcement made at the time and place of such Sale; *provided* that, if the Sale is rescheduled for a date more than ten Business Days after the date of the determination by an investment bank appointed by the Indenture Trustee pursuant to Section 5.5 hereof, such Sale shall not occur unless and until an investment bank has again made the determination required by Section 5.5 hereof. The Indenture Trustee hereby expressly waives its

rights to any amount fixed by law as compensation for any Sale; *provided* that the Indenture Trustee shall be authorized to deduct the reasonable costs, charges and expenses incurred by it in connection with such Sale from the proceeds thereof notwithstanding the provisions of Section 6.7 hereof.

(b) The Indenture Trustee may bid for and acquire any portion of the Collateral in connection with a public Sale thereof, and may pay all or part of the purchase price by crediting against amounts owing on the Notes or other amounts secured by the Collateral all or part of the net proceeds of such Sale after deducting the reasonable costs, charges and expenses incurred by the Indenture Trustee in connection with such Sale notwithstanding the provisions of Section 6.7 hereof. The Notes need not be produced in order to complete any such Sale, or in order for the net proceeds of such Sale to be credited against amounts owing on the Notes. The Indenture Trustee may hold, lease, operate, manage or otherwise deal with any property so acquired in any manner permitted by law in accordance with this Indenture.

(c) If any portion of the Collateral consists of securities not registered under the Securities Act ("**Unregistered Securities**"), the Indenture Trustee shall seek an Opinion of Counsel, or, if no such Opinion of Counsel can be obtained and with the consent of the Majority Holders of the Controlling Class, seek a no-action position from the United States Securities and Exchange Commission or any other relevant federal or state regulatory authorities, regarding the legality of a public or private sale of such Unregistered Securities (the costs of which, in each case, shall be reimbursable to the Indenture Trustee pursuant to Section 6.7 hereof). In no event will the Indenture Trustee be required to register Unregistered Securities under the Securities Act.

(d) The Indenture Trustee shall execute and deliver an appropriate instrument of conveyance transferring its interest in any portion of the Collateral in connection with a sale thereof. In addition, the Indenture Trustee is hereby irrevocably appointed the agent and attorney-in-fact of the Issuer to transfer and convey its interest in any portion of the Collateral in connection with a sale thereof, and to take all action necessary to effect such sale. No purchaser or transferee at such a sale shall be bound to ascertain the Indenture Trustee's authority, to inquire into the satisfaction of any conditions precedent or see to the application of any Cash.

Section 5.18 Action on the Notes.

The Indenture Trustee's right to seek and recover judgment on the Notes or under this Indenture shall not be affected by the seeking or obtaining of or application for any other relief under or with respect to this Indenture. Neither the lien of this Indenture nor any rights or remedies of the Secured Parties shall be impaired by the recovery of any judgment by the Indenture Trustee against the Issuer or by the levy of any execution under such judgment upon any portion of the Collateral or upon any of the assets of the Issuer.

ARTICLE VI

THE INDENTURE TRUSTEE

Section 6.1 Certain Duties and Responsibilities.

(a) Except during the continuance of an Indenture Event of Default:

(i) the Indenture Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied or permissive covenants, duties or obligations shall be read into this Indenture against the Indenture Trustee; and

(ii) in the absence of manifest error or Bad Faith on its part, the Indenture Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Indenture Trustee and conforming to the requirements of this Indenture; *provided*, *however*, that in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Indenture Trustee, the Indenture Trustee shall be under a duty to examine the same to determine whether or not they substantially conform on their face to the requirements of this Indenture and shall promptly, but in any event within three Business Days in the case of an Officer's Certificate furnished by the Issuer or the Servicer, notify the party delivering the same if such certificate or opinion does not conform. If a corrected form shall not have been delivered to the Indenture Trustee within 15 days after such notice from the Indenture Trustee, the Indenture Trustee shall so notify the Noteholders.

(b) In case an Indenture Event of Default known to the Indenture Trustee has occurred and is continuing, the Indenture Trustee shall, prior to the receipt of directions, if any, from the Majority Holders of the Controlling Class (or other Noteholders to the extent provided in Article V hereof), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

(c) No provision of this Indenture shall be construed to relieve the Indenture Trustee from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, **except** that:

(i) this subclause (c) shall not be construed to limit the effect of subclause (a) of this Section 6.1 hereof;

(ii) the Indenture Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it shall be proven that the Indenture Trustee was negligent in ascertaining the pertinent facts;

(iii) the Indenture Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Issuer, the Directing Holder or the Servicer in accordance with this Indenture and/or the Majority Holders (or such other percentage as may be required by the terms hereof) of the

Controlling Class (or other Class if required or permitted by the terms hereof) relating to the time, method and place of conducting any Proceeding for any remedy available to the Indenture Trustee in respect of any Note, or exercising any trust or power conferred upon the Indenture Trustee, under this Indenture;

(iv) no provision of this Indenture shall require the Indenture Trustee to expend or risk its own funds (except to pay expenses that could reasonably be expected to be incurred in connection with the performance of its normal duties) or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers contemplated hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it unless such risk or liability relates to performance of its ordinary services under this Indenture; *provided,* that nothing contained herein shall relieve the Bank, in its capacity hereunder as Backup Advancing Agent of the obligation, upon the occurrence of a failure by the Advancing Agent to make certain Interest Advances pursuant to the terms of this Agreement; and

(v) the Indenture Trustee shall not be liable to the Noteholders for any action taken or omitted by it at the direction of the Issuer, the Servicer, the Directing Holder and/or the Holders of the Notes under the circumstances in which such direction is required or permitted by the terms of this Indenture.

(vi) Except as otherwise expressly set forth in this Agreement, knowledge or information acquired by (i) Wells Fargo Bank, National Association in any of its respective capacities hereunder or under any other document related to this transaction shall not be imputed to Wells Fargo Bank, National Association or any Affiliate of Wells Fargo Bank, National Association (including but not limited to Wells Fargo Delaware Trust Company, National Association) in any of its other capacities hereunder or under such other documents, and (ii) any Affiliate of Wells Fargo Bank, National Association (including but not limited to Wells Fargo Delaware Trust Company, National Association) shall not be imputed to Wells Fargo Bank, National Association, in any of its respective capacities hereunder and vice versa.

(d) For all purposes under this Indenture, the Indenture Trustee shall not be deemed to have notice or knowledge of any failure by any other party to this Agreement to comply with any of its respective obligations under this Agreement or any Default or Indenture Event of Default described in this Indenture unless a Trust Officer assigned to and working in the Corporate Trust Office has actual knowledge thereof or unless written notice of any event which is in fact such an Indenture Event of Default or such a Default, as the case may be, is received by a Trust Officer at the Corporate Trust Office, and such notice references, as applicable, the Notes generally, the Issuer, the Collateral or this Indenture. For purposes of determining the Indenture Trustee's responsibility and liability hereunder, whenever reference is made in this Indenture to such an Indenture Event of Default or such a Default, as the case may be, such reference shall be construed to refer only to such an Indenture Event of Default or such a Default, as the case may be, of which the Indenture Trustee is deemed to have notice as described in this Section 6.1(d) hereof.

(e) Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Indenture Trustee shall be subject to the provisions of this Article VI.

(f) The Indenture Trustee shall, upon reasonable prior written notice to the Indenture Trustee, permit the Issuer, the Majority Holders of the Controlling Class (or a representative thereof) or the Rating Agencies, during the Indenture Trustee's normal business hours at its Corporate Trust Office, to examine all books of account, records, reports and other papers of the Indenture Trustee relating to the Notes, to make copies and extracts therefrom (the reasonable out-of-pocket expenses incurred in making any such copies or extracts to be reimbursed to the Indenture Trustee by such Person) and to discuss the Indenture Trustee's actions, as such actions relate to the Indenture Trustee's duties with respect to the Notes, with the Indenture Trustee's Officers and employees responsible for carrying out the Indenture Trustee's duties with respect to the Notes.

Section 6.2 Notice of Indenture Event of Default.

Promptly (and in no event later than two Business Days) after the occurrence of any Indenture Event of Default known to the Indenture Trustee or after any declaration of acceleration has been made or delivered to the Indenture Trustee pursuant to Section 5.2 hereof, the Indenture Trustee shall transmit by mail to the Rating Agencies (for so long as any Class of Notes is Outstanding) (after providing such information to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website) and to all Holders of Notes, as their names and addresses appear on the Note Register, notice of all Indenture Events of Default hereunder known to the Indenture Trustee, unless such Indenture Event of Default shall have been cured or waived.

Section 6.3 Certain Rights of Indenture Trustee.

Except as otherwise provided in Sections 6.1, 8.1 and 8.2 hereof:

(a) the Indenture Trustee may request, may conclusively rely upon (absent manifest error) and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note, approval or other paper or document reasonably believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of the Issuer mentioned herein shall be sufficiently evidenced by an Issuer Request or Issuer Order, as the case may be;

(c) whenever in the administration of this Indenture the Indenture Trustee shall (i) deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Indenture Trustee (unless other evidence be herein specifically prescribed) may, in the absence of Bad Faith on its part, rely upon an Officer's Certificate or (ii) be required to determine the value of any Collateral or funds hereunder or the cash flows projected to be received therefrom, the Indenture Trustee may, in the absence of Bad Faith on its part, rely on reports of nationally recognized accountants, investment bankers or other Persons qualified to provide the information required to make such determination, including nationally recognized dealers in securities of the type being valued and securities quotation services;

(d) as a condition to the taking or omitting of any action by it hereunder, the Indenture Trustee may consult with counsel and the written or verbal advice of such counsel or any Opinion of Counsel (including with respect to any matters, other than factual matters, in connection with the execution by the Indenture Trustee of a supplemental indenture pursuant to Section 8.3) shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel;

(e) subject to its rights as Backup Advancing Agent, the Indenture Trustee shall be under no obligation to exercise or to honor any of the rights or powers vested in it by this Indenture at the request or direction of any of the Noteholders pursuant to this Indenture, unless such Noteholders shall have offered to the Indenture Trustee reasonable security or indemnity against the costs, expenses and liabilities which might be reasonably incurred by it in compliance with such request or direction;

(f) the Indenture Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, note or other paper documents, but the Indenture Trustee, in its discretion, may and, upon the written direction of the Majority Holders of the Controlling Class (or a representative thereof) or the Rating Agencies shall make such further inquiry or investigation into such facts or matters as it may see fit or as it shall be directed, and, the Indenture Trustee shall be entitled, on reasonable prior notice to the Issuer, to examine the books and records of the Issuer relating to the Notes and the Collateral, as applicable, at the premises of the Issuer, personally or by agent or attorney during the Issuer's normal business hours; *provided* that the Indenture Trustee shall, and shall cause its agents to, hold in confidence all such information, except (i) to the extent disclosure may be required by law, by any regulatory authority or by the documents delivered pursuant to or in connection with this Indenture and the Notes and (ii) to the extent that the Indenture Trustee, in its sole judgment, may determine that such disclosure is consistent with its obligations hereunder;

(g) the Indenture Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder (except with respect to its duty to make any Interest Advance under the circumstances specified in Section 10.12) either directly or by or through agents or attorneys and the Indenture Trustee shall not be liable for the acts or omissions of its agents or attorneys appointed by it with due care;

(h) in the absence of Bad Faith, the Indenture Trustee shall not be liable for any action it takes, suffers or omits to take that it reasonably believes to be authorized or within the discretion of its rights or powers hereunder;

(i) the Indenture Trustee shall not be responsible for the accuracy of the books or records of, or for any acts or omissions of, the Depository, the Transfer Agent (other than the Indenture Trustee itself acting in that capacity), Clearstream, Euroclear, any Calculation Agent (other than the Indenture Trustee itself acting in that capacity) or the Paying Agent (other than the Indenture Trustee itself acting in that capacity);

(j) the Indenture Trustee shall not be liable for the actions or omissions of the Servicer, the Directing Holder, the Operating Advisor or any other party to this Agreement; and without limiting the foregoing, the Indenture Trustee shall not (except to the extent, if at all, otherwise expressly stated in this Indenture) be under any obligation to monitor, evaluate or verify compliance by the Servicer or Operating Advisor with the terms hereof or the Servicing Agreement, or to verify or independently determine the accuracy of information received by it from the Servicer or Operating Advisor (or from any selling institution, agent bank, trustee or similar source) with respect to the Mortgage Loans;

(k) to the extent any defined term hereunder, or any calculation required to be made or determined by the Indenture Trustee hereunder, is dependent upon or defined by reference to generally accepted accounting principles in the United States in effect from time to time (GAAP), the Indenture Trustee shall be entitled to request and receive (and rely upon) instruction from the Issuer or the accountants appointed by the Issuer as to the application of GAAP in such connection, in any instance;

(l) the Indenture Trustee shall not be liable to the Noteholders for any action taken or omitted by it at the direction of the Issuer, the Servicer and/or the Holders of the Notes under the circumstances in which such direction is required or permitted by the terms of this Indenture;

(m) the Indenture Trustee shall not be responsible for delays or failures in performance resulting from circumstances beyond its control (including acts of God, strikes, lockouts, riots, acts of war or (to the extent beyond the Indenture Trustee's control) loss or malfunctions of utilities, computer (hardware or software) or communications services);

(n) to the fullest extent permitted by law and notwithstanding anything in this Indenture to the contrary, in no event shall the Indenture Trustee be personally liable for special, indirect, punitive or consequential loss or damage (including, without limitation, lost profits) even if the Indenture Trustee has been advised of the likelihood of such damages and regardless of the form of action;

(o) the Indenture Trustee is hereby authorized and directed to execute and deliver the Future Funding Agreement and the Future Funding Account Control Agreement;

(p) the Indenture Trustee shall not be under any obligation to take any action in the performance of its duties hereunder that would be in violation of applicable law;

(q) to the extent the Indenture Trustee determines that any substantial ambiguity exists in the interpretation of any definition, provision or term contained in this Agreement pertaining to the performance of its duties hereunder, or to the extent more than one methodology can be used to make any of the determinations or calculations to be performed by the Indenture Trustee hereunder, the Indenture Trustee may request written direction from the Issuer as to the interpretation or methodology it should adopt with respect thereto. The Issuer shall promptly provide such written direction, and the Indenture Trustee shall be entitled conclusively to rely upon (absent manifest error), and shall be protected and held harmless in acting upon, such written direction; and

(r) any reference in this Agreement to the Indenture Trustee "discovering", "learning of", or "being aware of" any matter or event (or wording of similar effect) shall be deemed to be a reference to a Trust Officer of the Indenture Trustee having actual knowledge of, or having received written notice of, such matter or event.

Section 6.4 Not Responsible for Recitals or Issuance of Notes.

The recitals contained herein and in the Notes, other than the Certificate of Authentication thereon, shall be taken as the statements of the Issuer, and the Indenture Trustee assumes no responsibility for their correctness. The Indenture Trustee makes no representation as to the validity or sufficiency of this Indenture (except as may be made with respect to the validity of the Indenture Trustee's obligations hereunder), the Trust Agreement, the Collateral or the Notes. The Indenture Trustee shall not be accountable for the use or application by the Issuer of the Notes or the proceeds thereof or any Cash paid to the Issuer pursuant to the provisions hereof. Additionally, the Indenture Trustee shall not at any time have any responsibility or liability for or with respect to (i) the legality, validity, enforceability of any Note, any collateral document or the Collateral or (ii) the perfection or priority of any Note.

Section 6.5 May Hold Notes.

The Indenture Trustee, the Paying Agent, the Note Registrar or any other agent of the Issuer, in its individual or any other capacity, may become the owner or pledgee of Notes and, may otherwise deal with the Issuer or any of its Affiliates, with the same rights it would have if it were not Indenture Trustee, Paying Agent, Note Registrar or such other agent.

Section 6.6 Cash Held in Trust.

Cash held by the Indenture Trustee hereunder shall be held in trust to the extent required herein. The Indenture Trustee shall be under no liability for interest on any Cash received by it hereunder except as otherwise agreed upon with the Issuer and except to the extent of income or other gain on investments which are deposits in or certificates of deposit of the Indenture Trustee in its commercial capacity and income or other gain actually received by the Indenture Trustee on Eligible Investments.

Section 6.7 Compensation and Reimbursement.

(a) The Issuer agrees:

(i) to pay the Indenture Trustee on each Payment Date the compensation specified herein for all services rendered by it hereunder (which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust);

(ii) except as otherwise expressly provided herein, to reimburse the Indenture Trustee (subject to any written agreement between the Issuer and the Indenture Trustee) in a timely manner upon its request for all reasonable expenses and disbursements and advances (except as otherwise provided herein with respect to Interest Advances) incurred or made by the Indenture Trustee in accordance with any provision of this Indenture or in

the enforcement of any provision hereof and expenses related to the maintenance and administration of the Collateral (including securities transaction charges and the reasonable compensation and expenses and disbursements of its agents and legal counsel and of any accounting firm or investment banking firm employed by the Indenture Trustee pursuant to Section 5.4, 5.5 or 6.3 hereof, except any such expense or disbursement as may be attributable to its negligence, willful misconduct or Bad Faith but only to the extent any such securities transaction charges have not been waived during a Due Period due to the Indenture Trustee's receipt of a payment from a financial institution with respect to certain Eligible Investments);

(iii) to indemnify Wells Fargo Bank, National Association, in both its individual capacity and its capacity as the Indenture Trustee and its Officers, directors, employees and agents for, and to hold them harmless against, any claim, loss, liability, damage or expense (including, without limitation, any legal fees or expenses or litigation, and of investigation, counsel fees, judgments and amounts paid in settlement), incurred or expended without negligence, willful misconduct or Bad Faith on their part, in connection with (A) investigating, preparing for, defending itself or themselves against or prosecuting for itself or themselves (including in connection with obtaining the enforcement of the Issuer's indemnification obligations) or for the sake of the Trust any legal proceeding, whether pending or threatened, that is related directly or indirectly in any way to the Trust, the Transaction Documents, the Mortgage Loans, the Intermediate Trust Certificate or other assets of the Trust, or the Notes (including without limitation the initial offering, any secondary trading and any transfer and exchange of the Notes), (B) the acceptance or administration of the trusts created hereunder or under any other Transaction Document, and (C) the performance of any and all of its or their duties and responsibilities and the exercise or lack of exercise of any and all of its or their powers, rights or privileges hereunder or under any other Transaction Document, including without limitation (1) complying with any new or updated law or regulation in any way related to or affecting the transaction contemplated by the Transaction Documents or any party to the Transaction Documents, and (2) addressing any bankruptcy in any way related to or affecting the Transaction contemplated by the Transaction Documents or any party to the Transaction Documents, including, as applicable, all costs incurred in connection with the use of default specialists within or outside Wells Fargo Bank, National Association (in the case of Wells Fargo Bank, National Association personnel, such costs to be calculated using standard market rates) arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending themselves against any claim or liability in connection with the exercise or performance of any of their powers or duties hereunder; and

(iv) to pay the Indenture Trustee reasonable additional compensation together with its expenses (including reasonable counsel fees) for any collection action taken pursuant to Section 6.13 hereof.

(b) The rights and indemnities afforded to Wells Fargo Bank, National Association, in both its individual capacity and its capacity as Indenture Trustee under this Agreement, including without limitation this Section 6.7, shall apply, *mutatis mutandis*, to the Intermediate Trust Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodian, Backup

Advancing Agent and Note Registrar under this Agreement and each Transaction Document. The indemnification obligations set forth in this Section shall survive the discharge or assignment of this Agreement and the termination or resignation of the Indenture Trustee.

(c) The Issuer may remit payment for such fees and expenses to the Indenture Trustee or, in the absence thereof, the Indenture Trustee may from time to time deduct payment of its fees and expenses hereunder from Cash credited to the Note Payment Account pursuant to Section 11.1 hereof.

(d) The Indenture Trustee hereby agrees not to cause or join in the filing of a petition in bankruptcy against the Issuer or any Permitted Subsidiary until at least one year and one day, or if longer the applicable preference period (*plus* one day) then in effect, after the payment in full of all Notes issued under this Indenture. This provision shall survive termination of this Agreement. To the extent that the entity acting as Indenture Trustee is acting as Note Registrar, Calculation Agent, Paying Agent, Transfer Agent, Backup Advancing Agent, Rule 17g-5 Information Provider, Authenticating Agent, Securities Intermediary or Custodian, the rights, privileges, immunities and indemnities set forth in this Article VI shall also apply to it acting in each such capacity.

(e) The Indenture Trustee agrees that the payment of all amounts to which it is entitled pursuant to sub-sections (a)(i), (a)(ii), (a)(iii) and (a)(iv) of this Section 6.7 shall be subject to the Priority of Payments, shall be payable only to the extent funds are available in accordance with such Priority of Payments, shall be payable solely from the Collateral and following realization of the Collateral, any such claims of the Indenture Trustee against the Issuer, and all obligations of the Issuer, shall be extinguished. The Indenture Trustee shall have a lien upon the Collateral to secure the payment of such payments to it in accordance with the Priority of Payments; *provided* that the Indenture Trustee shall not institute any proceeding for enforcement of such lien except in connection with an action taken pursuant to Section 5.3 hereof for enforcement of the lien of this Indenture for the benefit of the Noteholders.

(f) The Indenture Trustee shall receive amounts pursuant to this Section 6.7 and Sections 11.1(a)(i), 11.1(a)(ii) and 11.1(a)(iii) only to the extent that such payment is made in accordance with the Priority of Payments and the failure to pay such amounts to the Indenture Trustee will not, by itself, constitute an Indenture Event of Default. Subject to Section 6.9, the Indenture Trustee shall continue to serve as Indenture Trustee under this Indenture notwithstanding the fact that the Indenture Trustee shall not have received amounts due to it hereunder. No direction by the Majority Holders of the Controlling Class shall affect the right of the Indenture Trustee to collect amounts owed to it under this Indenture.

If on any Payment Date when any amount shall be payable to the Indenture Trustee pursuant to this Indenture such amount is not paid because there are insufficient funds available for the payment thereof, all or any portion of such amount not so paid shall be deferred and payable on any later Payment Date on which a fee shall be payable and sufficient funds are available therefor in accordance with the Priority of Payments.

Section 6.8 Corporate Indenture Trustee Required; Eligibility.

There shall at all times be an Indenture Trustee hereunder which shall be a corporation or banking association organized and doing business under the laws of the United States or of any State thereof, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $200,000,000, subject to supervision or examination by federal or State authority, having a rating on its unsecured long-term debt of at least (i) "AA-" by KBRA (or "A+" by KBRA if such Person has a short-term debt rating of at least "K1" from KBRA) and (ii) "Baa1" by Moody's (or such other rating with respect to which the Rating Agencies have provided a No Downgrade Confirmation) and having an office within the United States. If such corporation or banking association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section 6.8, the combined capital and surplus of such corporation or banking association shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Indenture Trustee shall cease to be eligible in accordance with the provisions of this Section 6.8, including in its capacity as Backup Advancing Agent, it shall resign immediately in the manner and with the effect hereinafter specified in this Article VI.

Section 6.9 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Indenture Trustee and no appointment of a successor Indenture Trustee pursuant to this Article VI hereof shall become effective until the acceptance of appointment by the successor Indenture Trustee under Section 6.10 hereof.

(b) Subject to Section 6.9(a), the Indenture Trustee may resign at any time by giving 30 days' advance written notice thereof to the Issuer, the Noteholders, the Servicer and the Rating Agencies (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website).

(c) Subject to Section 6.9(a) hereof, the Indenture Trustee may be removed at any time (i) on 30 days' advance written notice by Act of Noteholders of at least 66⅔% of the Aggregate Outstanding Amount of each Class of Principal Balance Notes or (ii) on 10 days' advance written notice when an Indenture Event of Default shall have occurred and be continuing by Act of Noteholders of at least 66⅔% of the Aggregate Outstanding Amount of Notes of the Controlling Class, in each case delivered to the Indenture Trustee and to the Issuer.

(d) If at any time:

(i) the Indenture Trustee shall cease to be eligible under Section 6.8 hereof and shall fail to resign after written request therefor by the Issuer or by any Holder; or

(ii) the Indenture Trustee shall become incapable of acting or shall be adjudged as bankrupt or insolvent or a receiver or liquidator of the Indenture Trustee or of its property shall be appointed or any public officer shall take charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation; or

(iii) the Indenture Trustee shall commence a voluntary case under any federal or state banking or bankruptcy laws, as now or hereafter constituted, or any other applicable federal or state bankruptcy, insolvency or other similar law, or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, conservator, sequestrator or other similar official for the Indenture Trustee or for any substantial part of the Indenture Trustee's property, or shall make any assignment for the benefit of its creditors or shall fail generally to pay, or shall admit in writing its inability to pay, its debts as such debts become due or shall take any corporate action in furtherance of any of the foregoing,

then, in any such case (subject to Section 6.10(a) hereof), (A) the Issuer, by Issuer Order, may remove the Indenture Trustee or (B) subject to Section 5.15 hereof, the Indenture Trustee or any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee.

(e) If the Indenture Trustee shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of the Indenture Trustee for any reason, the Issuer, by Issuer Order, shall promptly appoint a successor Indenture Trustee in accordance with Section 6.10; *provided* that such successor Indenture Trustee shall be appointed only upon the written consent of the Majority Holders of each Class or, at any time when an Indenture Event of Default shall have occurred and be continuing, by the Majority Holders of the Controlling Class. If the Issuer shall fail to appoint a successor Indenture Trustee within 60 days after such resignation, removal or incapability or the occurrence of such vacancy, a successor Indenture Trustee may be appointed by Act of the Majority Holders of the Controlling Class delivered to the Issuer and the retiring Indenture Trustee. The successor Indenture Trustee so appointed shall, forthwith upon its acceptance of such appointment, become the successor Indenture Trustee and supersede any successor Indenture Trustee proposed by the Issuer. If no successor Indenture Trustee shall have been so appointed by the Issuer or such Holders and shall have accepted appointment in the manner hereinafter provided, subject to Section 5.15 hereof, any Holder or the resigning or removed Indenture Trustee may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor Indenture Trustee, and all fees, costs and expenses (including without limitation attorneys' fees) incurred in connection with such petition shall be paid by the Issuer.

(f) The Issuer shall give prompt notice of each resignation and each removal of the Indenture Trustee and each appointment of a successor Indenture Trustee by mailing written notice of such event by first class mail, postage prepaid, to the Rating Agencies (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website), the Servicer and the Holders as their names and addresses appear in the Note Register. Each notice shall include the name of the successor Indenture Trustee and the address of its Corporate Trust Office. If the Issuer fails to mail such notice within ten days after acceptance of appointment by the successor Indenture Trustee, the successor Indenture Trustee shall cause such notice to be given at the expense of the Issuer.

If the Indenture Trustee shall resign or be removed, the Indenture Trustee shall also resign or be removed as Paying Agent, Calculation Agent, Note Registrar and any other capacity

in which the Indenture Trustee is then acting pursuant to this Indenture and the Account Control Agreement.

Section 6.10 Acceptance of Appointment by Successor.

Every successor Indenture Trustee appointed hereunder shall execute, acknowledge and deliver to the Issuer and the retiring Indenture Trustee (with copies to each Holder of Notes) an instrument accepting such appointment. Upon delivery of the required instrument (subject to the next following paragraph), the resignation or removal of the retiring Indenture Trustee shall become effective and such successor Indenture Trustee, without any other act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Indenture Trustee, but, on request of the Issuer or the Majority Holders of any Class or the successor Indenture Trustee, such retiring Indenture Trustee shall, upon payment of its charges, fees, indemnities and expenses then unpaid, execute and deliver an instrument transferring to such successor Indenture Trustee all the rights, powers and trusts of the retiring Indenture Trustee and shall duly assign, transfer and deliver to such successor Indenture Trustee all property and Cash held by such retiring Indenture Trustee hereunder, subject nevertheless to its lien, if any, provided for in Section 6.7(e) hereof. Upon request of any such successor Indenture Trustee, the Issuer shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Indenture Trustee all such rights, powers and trusts.

No successor Indenture Trustee shall accept its appointment unless at the time of such acceptance such successor shall be qualified and eligible under this Article VI and (a) such successor shall have the ratings specified under Section 6.8 hereof, or (b) the Rating Agency Condition with respect to each Rating Agency has been satisfied.

Section 6.11 Merger, Conversion, Consolidation or Succession to Business of Indenture Trustee.

Any entity into which the Indenture Trustee may be merged or converted or with which it may be consolidated, or any entity resulting from any merger, conversion or consolidation to which the Indenture Trustee shall be a party, or any entity succeeding to all or substantially all of the corporate trust business of the Indenture Trustee, shall be the successor of the Indenture Trustee hereunder; *provided* such entity shall be otherwise qualified and eligible under this Article VI, without the execution or filing of any paper or any further act on the part of any of the parties hereto. In case any of the Notes have been authenticated, but not delivered, by the Indenture Trustee then in office, any successor by merger, conversion or consolidation to such authenticating Indenture Trustee may adopt such authentication and deliver the Notes so authenticated with the same effect as if such successor Indenture Trustee had itself authenticated such Notes.

Section 6.12 Co-Indenture Trustees and Separate Indenture Trustee.

At any time or times, including for the purpose of meeting the legal requirements of any jurisdiction in which any part of the Collateral may at the time be located, the Issuer and the Indenture Trustee shall have power to appoint one or more Persons to act (at the expense of the Issuer) as co-trustee, jointly with the Indenture Trustee of all or any part of the Collateral, with the power to file such proofs of claim and take such other actions pursuant to Section 5.6 herein

and to make such claims and enforce such rights of action on behalf of the Holders of the Notes as such Holders may have the right to do, subject to the other provisions of this Section 6.12 hereof.

The Issuer shall join with the Indenture Trustee in the execution, delivery and performance of all instruments and agreements necessary or proper to appoint a co-trustee. If the Issuer does not join in such appointment within 15 days after the receipt by them of a request to do so, the Indenture Trustee shall have power to make such appointment.

Should any written instrument from the Issuer be required by any co-trustee so appointed for more fully confirming to such co-trustee such property, title, right or power, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Issuer, as the case may be. The Issuer agrees to pay (but only from and to the extent of the Collateral) to the extent funds are available therefor under subclauses (3) and (15) of Section 11.1(a)(i) for any reasonable fees and expenses in connection with such appointment.

Every co-trustee shall, to the extent permitted by law, but to such extent only, be appointed subject to the following terms:

(a) the Notes shall be authenticated and delivered and all rights, powers, duties and obligations hereunder in respect of the custody of securities, Cash and other personal property held by, or required to be deposited or pledged with, the Indenture Trustee hereunder, shall be exercised solely by the Indenture Trustee;

(b) the rights, powers, duties and obligations hereby conferred or imposed upon the Indenture Trustee in respect of any property covered by the appointment of a co-trustee shall be conferred or imposed upon and exercised or performed by the Indenture Trustee or by the Indenture Trustee and such co-trustee jointly, in the case of the appointment of a co-trustee, as shall be provided in the instrument appointing such co-trustee, except to the extent that under any law of any jurisdiction in which any particular act is to be performed, the Indenture Trustee shall be incompetent or unqualified to perform such act, in which event such rights, powers, duties and obligations shall be exercised and performed by a co-trustee;

(c) the Indenture Trustee at any time, by an instrument in writing executed by it, with the concurrence of the Issuer evidenced by an Issuer Order, may accept the resignation of or remove any co-trustee appointed under this Section 6.12 hereof, and in case an Indenture Event of Default has occurred and is continuing, the Indenture Trustee shall have the power to accept the resignation of, or remove, any such co-trustee without the concurrence of the Issuer. A successor to any co-trustee so resigned or removed may be appointed in the manner provided in this Section 6.12 hereof;

(d) no co-trustee hereunder shall be personally liable by reason of any act or omission of the Indenture Trustee or any other co-trustee hereunder;

(e) any Act of Noteholders delivered to the Indenture Trustee shall be deemed to have been delivered to each co-trustee;

(f) any co-trustee shall make the representations set forth in Section 6.14 hereof; and

(g) each co-trustee or separate trustee is not an agent of the Indenture Trustee.

Section 6.13 Certain Duties Related to Delayed Payment of Proceeds.

In the event that in any month the Indenture Trustee shall not have received a scheduled payment in Cash of principal and/or interest and/or fees or other scheduled payment due on such Due Date with respect to a Pledged Asset that is not being serviced by the Servicer or the Special Servicer pursuant to the terms of the Servicing Agreement (in each case, to the extent it has actual knowledge of the expected timing of receipt of such payment), (a) the Indenture Trustee shall promptly notify the Issuer and the Trust Administrator in writing and (b) unless within three (3) Business Days (or the end of the applicable grace period for such payment, if longer) after such notice such payment shall have been received by the Indenture Trustee, or the Issuer, in its absolute discretion (but only to the extent permitted by Section 10.1(a)), shall have made provision for such payment satisfactory to the Indenture Trustee in accordance with Section 10.1(a), the Indenture Trustee shall request the obligor of such Pledged Asset, the trustee under the related Loan Document or any paying agent designated by either of them, as the case may be, to make such payment as soon as practicable after such request but in no event later than three (3) Business Days after the date of such request. In the event that such payment is not made within such time period, the Indenture Trustee, subject to the provisions of Section 6.1(c)(iv), shall take such action as the Trust Administrator reasonably shall direct in writing. Any such action shall be without prejudice to any right to claim an Indenture Event of Default under this Indenture. In the event that the Issuer, the Servicer or the Special Servicer, as applicable, requests a release of a Pledged Asset in connection with any such action under the Servicing Agreement, such release shall be subject to Section 10.8 and Article XII of this Indenture, as the case may be. Notwithstanding any other provision hereof, the Indenture Trustee shall deliver to the Issuer or its designee any payment with respect to any Pledged Asset received after the Due Date thereof to the extent the Issuer previously made provision for such payment satisfactory to the Indenture Trustee in accordance with this Section 6.13 and such payment shall not be deemed part of the Collateral.

Section 6.14 Representations and Warranties of the Bank.

The Bank represents and warrants that:

(a) the Bank is a national banking association with trust powers, duly and validly existing under the laws of the United States, with corporate power and authority to execute, deliver and perform its obligations under this Indenture, and is duly eligible and qualified to act as trustee under this Indenture;

(b) this Indenture has been duly authorized, executed and delivered by the Bank and constitutes the valid and binding obligation of the Bank, enforceable against it in accordance with its terms except (i) as limited by bankruptcy, fraudulent conveyance, fraudulent transfer, insolvency, reorganization, liquidation, receivership, moratorium or other similar laws now or hereafter in effect relating to creditors' rights generally and by general equitable principles, regardless of whether considered in a proceeding in equity or at law, and (ii) that the remedy of specific performance and injunctive and other forms of equitable relief may be subject to equitable defenses and to the discretion of the court before which any proceeding therefor may be brought;

(c) neither the execution or delivery by the Bank of this Indenture nor the performance by the Bank of its obligations under this Indenture requires the consent or approval of, the giving of notice to or the registration or filing with, any governmental authority or agency under any existing law of the United States governing the banking or trust powers of the Bank;

(d) neither the execution, delivery and performance of this Indenture, nor the consummation of the transactions contemplated by this Indenture, (i) is prohibited by, or requires the Bank to obtain any consent, authorization, approval or registration under, any law, statute, rule, regulation, or any judgment, order, writ, injunction or decree that is binding upon the Bank or any of its properties or assets, (ii) will violate the provisions of the governing documents of the Bank or (iii) will violate any provision of, result in any default or acceleration of any obligations under, result in the creation or imposition of any lien pursuant to, or require any consent under, any material agreement to which the Bank is a party or by which it or any of its property is bound, the violation of which would have a material adverse effect on the Bank or its property; and

(e) there are no proceedings pending or, to the best knowledge of the Bank, threatened against the Bank before any federal, state or other governmental agency, authority, administrator or regulatory body, arbitrator, court or other tribunal, foreign or domestic, which could have a material adverse effect on the Pledged Assets or the performance by the Bank of its obligations under this Indenture.

Section 6.15 Requests for Consents.

In the event that the Indenture Trustee receives written notice of any proposed amendment, consent or waiver under the Loan Documents of any Mortgage Loan (before or after any default) or in the event any action is required to be taken in respect to a Loan Document, the Indenture Trustee shall promptly contact the Issuer and the Servicer (or with respect to any Specially Serviced Mortgage Loan, the Special Servicer). The Indenture Trustee agrees to cooperate with the Servicer or the Special Servicer, as the case may be, by either executing and delivering to the Servicer or the Special Servicer, as the case may be, from time to time (x) powers of attorney evidencing the authority and power under this Agreement or the Servicing Agreement of the Servicer or the Special Servicer, as the case may be, to give consent, grant a waiver, vote or exercise any rights or remedies with respect to any such Mortgage Loan or (y) such documents or instruments deemed necessary or appropriate by the Servicer or the Special Servicer, as the case may be, to enable the Servicer or the Special Servicer, as the case may be, to carry out its servicing or special servicing obligations in accordance with the Servicing Agreement. In the absence of any instruction from the Servicer or the Special Servicer, as applicable, the Indenture Trustee shall not engage in any vote or take any action with respect to such a Mortgage Loan.

Section 6.16 Representative for Noteholders Only; Agent for Other Secured Parties.

With respect to the security interests created hereunder, the pledge of any portion of the Collateral to the Indenture Trustee is to the Indenture Trustee as representative of the Noteholders and agent for other Secured Parties. In furtherance of the foregoing, the possession by the Indenture Trustee of any portion of the Collateral and the endorsement to or registration in the name of the Indenture Trustee of any portion of the Collateral (including without limitation as

Entitlement Holder of the Custodial Account) are all undertaken by the Indenture Trustee in its capacity as representative of the Noteholders and as collateral agent for the other Secured Parties. The Indenture Trustee shall not by reason of this Indenture be deemed to be acting as fiduciary for the Servicer; *provided* that the foregoing shall not limit any of the express obligations of the Indenture Trustee under this Indenture.

Section 6.17 Withholding.

(a) If any withholding tax is imposed on the Issuer's payment under the Notes to any Noteholder, such tax shall reduce the amount of such payment otherwise distributable to such Noteholder. The Indenture Trustee is hereby authorized and directed to retain from amounts otherwise distributable to any Noteholder sufficient funds for the payment of any tax that is legally owed by the Issuer (but such authorization shall not prevent the Indenture Trustee from contesting any such tax in appropriate proceedings and withholding payment of such tax, if permitted by law, pending the outcome of such proceedings). The amount of any withholding tax imposed with respect to any Noteholder shall be treated as Cash distributed to such Noteholder at the time it is withheld by the Indenture Trustee and remitted to the appropriate taxing authority. The Indenture Trustee shall determine in its sole discretion whether to withhold tax with respect to a distribution in accordance with this Section 6.17 hereof and Section 2.6 hereof. If any Noteholder wishes to apply for a refund of any such withholding tax, the Indenture Trustee shall reasonably cooperate with such Noteholder in making such claim so long as such Noteholder agrees to reimburse the Indenture Trustee for any out-of-pocket expenses incurred. Failure of a Holder of a Note to provide the Indenture Trustee or the Paying Agent and the Issuer with appropriate tax certificates will result in amounts being withheld from the payment to such Holders. Nothing herein shall impose an obligation on the part of the Indenture Trustee to determine the amount of any tax or withholding obligation on the part of the Issuer or in respect of the Mortgage Loans. Amounts withheld pursuant to applicable tax laws shall be considered as having been paid by the Issuer as provided in Section 7.1 hereof. In the event that tax must be withheld or deducted from payments of principal or interest, neither the Issuer nor the Indenture Trustee shall be obliged to make any additional payments to the Holders of any Notes on account of such withholding or deduction.

(b) As of the Closing Date (i) each of the Issuer and the Intermediate Trust will be treated as an Issuer Parent Disregarded Entity of RAIT Financial Trust for U.S. federal income tax purposes, and (ii) each of the Accounts (including income, if any, earned on the investment of funds in such Accounts) for U.S. federal income tax reporting and withholding purposes will be owned by RAIT Financial Trust (the "**Account Owner**"). RAIT Financial Trust agrees to notify Wells Fargo Bank, National Association ("**Wells Fargo**") in writing promptly following any change in the status of the Issuer as a Qualified REIT Subsidiary for U.S. federal income tax purposes and to provide updated tax documentation reflecting such change, as more fully described in this paragraph. The Account Owner shall provide Wells Fargo in its capacity as Paying Agent with (i) an IRS Form W-9 or appropriate IRS Form W-8 by the Closing Date, and (ii) any additional IRS forms (or updated versions of any previously submitted IRS forms) or other documentation at such time or times required by applicable law or upon the reasonable request of Wells Fargo as may be necessary (a) to reduce or eliminate the imposition of U.S. withholding taxes to the Account Owner and (b) to permit Wells Fargo to fulfill its tax reporting obligations under applicable law with respect to the Accounts or any amounts paid to the Account Owner. If any IRS form or other documentation previously delivered becomes obsolete or inaccurate in any

respect (including without limitation in connection with the transfer of any beneficial ownership interest in the Issuer), the Account Owner shall timely provide to Wells Fargo in its capacity as Paying Agent accurately updated and complete versions of such IRS forms or other documentation. Wells Fargo, both in its individual capacity and in its capacity as Paying Agent, shall have no liability to the Account Owner or any other person in connection with any tax withholding for amounts paid or withheld from the Accounts pursuant to applicable law arising from the Account Owner's failure to timely provide an accurate, correct and complete IRS Form W-9, an appropriate IRS Form W-8 or such other documentation contemplated under this paragraph.

Section 6.18 USA Patriot Act.

The parties hereto acknowledge that in accordance with requirements established under the USA PATRIOT Act, the Indenture Trustee, in order to help fight the funding of terrorism and money laundering, is required to obtain, verify, and record information that identifies each person or legal entity that establishes a relationship or opens an account with the Indenture Trustee. Each party hereby agrees that it shall provide the Indenture Trustee with such information in its possession as the Indenture Trustee may request from time to time in order to comply with any applicable requirements of the USA PATRIOT Act.

ARTICLE VII

COVENANTS

Section 7.1 Payment of Principal and Interest.

The Issuer will duly and punctually pay all principal and interest (including the Class C Deferred Interest Amount, Class D Deferred Interest Amount, Class E Deferred Interest Amount, Class F Deferred Interest Amount, any Defaulted Interest Amount and interest thereon, if any) in accordance with the terms of the Notes and this Indenture.

Amounts properly withheld under the Code or other applicable law by any Person from a payment to any Noteholder of principal and/or interest shall be considered as having been paid by the Issuer to such Noteholder for all purposes of this Indenture. The Indenture Trustee hereby gives notice to each Noteholder that the failure of such Noteholder to provide the Indenture Trustee with appropriate tax certifications may result in amounts being withheld under the Code or other applicable law from payments to such Noteholder under this Indenture; *provided* that amounts withheld under the Code or other applicable law shall be considered as having been paid by the Issuer as provided above.

Section 7.2 Maintenance of Office or Agency.

The Issuer hereby appoints the Indenture Trustee as Paying Agent for the payment of principal of and interest on the Notes. Notes may be surrendered for registration of transfer or exchange at the Corporate Trust Office of the Indenture Trustee.

The Issuer hereby appoints Wells Fargo Delaware Trust Company, N.A., with an address at 919 N. Market Street, Suite 1600, Wilmington, Delaware 19801, as the Issuer's agent where notices and demands to or upon the Issuer in respect of the Notes or this Indenture may be served.

The Issuer may at any time and from time to time vary or terminate the appointment of any such agent or appoint any additional agents for any or all of such purposes; *provided* that (A) the Issuer will maintain in the Borough of Manhattan, The City of New York, an office or agency where notices and demands to or upon the Issuer in respect of the Notes and this Indenture may be served and (B) no Paying Agent shall be appointed in a jurisdiction which would subject payments on the Notes to withholding tax as a result of the Paying Agent being located therein. The Issuer shall give prompt written notice to the Indenture Trustee, the Rating Agencies (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website) and the Noteholders of the appointment or termination of any such agent and of the location and any change in the location of any such office or agency.

If at any time the Issuer shall fail to maintain any such required office or agency in the Borough of Manhattan, The City of New York or shall fail to furnish the Indenture Trustee with the address thereof, presentations and surrenders may be made at and notices and demands may be served on the Issuer, and Notes may be presented and surrendered for payment to the Paying Agent at its office (and the Issuer hereby appoint the same as their agent to receive such respective presentations, surrenders, notices and demands).

Section 7.3 Cash for Payments to be Held in Trust.

All payments of amounts due and payable with respect to any Notes and the Trust Certificate that are to be made from amounts withdrawn from the Note Payment Account shall be made on behalf of the Issuer by the Indenture Trustee or the Paying Agent (in each case, from and to the extent of available funds in the Note Payment Account and subject to the Priority of Payments) with respect to payments on the Notes.

Whenever the Paying Agent is not also the Note Registrar, the Issuer shall furnish, or cause the Note Registrar to furnish (at the expense of the Issuer, payable from the Collateral), no later than the fifth calendar day after each Record Date a list, if necessary, in such form as the Paying Agent may reasonably request, of the names and addresses of the Holders and of the certificate numbers of individual Notes held by each such Holder.

Whenever the Paying Agent is not also the Indenture Trustee, the Issuer and such Paying Agent shall, on or before the Business Day next preceding each Payment Date or Redemption Date, as the case may be, direct the Indenture Trustee to deposit on such Payment Date or Redemption Date, as the case may be, with the Paying Agent, if necessary, an aggregate sum sufficient to pay the amounts then becoming due (to the extent funds are then available for such purpose in the Note Payment Account, the Interest Collection Account or the Principal Collection Account, as the case may be), such sum to be held in trust for the benefit of the Persons entitled thereto and (unless the Paying Agent is the Indenture Trustee) the Issuer shall promptly notify the Indenture Trustee of its action or failure so to act. Any Cash deposited with a Paying Agent (other than the Indenture Trustee) in excess of an amount sufficient to pay the amounts then

becoming due on the Notes with respect to which such deposit was made shall be paid over by the Paying Agent to the Indenture Trustee for application in accordance with Article XI. The Paying Agent shall be deemed to agree by assuming such role not to cause the filing of a petition in bankruptcy against the Issuer or any Permitted Subsidiary for the non-payment to the Paying Agent of any amounts payable thereto until at least one year and one day (or, if longer, the applicable preference period then in effect) after the payment in full of all Notes issued under this Indenture.

The initial Paying Agent shall be as set forth in Section 7.2 hereof. Any additional or successor Paying Agents shall be appointed by Issuer Order with written notice thereof to the Indenture Trustee; *provided* that so long as any Class of Notes is rated by the Rating Agencies and with respect to any additional or successor Paying Agent for the Notes, either (i) the Paying Agent for the Notes has a rating of (a) not less than "A" by KBRA and (b) not less than "P-1/Aa3" by Moody's, or shall be otherwise acceptable to KBRA and Moody's, or (ii) the Rating Agency Condition with respect to each Rating Agency and to the appointment of the Paying Agent shall have been satisfied. In the event that (i) such successor Paying Agent ceases to have a rating of at least (a) "A" by KBRA and (b)"P-1/Aa3" by Moody's or be otherwise acceptable to KBRA and Moody's or (ii) the Rating Agency Condition with respect to each Rating Agency and to the appointment of the Paying Agent shall not have been satisfied, the Issuer shall promptly remove the Paying Agent and appoint a successor Paying Agent. The Issuer shall not appoint the Paying Agent (other than an initial Paying Agent) that is not, at the time of such appointment, a depository institution or trust company subject to supervision and examination by Federal and/or state and/or national banking authorities. The Issuer shall cause each Paying Agent other than the Indenture Trustee to execute and deliver to the Indenture Trustee an instrument in which the Paying Agent shall agree with the Indenture Trustee (and if the Indenture Trustee acts as Paying Agent, it hereby so agrees), subject to the provisions of this Section 7.3 hereof, that the Paying Agent will:

(a) allocate all sums received for payment to the Holders of Notes for which it acts as Paying Agent on each Payment Date and Redemption Date among such Holders in the proportion specified in the instructions set forth in the applicable Monthly Report or Redemption Date Statement or as otherwise provided herein, in each case to the extent permitted by applicable law;

(b) hold all sums held by it for the payment of amounts due with respect to the Notes in trust for the benefit of the Persons entitled thereto until such sums shall be paid to such Persons or otherwise disposed of as herein provided and pay such sums to such Persons as herein provided;

(c) if the Paying Agent is not the Indenture Trustee, immediately resign as a Paying Agent and forthwith pay to the Indenture Trustee all sums held by it in trust for the payment of Notes if at any time it ceases to meet the standards set forth above required to be met by a Paying Agent at the time of its appointment;

(d) if the Paying Agent is not the Indenture Trustee, immediately give the Indenture Trustee notice of any Default by the Issuer (or any other obligor upon the Notes) in the making of any payment required to be made; and

(e) if the Paying Agent is not the Indenture Trustee at any time during the continuance of any such Default, upon the written request of the Indenture Trustee, forthwith pay to the Indenture Trustee all sums so held in trust by the Paying Agent.

The Issuer may at any time, for the purpose of obtaining the satisfaction and discharge of this Indenture or for any other purpose, pay, or by Issuer Order direct the Paying Agent to pay, to the Indenture Trustee all sums held in trust by the Issuer or the Paying Agent, such sums to be held by the Indenture Trustee upon the same trusts as those upon which such sums were held by the Issuer or the Paying Agent; and, upon such payment by the Paying Agent to the Indenture Trustee, the Paying Agent shall be released from all further liability with respect to such Cash.

Except as otherwise required by applicable law with respect to the escheatment of funds, any Cash deposited with the Indenture Trustee or the Paying Agent in trust for the payment of the principal of or interest on any Note and remaining unclaimed for two years after such principal or interest has become due and payable shall be paid to the Issuer on Issuer Request; and the Holder of such Note shall thereafter, as an unsecured general creditor, look only to the Issuer for payment of such amounts and all liability of the Indenture Trustee or the Paying Agent with respect to such trust Cash (but only to the extent of the amounts so paid to the Issuer) shall thereupon cease. The Indenture Trustee or the Paying Agent, before being required to make any such release of payment, may, at the request of the Issuer, adopt and employ, at the expense of the Issuer, any reasonable means of notification of such release of payment, including mailing notice of such release to Holders whose Notes have been called but have not been surrendered for redemption or whose right to or interest in Cash due and payable but not claimed is determinable from the records of the Paying Agent, at the last address of record of each such Holder.

Section 7.4 Existence of Issuer; Compliance with Laws.

(a) So long as any Note is outstanding, the Issuer shall, to the maximum extent permitted by applicable law, maintain in full force and effect its existence and rights as a statutory trust organized under the laws of the State of Delaware and shall obtain and preserve its qualification to do business in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of this Indenture, the Notes and each instrument or agreement included in the Collateral; *provided* that the Issuer shall be entitled to change its jurisdiction of registration from Delaware to any other jurisdiction reasonably selected by the Issuer so long as (i) such change is not disadvantageous in any material respect to the Holders of the Notes or the Holder of the Trust Certificate, (ii) written notice of such change shall have been given by the Indenture Trustee to the Holders of the Notes or Holder of the Trust Certificate and, after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website, the Rating Agencies, 15 Business Days prior to such change, (iii) on or prior to the 15th Business Day following such notice the Indenture Trustee shall not have received written notice from the Majority Holders of the Senior Notes or the Directing Holder objecting to such change, and (iv) the Issuer prepares, creates and delivers any documents necessary to maintain the perfection of a first priority security interest under this Indenture.

(b) So long as any Note is outstanding, the Issuer shall ensure that all statutory trust formalities regarding its existence are followed (including, but not limited to, holding all regular and special board meetings appropriate to authorize all statutory trust action, keeping

separate and accurate minutes of its meetings and/or passing all resolutions or consents necessary to authorize actions taken or to be taken and maintaining accurate and separate books, records and accounts) and shall ensure that it is at all times in compliance with Section 4.01 of the Trust Agreement. So long as any Note is outstanding, the Issuer shall not take any action or conduct its affairs in a manner that is likely to result in its separate existence being ignored or its assets and liabilities being substantively consolidated with any other Person in a bankruptcy, reorganization or other insolvency proceeding. So long as any Note is outstanding, the Issuer shall maintain and implement administrative and operating procedures reasonably necessary in the performance of the Issuer's obligations hereunder, and the Issuer shall at all times keep and maintain, or cause to be kept and maintained, separate books, records, accounts and other information customarily maintained for the performance of the Issuer's obligations hereunder. Without limiting the foregoing, so long as any Note is outstanding, (i) the Issuer shall (A) pay its own liabilities only out of its own funds and (B) hold itself out and identify itself as a separate and distinct entity under its own name and (ii) the Issuer shall not (A) have any subsidiaries (other than the Intermediate Trust or a Permitted Subsidiary), (B) have any employees (other than its directors), (C) pay dividends other than in accordance with the terms of this Indenture and the Trust Agreement, (D) conduct business under an assumed name (i.e., no "DBAs"), (E) commingle its funds or assets with those of any other Person, or (F) enter into any contract or agreement with any of its Affiliates (other than the Transaction Documents or those contemplated by this Agreement), except upon terms and conditions that are commercially reasonable and substantially similar to those available in arm's-length transactions.

(c) So long as any Note is outstanding, the Issuer shall, to the maximum extent permitted by applicable law, cause the Intermediate Trust to maintain in full force and effect its existence and rights as a common law trust organized under the laws of the State of New York and shall obtain and preserve its qualification to do business in each jurisdiction in which such qualifications are or shall be necessary to protect the validity and enforceability of the Intermediate Trust Agreement and the Intermediate Trust Certificate.

Section 7.5 Protection of Collateral.

(a) The Issuer (or, with respect to continuation statements, the Indenture Trustee on behalf of the Issuer) shall file any financing statements and any continuation statements, *provided* that the Issuer shall from time to time at the request of any Secured Party execute and deliver all such supplements and amendments hereto and upon receipt of an Opinion of Counsel, execute all such Financing Statements, continuation statements, instruments of further assurance and other instruments, and shall take such other action as may be necessary or advisable or desirable to secure the rights and remedies of the Secured Parties hereunder and to:

(i) Grant more effectively all or any portion of the Collateral;

(ii) maintain, preserve and perfect the lien (and the first priority nature thereof) of this Indenture or to carry out more effectively the purposes hereof;

(iii) perfect, publish notice of or protect the validity of any Grant made or to be made by this Indenture (including any and all actions necessary or desirable as a result of changes in law or regulations);

(iv) enforce any of the Pledged Assets or other instruments or property included in the Collateral;

(v) preserve and defend title to the Collateral and the rights therein of the Indenture Trustee and the Holders of the Notes against the claims of all persons and parties; and

(vi) pursuant to Section 11.1(a) hereof, pay or cause to be paid any and all taxes levied or assessed upon all or any part of the Collateral.

The Issuer hereby designates the Indenture Trustee its agent and attorney-in-fact to execute, if required, and/or file, at the Issuer's expense, any continuation statement or other instrument delivered to it pursuant to this Section 7.5 hereof, and the Indenture Trustee, as agent of the Issuer, agrees to file such continuation statements as are necessary to maintain perfection of the Collateral perfected by the filing of Financing Statements; *provided* that such appointment shall not impose upon the Indenture Trustee, or release or diminish or transfer the Issuer's obligation under this Section 7.5 hereof, *provided further*, that the Issuer retains ultimate responsibility to maintain the perfection of the Collateral perfected by the filing of Financing Statements. Notwithstanding the foregoing sentence, the Indenture Trustee shall have no duty to ascertain the correctness of the information contained on any continuation statements provided by the Issuer to the Indenture Trustee for filing under this Section 7.5 (absent such provided continuation statement appearing deficient on its face). The Indenture Trustee agrees that it will from time to time, at the direction of any Secured Party, execute and cause to be filed, at the expense of the Issuer, payable from the Collateral, continuation statements. The Indenture Trustee shall be entitled to rely on an Opinion of Counsel as to the need to file any financing statements and continuation statements, the dates by which such filings are required to be made and the jurisdiction in which such filings are required to be made. The Issuer shall otherwise cause the perfection and priority of the security interest in the Collateral and the maintenance of such security interest at all times. Notwithstanding anything to the contrary herein, the right of a Secured Party to provide direction to the Indenture Trustee shall not impose upon the Indenture Trustee as Secured Party, any obligation to provide any such direction. The Issuer hereby (i) authorizes the Indenture Trustee at any time and from time to time to file continuation statements and amendments thereto that describe the Collateral as "all assets of the Issuer," "all assets of the Issuer other than Excepted Property" or words of similar effect (regardless of whether any particular asset described in such financing statements falls within the Granting Clauses of this Indenture) and that contain any other information required by Part 5 of Article 9 of the UCC for the sufficiency or filing office acceptance of any continuation statement or amendment, including whether the Issuer is an organization, the type of organization and any organization identification number issued to the Issuer, and (ii) ratifies such authorization to the extent that the Indenture Trustee has filed any such continuation statements, or amendments thereto prior to the date hereof. The Issuer shall otherwise cause the perfection and priority of the security interest in the Collateral and the maintenance of such security interest at all times. Notwithstanding anything to the contrary herein, the right of a Secured Party to provide direction to the Indenture Trustee shall not impose upon the Indenture Trustee as Secured Party, any obligation to provide any such direction. The Issuer agrees that a carbon, photographic, photostatic or other reproduction of a Financing Statement is sufficient as a Financing Statement.

(b) The Indenture Trustee shall not (i) except in accordance with Section 10.8(a), (b) or (c) hereof, as applicable, or in connection with a payment of Cash expressly permitted by this Indenture (including Section 11.1 hereof), remove any portion of the Collateral that consists of Cash or is evidenced by an Instrument, certificate or other writing (A) from the jurisdiction in which it was held at the date the most recent Opinion of Counsel was delivered pursuant to Section 7.6 hereof (or from the jurisdiction in which it was held as described in the Opinion of Counsel delivered at the Closing Date pursuant to Section 3.1(c) hereof, if no Opinion of Counsel has yet been delivered pursuant to Section 7.6 hereof) or (B) from the possession of the Person who held it on such date or (ii) cause or permit ownership or the pledge of any portion of the Collateral that consists of book-entry securities to be recorded on the books of a Person (A) organized in a different jurisdiction from the jurisdiction in which such ownership or pledge was recorded at such date or (B) other than the Person on whose books such ownership or pledge was recorded at such date, unless the Indenture Trustee shall have first received an Opinion of Counsel to the effect that the lien and security interest created by this Indenture with respect to such property will continue to be maintained after giving effect to such action or actions.

(c) The Issuer shall (1) pay or cause to be paid taxes, if any, levied on account of the beneficial ownership by the Issuer or the Intermediate Trust of any Pledged Assets that secure the Notes or any Mortgage Loan held as an asset of the Intermediate Trust and (2) if required to prevent the withholding or imposition of United States income tax, deliver or cause to be delivered a United States Internal Revenue Service Form W-9 or successor applicable form, to each issuer, counterparty or paying agent with respect to (as applicable) an item included in the Pledged Assets at the time such item included in the Pledged Assets is purchased or entered into and thereafter prior to the expiration or obsolescence of such form.

(d) The Issuer shall enforce all of its material rights and remedies under the Transaction Documents. The Issuer shall not enter into any agreement amending, modifying or terminating the Account Control Agreement without (i) 10 days' prior notice to the Rating Agencies (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website), (ii) 10 days' prior notice thereof to the Indenture Trustee, which notice shall specify the action proposed to be taken by the Issuer (and the Indenture Trustee shall promptly deliver a copy of such notice to each Noteholder, except in the case of amendments and modifications of the type and nature described in Section 8.1 hereof) and (iii) satisfaction of the Rating Agency Condition with respect to each Rating Agency and with respect to such amendment, modification or termination being satisfied.

(e) Without at least 30 days' prior written notice to the Indenture Trustee and the Servicer, the Issuer shall not change its name, or the name under which it does business, from the name shown on the signature pages hereto or re-incorporate, re-form or re-organize itself under the law of a different jurisdiction.

(f) So long as any Note is outstanding, the Issuer shall comply with all laws, ordinances, rules and regulations of all federal, state and local authorities now in force or that may be enacted hereafter applicable to the Issuer.

Section 7.6 Opinions as to Collateral.

(a) Within the six-month period preceding the fifth anniversary of the Closing Date (and every five years thereafter) (for so long as any Notes remain Outstanding), the Issuer shall furnish or cause to be furnished to the Indenture Trustee and, after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website, the Rating Agencies, an Opinion of Counsel stating that, in the opinion of such counsel, as of the date of such opinion, the security interest created by this Indenture with respect to the Collateral remains a valid and perfected security interest and describing the manner in which such security interest shall remain perfected.

Section 7.7 Performance of Obligations.

(a) The Issuer shall not take any action, and will use its best effort not to permit any action to be taken by others, that would release any Person from any such Person's covenants or obligations under any instrument included in the Mortgage Loans, except in the case of enforcement action taken with respect to any Defaulted Mortgage Loan in accordance with the provisions hereof and actions by the Servicer or Special Servicer in accordance with the Servicing Agreement and not prohibited by this Indenture or as otherwise required hereby.

(b) The Issuer may, with the prior written consent of the Majority Holders of the Controlling Class (except for agreements entered into as of the Closing Date, which shall not require such prior consent) contract with other Persons, including the Servicer, the Special Servicer and the Bank, for the performance of actions and obligations to be performed by the Issuer hereunder by such Persons. Notwithstanding any such arrangement, the Issuer, as the case may be, shall remain liable for all such actions and obligations. In the event of such contract, the performance of such actions and obligations by such Persons shall be deemed to be performance of such actions and obligations by the Issuer; and the Issuer, as the case may be, will punctually perform, and use its commercially reasonable efforts to cause such other Person to perform, all of their obligations and agreements contained in any related agreement.

(c) The Issuer and the Intermediate Trust shall treat all acquisitions of Mortgage Loans as a "purchase" for tax, accounting and reporting purposes.

Section 7.8 Negative Covenants.

(a) Each of the Issuer and the Intermediate Trust shall not:

(i) operate so as to be subject to U.S. federal income taxes on its net income;

(ii) claim any credit on, make any deduction from, or dispute the enforceability of, the payment of the principal, interest or any other amount payable in respect of the Notes (other than amounts required to be paid, deducted or withheld in accordance with any applicable law or regulation of any governmental authority) or assert any claim against any present or future Noteholder by reason of the payment of any taxes levied or assessed upon any part of the Collateral;

(iii) (A) incur or assume or guarantee any indebtedness, other than the Notes and as expressly permitted in this Indenture and the transactions contemplated hereby; (B) issue

any additional class of notes; or (C) issue any additional shares or certificates other than the Trust Certificate;

(iv) (A) permit the validity or effectiveness of this Indenture or any Grant hereunder to be impaired, or permit the lien of this Indenture to be amended, hypothecated, subordinated, terminated or discharged, or permit any Person to be released from any covenants or obligations with respect to this Indenture, the Notes or the Servicing Agreement, except as may be expressly permitted hereby; (B) permit any lien, charge, adverse claim, security interest, mortgage or other encumbrance (other than the lien of this Indenture) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof, any interest therein or the proceeds thereof; or (C) take any action that would permit the lien of this Indenture not to constitute a valid first priority security interest in the Collateral, except (with respect to each of subclauses (A), (B) and (C) above) as expressly permitted by this Indenture and the Servicing Agreement;

(v) amend the Servicing Agreement, except pursuant to the terms thereof;

(vi) dissolve or liquidate in whole or in part, except as permitted under Section 7.10 hereof;

(vii) except for any agreements involving the purchase and sale of Mortgage Loans or REO Properties having customary purchase or sale terms or which are documented using customary loan trading documentation, enter into or be a party to any agreements that provide for a future financial obligation on the part of the Issuer unless such agreements contain "non-petition" and "limited recourse" provisions with respect to the Issuer;

(viii) amend its organizational documents except pursuant to the terms thereof;

(ix) without satisfaction of the Rating Agency Condition with respect to any Rating Agency, amend or waive the "non-petition" or "limited recourse" provisions of this Indenture, the Notes, the Account Control Agreement, the Servicing Agreement, the Trust Agreement, the Trust Administration Agreement, the Trust Certificate (and any Agreement relating thereto), the Servicing Agreement or any other material agreement to which the Issuer is a party; or

(x) fail to comply with the provisions of Section 4.01 of the Trust Agreement.

(b) Neither the Issuer nor the Indenture Trustee shall (or shall cause the Intermediate Trust to) sell, transfer, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or encumber (or permit such to occur or suffer such to exist with respect to), any part of the Collateral or the Underlying Mortgage Pool, as applicable, or enter into or engage in any business with respect to any part of the Collateral or the Underlying Mortgage Pool, as applicable, except, in each of the foregoing cases, as permitted by this Indenture and the Servicing Agreement.

(c) The Issuer shall keep all of its assets in the Intermediate Trust Certificate, Eligible Investments and Cash.

(d) The Issuer shall not acquire or form any subsidiary (other than the Intermediate Trust or a Permitted Subsidiary) or employ any employees (other than its managers).

(e) No transfer or financing of a Retained Security or a retained or repurchased Senior Note shall be permitted except in accordance with clauses (o), (p) and (q) of Section 2.4.

Section 7.9 Statement as to Compliance.

On or before January 31st in each calendar year commencing in 2018, or immediately if there has been an Indenture Event of Default under this Indenture, the Issuer shall deliver to the Indenture Trustee, each Noteholder and Holder of the Trust Certificate making a written request therefor and to the Rule 17g-5 Information Provider for posting to the Rule 17g-5 Website (and shall then deliver to the Rating Agencies in compliance with Rule 17g-5) an Officer's Certificate of the Issuer stating, as to each signer thereof, that:

(a) a review of the activities of the Issuer and of the Issuer's performance under this Indenture during the twelve-month period ending on December 31st of the previous year has been made under such Officer's supervision (or from the Closing Date until December 31, 2017, in the case of the first such certificate) based on reports and other information delivered to such Officer by the Indenture Trustee; and

(b) to the best of such Officer's knowledge, information and belief (and without personal knowledge), based on such review, the Issuer has fulfilled all of its obligations under this Indenture throughout the period, or, if there has been an Indenture Event of Default or an occurrence that is, or with notice or lapse of time or both would become, an Indenture Event of Default, has occurred, specifying each such Indenture Event of Default or occurrence known to such Officer and the nature and status thereof, including actions undertaken to remedy the same.

Section 7.10 Issuer may Consolidate, Etc., Only on Certain Terms.

(a) The Issuer shall not consolidate or merge with or into any other Person or transfer or convey all or substantially all of its assets to any Person unless:

(i) the Issuer shall be the surviving entity, or the Person (if other than the Issuer) formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall be an entity organized and existing under the laws of the State of Delaware or such other jurisdiction approved by the Majority Holders of the Senior Notes and the Majority Holder of the Class D Notes; *provided* that no such approval shall be required in connection with any such transaction undertaken solely to effect a change in the jurisdiction of formation pursuant to Section 7.4 hereof; and provided, further, that the surviving entity shall expressly assume, by an indenture supplemental hereto, executed and delivered to the Indenture Trustee and each Noteholder, the due and punctual payment of the principal of and interest on all Notes and other amounts payable hereunder and the performance and observance of every covenant of this Indenture on the part of the Issuer to be performed or observed, all as provided herein;

(ii) the Rating Agency Condition with respect to each Rating Agency has been satisfied;

(iii) if the Issuer is not the surviving entity, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall have agreed with the Indenture Trustee (A) to observe the same legal requirements for the recognition of such formed or surviving entity as a legal entity separate and apart from any of its Affiliates as are applicable to the Issuer with respect to its Affiliates and (B) not to consolidate or merge with or into any other Person or transfer or convey all or substantially all of the Collateral or all or substantially all of its assets to any other Person except in accordance with the provisions of this Section 7.10, unless in connection with a sale of the Collateral pursuant to Article V, Article IX or Article XII;

(iv) if the Issuer is not the surviving entity, the Person formed by such consolidation or into which the Issuer is merged or to which all or substantially all of the assets of the Issuer are transferred shall have delivered to the Indenture Trustee and, after delivery of such information to the Rule 17g-5 Information Provider for prior posting to the Rule 17g-5 Website, the Rating Agencies, an Officer's Certificate and an Opinion of Counsel each stating that such Person is duly organized, validly existing and in good standing in the jurisdiction in which such Person is organized; that such Person has sufficient power and authority to assume the obligations set forth in Section 7.10(a)(i) above and to execute and deliver an indenture supplemental hereto for the purpose of assuming such obligations; that such Person has duly authorized the execution, delivery and performance of an indenture supplemental hereto for the purpose of assuming such obligations and that such supplemental indenture is a valid, legal and binding obligation of such Person, enforceable in accordance with its terms, subject only to bankruptcy, reorganization, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally and to general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law); that, immediately following the event which causes such Person to become the successor to the Issuer, (A) such Person has good and marketable title, free and clear of any lien, security interest or charge, other than the lien and security interest of this Indenture, to the Collateral securing, in the case of a consolidation or merger of the Issuer, all of the Notes or, in the case of any transfer or conveyance of the Collateral securing any of the Notes, such Notes, (B) the Indenture Trustee continues to have a valid perfected first priority security interest in the Collateral securing, in the case of a consolidation or merger of the Issuer, all of the Notes, or, in the case of any transfer or conveyance of the Collateral securing any of the Notes, such Notes and (C) such other matters as the Indenture Trustee or any Noteholder may reasonably require;

(v) immediately after giving effect to such transaction, no Default or Indenture Event of Default shall have occurred and be continuing;

(vi) the Issuer shall have delivered to the Indenture Trustee, the Servicer and each Noteholder, an Officer's Certificate and an Opinion of Counsel each stating that such consolidation, merger, transfer or conveyance and such supplemental indenture comply

with this Article VII and that all conditions precedent in this Article VII provided for relating to such transaction have been complied with;

(vii) the Issuer has received an opinion from Orrick, Herrington & Sutcliffe LLP, Winston & Strawn LLP, Ledgewood, P.C. or an opinion of other nationally recognized U.S. tax counsel experienced in such matters that such action will not adversely affect the tax treatment of the Noteholders as described in the Offering Circular under the heading "Certain U.S. Federal Income Tax Considerations" to any material extent; and

(viii) after giving effect to such transaction, the Issuer shall not be required to register as an investment company under the Investment Company Act.

Section 7.11 Successor Substituted.

Upon any consolidation or merger, or transfer or conveyance of all or substantially all of the assets of the Issuer, in accordance with Section 7.10 hereof, the Person formed by or surviving such consolidation or merger (if other than the Issuer), or, the Person to which such transfer or conveyance is made, shall succeed to, and be substituted for, and may exercise every right and power of, and shall be bound by each obligation or covenant of, the Issuer, as the case may be, under this Indenture with the same effect as if such Person had been named as the Issuer, as the case may be, herein. In the event of any such consolidation, merger, transfer or conveyance, the Person named as the "Issuer" in the first paragraph of this Indenture or any successor which shall theretofore have become such in the manner prescribed in this Section 7.11 may be dissolved, wound-up and liquidated at any time thereafter, and such Person thereafter shall be released from its liabilities as obligor and maker on all the Notes and from its obligations under this Indenture.

Section 7.12 No Other Business.

The Issuer shall not engage in any business or activity other than issuing and selling the Notes and the Trust Certificate pursuant to this Indenture and any supplements thereto, entering into the Servicing Agreement, the Purchase and Sale Agreements, the Future Funding Agreement, the Account Control Agreement, the Future Funding Account Control Agreement, the Trust Agreement and the Trust Administration Agreement and acquiring, owning, holding, disposing of and pledging the Mortgage Loans in connection with the Notes and such other activities which are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.

Section 7.13 Reporting.

At any time when the Issuer is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, upon the request of a Holder or Beneficial Owner of a Note, the Issuer shall promptly furnish or cause to be furnished Rule 144A Information to such Holder or Beneficial Owner, to a prospective purchaser of such Note designated by such Holder or Beneficial Owner or to the Indenture Trustee to be made available to such Holder or Beneficial Owner or a prospective purchaser designated by such Holder or Beneficial Owner, as the case may be, in order to permit compliance by such Holder or Beneficial Owner with Rule 144A under the Securities Act in connection with the resale of such Note by such Holder or Beneficial Owner.

Section 7.14 Calculation Agent.

(a) The Issuer hereby agrees that for so long as any of the Notes remain Outstanding the Issuer will at all times cause there to be an agent appointed to calculate LIBOR in respect of each Interest Period in accordance with the terms of Schedule B hereto (the "**Calculation Agent**"), which agent shall be a financial institution, having a combined capital and surplus of at least $200,000,000, subject to supervision or examination by federal or state banking authorities, having (1) a long-term debt rating of at least (i) "A" by KBRA and (ii) "A2" by Moody's and (2) a short-term debt rating of at least "P-1" by Moody's, or shall be otherwise acceptable to each Rating Agency and having an office within the United States. The Issuer has initially appointed the Indenture Trustee as Calculation Agent for purposes of determining LIBOR for each Interest Period. The Calculation Agent may be removed by the Issuer at any time. If the Calculation Agent is unable or unwilling to act as such, is removed by the Issuer or fails to determine the Note Interest Rate for (or the amount of interest payable to) any Class of Notes for any Interest Period, the Issuer shall promptly appoint as a replacement Calculation Agent a leading bank which is engaged in transactions in Dollar deposits in the international Eurodollar market and which does not control or is not controlled by or under common control with the Issuer or any of its Affiliates. The Calculation Agent may not resign its duties without a successor having been duly appointed. The determination of the Note Interest Rate (and the related Interest Distribution Amount) for each Class of Notes for each Interest Period by the Calculation Agent shall (in the absence of manifest error) be final and binding on all parties.

(b) The Calculation Agent shall calculate the Note Interest Rate for each Class of Notes for the related Interest Period and the amount of interest for such Interest Period payable on the related Payment Date in respect of each $1,000 principal amount of each Class of Notes. The Calculation Agent will make such information available on its website via the related Monthly Report to the Issuer, the Servicer, the Special Servicer, the Indenture Trustee, the Paying Agent, the Depository, and, if requested, Euroclear and Clearstream; *provided*, that if the Calculation Agent and the Indenture Trustee are not the same Person, the Calculation Agent shall deliver such rates and amounts prior to such Payment Date, and provided, further, that the Calculation Agent shall deliver such rates and amounts prior to such Payment Date upon request by any of the foregoing. The Calculation Agent will also specify, upon request, to the Issuer and the Indenture Trustee the quotations upon which the Note Interest Rates are based.

Section 7.15 Amendment or Termination of Certain Documents.

Prior to entering into any amendment to or termination of the Account Control Agreement, the Trust Agreement, the Intermediate Trust Agreement, the Purchase and Sale Agreements, the Trust Administration Agreement, the Intermediate Trust Administration Agreement or the Servicing Agreement, the Issuer shall notify the Rating Agencies of such amendment or termination (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website). Prior to granting any waiver in respect of any of the foregoing agreements, the Issuer shall provide the Rating Agencies (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website), the Servicer and the Indenture Trustee with written notice thereof. If the Issuer has knowledge of any material breach of any of the foregoing agreements, then the Issuer shall provide notice of such breach to the Rating Agencies. In addition, without prior notice to the Noteholders, without the consent of

the Noteholders and without satisfaction of the Rating Agency Condition with respect to any Rating Agency, the Indenture Trustee may at any time and from time to time (1) consent to any request not otherwise permitted under this Section 7.15, waive any provision of, or agree to any amendment or supplement to, any of the documents referenced in this Section 7.15 if such amendment or supplement will not materially adversely affect the interests of the Noteholders or (2) enter into one or more amendments to any of the documents referenced in this Section 7.15, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to conform such document to the provisions described in the Offering Circular (or any supplement thereto);

(ii) to correct any inconsistency or cure any defect, ambiguity, omission or mistake in such document or in order to address any manifest error in any provision of such document; or

(iii) make any modification that is immaterial or technical in nature.

The Indenture Trustee shall be entitled to receive and conclusively rely upon an Officer's Certificate of the Issuer (or the Servicer on its behalf) or an Opinion of Counsel, provided by and at the expense of the Issuer, stating whether or not any such Class of Notes would be materially and adversely affected by such change (after giving notice of such change to the Holders of the Notes). Such determination shall be conclusive and binding on all present and future Noteholders. The Indenture Trustee shall not be liable for any such determination made in good faith and in reliance in good faith upon an Opinion of Counsel delivered to the Indenture Trustee.

Section 7.16 Permitted Subsidiaries.

Notwithstanding any other provision of this Indenture, the Servicer on behalf of the Issuer shall be permitted to cause the Intermediate Trust (by written direction to the Servicer, the Special Servicer and/or the Intermediate Trust Trustee, as applicable) at any time to transfer any Sensitive Assets to a Permitted Subsidiary of the Issuer (such Sensitive Asset to be deemed distributed to the Issuer and immediately contributed to the applicable Permitted Subsidiary) or to cause the Intermediate Trust to form a Permitted Subsidiary to hold such Sensitive Assets. Prior to causing any such transfer to occur, the Issuer shall deliver to the Indenture Trustee and the Rule 17g-5 Information Provider (for posting to the Rule 17g-5 Website) written notice of its intent to cause such transfer and an Opinion of Counsel to the effect that this Indenture creates a security interest in the applicable Permitted Subsidiary and such security interest has been perfected for the benefit of the Secured Parties. The following provisions shall apply to all Sensitive Assets and Permitted Subsidiaries:

(a) For all purposes under this Indenture, any Sensitive Asset transferred to a Permitted Subsidiary shall be treated as if it were still part of the Underlying Mortgage Pool and owned by the Intermediate Trust.

(b) Any distribution of Cash by a Permitted Subsidiary to the Issuer shall be characterized as Interest Proceeds or Principal Proceeds to the same extent that such Cash would have been characterized as Interest Proceeds or Principal Proceeds if it were a distribution on the Intermediate Trust Certificate and each Permitted Subsidiary shall cause all proceeds of and

collections on each Sensitive Asset owned by such Permitted Subsidiary to be deposited into the applicable Collection Account.

(c) To the extent applicable, the Issuer shall establish one or more Securities Accounts with the Custodian for the benefit of each Permitted Subsidiary and shall, to the extent applicable, cause Sensitive Assets to be credited to such Securities Accounts.

(d) If the Indenture Trustee or any other authorized party takes any action under this Indenture to sell, liquidate or dispose of all or substantially all of the Collateral or to cause the sale, liquidation or disposition of all or substantially all of the Underlying Mortgage Pool, the Issuer or the Servicer on the Issuer's behalf shall cause each Permitted Subsidiary to sell each Sensitive Asset and all other assets held by such Permitted Subsidiary and distribute the proceeds of such sale, net of any amounts necessary to satisfy any related expenses and tax liabilities, in the same manner as a Distribution on the Intermediate Trust Certificate.

(e) Each Permitted Subsidiary shall comply with each covenant set forth in subsections (a) and (b) of Section 7.4 of this Indenture as if such covenant were applicable to it as an entity of its type organized or formed in its related jurisdiction, *mutatis mutandis*, provided that (i) the reference to "Section 4.01 of the Trust Agreement" in the first sentence of subsection (b) shall be deemed replaced with a reference to "Section 4.01 of the Trust Agreement or Section 2.06 of the Intermediate Trust Agreement, as applicable," and (ii) the reference in clause (ii) (C) of the last sentence of subsection (b) to "Trust Agreement" shall be deemed replaced by a reference to "Trust Agreement or the Intermediate Trust Agreement, as applicable".

Section 7.17 Repurchase Requests.

If the Issuer or the Indenture Trustee receives or otherwise becomes aware of any request or demand that a Mortgage Loan be repurchased due to any breach of a representation or warranty or document defect made with respect to such Mortgage Loan or with respect to a Related Funded Companion Participation, upon the occurrence of the event specified in Section 12.4(d) hereof (any such request or demand, a "**Repurchase Request**") or a withdrawal of a Repurchase Request from any Person, then the Indenture Trustee or the Issuer, as applicable, shall promptly forward or otherwise provide written notice of such Repurchase Request or withdrawal of a Repurchase Request, as the case may be, to the Servicer, and include the following statement in the related correspondence: "This is a "[Repurchase Request]/[withdrawal of a Repurchase Request]" under Section 3.18 of the Servicing Agreement relating to RAIT 2017-FL7 Trust requiring action by you as the "Repurchase Request Recipient" thereunder." Upon receipt of such Repurchase Request or withdrawal of a Repurchase Request by the Indenture Trustee or Issuer pursuant to the prior sentence, the Servicer shall be deemed to be the Repurchase Request Recipient in respect of such Repurchase Request or withdrawal of a Repurchase Request, as the case may be, and shall be responsible for complying with the procedures set forth in Section 3.18 of the Servicing Agreement with respect to such Repurchase Request. If the Indenture Trustee or the Issuer receives notice or has knowledge of a withdrawal of a Repurchase Request of which notice has been previously received or given, and such notice was not received from or copied to the Servicer, then the Indenture Trustee or the Servicer on behalf of the Issuer, as applicable, shall promptly give notice of such withdrawal to the Servicer.

Section 7.18 [Reserved.]

Section 7.19 Purchase of the Delayed Close Mortgage Loan(s) After the Closing Date.

The Issuer shall (or shall cause the Special Servicer on its behalf to), prior to the Unused Proceeds Release Date, use commercially reasonable efforts to apply amounts on deposit in the Unused Proceeds Account to purchase the Delayed Close Mortgage Loan(s), in accordance with Section 10.5(c) and Section 12.2 on behalf of and for inclusion in the Intermediate Trust.

Section 7.20 Qualified REIT Subsidiary Status.

Each of the Issuer and the Intermediate Trust is intended to qualify as an Issuer Parent Disregarded Entity.

Section 7.21 ABS Due Diligence Services

If any of the parties to this Agreement receives a Form ABS Due Diligence-15E from any party in connection with any third-party due diligence services such party may have provided with respect to the Mortgage Loans (any such party a "Due Diligence Service Provider"), such receiving party shall promptly forward such Form ABS Due Diligence-15E to the Rule 17g-5 Information Provider for posting on the Rule 17g-5 Website. The Rule 17g-5 Information Provider shall post on the Rule 17g-5 Website any Form ABS Due Diligence-15E it receives directly from a Due Diligence Service Provider or from another party to this Agreement, promptly upon receipt thereof.

ARTICLE VIII

SUPPLEMENTAL INDENTURES

Section 8.1 Supplemental Indentures Without Consent of Noteholders.

(a) Without the consent of the Noteholders and without satisfaction of the Rating Agency Condition with respect to each Rating Agency (except as otherwise expressly set forth in this Section 8.1), the Issuer and the Indenture Trustee, at any time and from time to time subject to the requirements provided below in this Section 8.1 and subject to Section 8.3 hereof, may enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) to evidence the succession of another Person to the Issuer and the assumption by any such successor Person of the covenants of the Issuer herein and in the Notes pursuant to Section 7.10 or 7.11 hereof;

(ii) to add to the covenants of the Issuer or the Indenture Trustee for the benefit of the Holders of all of the Notes or to surrender any right or power herein conferred upon the Issuer;

(iii) to convey, transfer, assign, mortgage or pledge any property to the Indenture Trustee for the benefit of the Secured Parties or add to the conditions, limitations or restrictions on the authorized amount, terms and purposes of the issue, authentication and delivery of the Notes;

(iv) to evidence and provide for the acceptance of appointment hereunder by a successor Indenture Trustee and to add to or change any of the provisions of this Indenture as shall be necessary to facilitate the administration of the trusts hereunder by more than one Indenture Trustee, pursuant to the requirements of Sections 6.9, 6.10 and 6.12 hereof;

(v) to correct or amplify the description of any property at any time subject to the lien of this Indenture, or to better assure, convey and confirm unto the Indenture Trustee any property subject or required to be subjected to the lien of this Indenture (including, without limitation, any and all actions necessary or desirable as a result of changes in law or regulations) or to subject any additional property to the lien of this Indenture;

(vi) to modify the restrictions on and procedures for resales and other transfers of the Notes to reflect any changes in any applicable law or regulation (or the interpretation thereof) or in accordance with the USA PATRIOT Act and any other similar applicable laws or regulations or to enable the Issuer to rely upon any less restrictive exemption from registration under the Securities Act, the Exchange Act, the Investment Company Act or other applicable law or to remove restrictions on resale and transfer to the extent not required thereunder;

(vii) to obtain ratings on one or more Classes of the Notes from any rating agency;

(viii) evidence any waiver or elimination by the Rating Agencies of any requirement or condition of the Rating Agencies set forth herein or to amend or supplement any provision of this Indenture to the extent necessary to maintain the then-current ratings assigned to the Notes;

(ix) to accommodate the issuance of any Class of Notes to be held through the facilities of DTC, Euroclear or Clearstream or otherwise;

(x) to accommodate the issuance of any Class of Notes as Definitive Notes;

(xi) to make administrative changes as the Issuer deems appropriate and that do not materially and adversely affect the interests of any Noteholder;

(xii) to take any action commercially reasonably necessary or advisable to prevent the Issuer or the Intermediate Trust from becoming subject to an entity-level tax for U.S. federal income tax purposes, or to prevent the Issuer or the Intermediate Trust, the Holders of the Notes, the Holder of the Trust Certificate or the Indenture Trustee from being subject to withholding or other taxes, fees or assessments or otherwise subject to U.S. federal, state, local or foreign income or franchise tax on a net income tax basis;

(xiii) evidence changes to applicable laws and regulations;

(xiv) reduce the minimum denominations required for transfer of the Notes;

(xv) modify the provisions of this Indenture with respect to reimbursement of Nonrecoverable Interest Advances if (a) the Advancing Agent or Backup Advancing Agent determines that the commercial mortgage securitization industry standard for such provisions has changed, in order to conform to such industry standard and (b) such modification does not adversely affect the status of the Issuer or Intermediate Trust for federal income tax purposes, as evidenced by an Opinion of Counsel;

(xvi) modify the procedures set forth in this Indenture relating to compliance with Rule 17g-5 of the Exchange Act; *provided* that the change would not materially increase the obligations of the Indenture Trustee, the Paying Agent, the Operating Advisor or the Servicer; *provided*, *further*, that the Rule 17g-5 Information Provider shall post to the Rule 17g-5 Website and, thereafter, the Indenture Trustee shall provide notice of any such amendment pursuant to this clause (xvi) to the Rating Agencies; and

(xvii) make any change to any other provisions with respect to matters or questions arising under this Indenture; *provided* that the required action will not adversely affect in any material respect the interests of any Noteholders not consenting thereto, as evidenced by (a) an Opinion of Counsel or (b) satisfaction of the Rating Agency Condition with respect to each Rating Agency.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Indenture Trustee shall not be obligated to enter into any such supplemental indenture which affects the Indenture Trustee's own rights, duties, liabilities or indemnities under this Indenture or otherwise, except to the extent required by law.

(b) Notwithstanding Section 8.1(a) or any other provision of this Indenture, without prior notice to the Noteholders, without the consent of the Noteholders and without satisfaction of the Rating Agency Condition with respect to any Rating Agency, the Issuer and the Indenture Trustee may at any time and from time to time enter into one or more indentures supplemental hereto, in form satisfactory to the Indenture Trustee, for any of the following purposes:

(i) conform this Indenture to the provisions described in the Offering Circular (or any supplement thereto);

(ii) to correct any inconsistency or cure any defect, ambiguity, omission or mistake in this Indenture or in order to address any manifest error in any provision of this Indenture; or

(iii) make any modification that is immaterial or technical in nature.

Section 8.2 Supplemental Indentures With Consent of Noteholders.

The Indenture Trustee and Issuer may, subject to Section 8.3 hereof, enter into one or more indentures supplemental hereto to add any provisions to, or change in any manner or

eliminate any of the provisions of, this Indenture or modify in any manner the rights of the Holders of the Notes of any Class under this Indenture only with the consent of the Majority Holders of any Class or Classes of the Notes materially and adversely affected thereby (excluding any Notes owned by RAIT Partnership or any of its affiliates or by any accounts managed by them) by Act of said Noteholders or by written consent of the Noteholders delivered to the Indenture Trustee and the Issuer. Unless the Indenture Trustee is notified (after giving (x) 10 Business Days' notice of such change to the Rating Agencies and the Holders of the Notes requesting notification by such Noteholders if any such Noteholders would be materially and adversely affected by the proposed supplemental indenture and (y) following such initial 10 Business Day period, an additional 5 Business Days' notice to any holder of Notes that did not respond to the initial notice) by the Majority Holders of the Notes of any Class that will be materially and adversely affected by the proposed supplemental indenture (excluding any Notes owned by RAIT Partnership or any of its affiliates or by any accounts managed by them), the interests of the Holders of the Notes of such Class will not be deemed to be materially and adversely affected by such proposed supplemental indenture and the Indenture Trustee will be permitted to enter into such supplemental indenture. Such determinations shall be conclusive and binding on all present and future Noteholders. The Indenture Trustee shall not be liable for any such determination made in good faith and in reliance upon the expiry of the foregoing time periods.

Notwithstanding anything in this Indenture to the contrary, no such supplemental indenture shall be entered into (other than to conform the provisions of this Indenture to the Offering Circular), without the consent of all of the Holders of the Outstanding Notes materially adversely affected thereby and, if materially adversely affected thereby, the Holder of the Trust Certificate (whose consent will be evidenced by an Officer's Certificate of the Issuer certifying that such consent has been obtained and upon which the Indenture Trustee is entitled to conclusively rely), if such supplemental indenture proposes to:

(i) change the Stated Maturity of the principal of or the due date of any installment of interest on any Note, reduce the principal amount thereof or the Note Interest Rate, or the Redemption Price with respect thereto, or change the earliest date on which the Issuer may redeem any Note, change the Priority of Payments so as to affect the application of proceeds of any Collateral to the payment of principal of or interest on the Notes or distributions on the Trust Certificate or change any place where, or the coin or currency in which, any Note or the principal thereof, or interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the Stated Maturity thereof (or, in the case of redemption, on or after the applicable Redemption Date);

(ii) reduce the percentage of the Aggregate Outstanding Amount of Holders of Notes of each Class whose consent is required (a) for the authorization of any such supplemental indenture or for any waiver of compliance with certain provisions of this Indenture or certain Defaults hereunder or their consequences provided for in this Indenture or (b) to request that the Indenture Trustee preserve the Collateral pledged under this Indenture or rescind the Indenture Trustee's election to preserve the Collateral or to sell or liquidate the Collateral pursuant to this Indenture;

(iii) materially impair or materially adversely affect the Collateral except as otherwise expressly permitted in this Indenture;

(iv) permit the creation of any lien ranking prior to or on a parity with the lien of this Indenture with respect to any part of the Collateral or terminate such lien on any property at any time subject hereto (other than in connection with the sale or exchange thereof in accordance with, or as otherwise permitted by, this Indenture) or deprive the Holder of any Note of the security afforded by the lien of this Indenture except, in each of the foregoing cases, as otherwise permitted by this Indenture;

(v) modify any of the provisions of this Section 8.2, except to increase any percentage of Aggregate Outstanding Amount of Holders of each Class whose consent is required for any action or to provide that certain other provisions of this Indenture cannot be modified or waived without the consent of the Holder of each Outstanding Note affected thereby;

(vi) modify the definition of the term "Outstanding," the definition of the term "Indenture Event of Default" or Section 11.1 or Section 13.1 hereof;

(vii) increase the permitted minimum denominations of any Class of Notes;

(viii) modify any of the provisions of this Indenture in such a manner as to affect directly the calculation of the amount of any payment of interest on or principal of any Note or the rights of the Holders of Notes to the benefit of any provisions for the redemption of such Notes contained herein;

(ix) amend the "non-petition" or "limited recourse" provisions of this Indenture or the Notes; or

(x) reduce the percentage interest of the Aggregate Outstanding Amount of Notes of each Class required for any matter pursuant to this Indenture.

The Indenture Trustee is hereby authorized to join in the execution of any such supplemental indenture and to make any further appropriate agreements and stipulations which may be therein contained, but the Indenture Trustee shall not be obligated to enter into any such supplemental indenture which affects the Indenture Trustee's own rights, duties, liabilities or indemnities under this Indenture or otherwise, except to the extent required by law.

The Indenture Trustee shall be entitled to receive and conclusively rely upon an Officer's Certificate of the Issuer (or the Servicer or the Trust Administrator on its behalf) or an Opinion of Counsel, provided by and at the expense of the Issuer, stating whether or not such Class of Notes would be materially and adversely affected by such change (after giving notice of such change to the Holders of the Notes). Such determination shall be conclusive and binding on all present and future Holders. The Indenture Trustee shall not be liable for any such determination made in good faith and in reliance in good faith upon an Opinion of Counsel delivered to the Indenture Trustee as described in Section 8.3 hereof.

It shall not be necessary for any Act of Noteholders under this Section 8.2 to approve the particular form of any proposed supplemental indenture, but it shall be sufficient if such Act or consent shall approve the substance thereof.

Section 8.3 Execution of Supplemental Indentures.

In executing or accepting the additional trusts created by any supplemental indenture permitted by this Article VIII or the modifications thereby of the trusts created by this Indenture, the Indenture Trustee shall receive, and (subject to Sections 6.1 and 6.3 hereof) shall be fully protected in relying in good faith upon an Opinion of Counsel, provided by and at the expense of the Issuer, stating that the execution of such supplemental indenture is authorized or permitted by this Indenture and that all conditions precedent thereto have been complied with. The Indenture Trustee may, but shall not be obligated to, enter into any such supplemental indenture which affects the Indenture Trustee's own rights, duties or indemnities under this Indenture or otherwise. The Indenture Trustee shall not enter into any supplemental indenture (including a supplemental indenture entered into pursuant to Section 8.1 or 8.2 hereof) that modifies the rights or obligations of the Servicer in any respect or may reasonably be expected to materially and adversely affect the Servicer without the prior written consent of the Servicer, and the Servicer shall not be bound by any amendment to this Indenture which modifies the rights or obligations of the Servicer unless the Servicer shall have consented thereto in writing. The cost of any amendment entered into hereunder shall be paid out of the RAIT 2017-FL7 Trust unless such amendment is requested by any party to this Indenture at the request of, and on behalf of the Noteholders, in which case the cost of such amendment shall be paid by the requesting Noteholders.

Promptly after the execution by the Issuer and the Indenture Trustee of any supplemental indenture pursuant to Section 8.1 or Section 8.2, the Indenture Trustee, at the expense of the Issuer, shall mail a copy thereof to the Noteholders, the Servicer, the Operating Advisor and, after delivery of a copy thereof to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website, the Rating Agencies. Any failure of the Indenture Trustee to publish or mail such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such supplemental indenture.

As long as any Note is Outstanding, the Issuer shall not enter into any supplemental indenture unless the Issuer receives advice from Orrick, Herrington & Sutcliffe LLP, Winston & Strawn LLP or Ledgewood, P.C. or receives an opinion of another nationally recognized tax counsel experienced in such matters that such supplemental indenture will not (i) cause the Issuer or the Intermediate Trust to be treated as an association taxable as a corporation, a "taxable mortgage pool" or a "publicly traded partnership" for U.S. federal income tax purposes that, in each case, is subject to U.S. federal, state or local income tax on a net income basis, or (ii) unless the Majority Holders of each affected Class have consented thereto, cause or constitute an event in which gain or loss would be recognized by any Noteholder of such Class. The Indenture Trustee shall be entitled to rely upon the receipt of notice from the Rating Agencies or the Requesting Party, which may be in electronic form, that the Rating Agency Condition with respect to each Rating Agency has been satisfied.

Section 8.4 Effect of Supplemental Indentures.

Upon the execution of any supplemental indenture under this Article VIII, this Indenture shall be modified in accordance therewith, and such supplemental indenture shall form a part of this Indenture for all purposes; and every Holder of Notes theretofore and thereafter authenticated and delivered hereunder shall be bound thereby.

Section 8.5 Reference in Notes to Supplemental Indentures.

Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article VIII may, and if required by the Indenture Trustee shall, bear a notation in form approved by the Indenture Trustee as to any matter provided for in such supplemental indenture. If the Issuer shall so determine, new Notes, so modified as to conform in the opinion of the Indenture Trustee and the Issuer to any such supplemental indenture, may be prepared and executed by the Issuer and authenticated and delivered by the Indenture Trustee in exchange for Outstanding Notes.

ARTICLE IX

REDEMPTION OF NOTES

Section 9.1 Clean-up Call, Optional Redemption and Tax Redemption.

(a) The Notes may be redeemed by the Issuer at the option of and at the direction of the Holders of at least 66⅔% of the Aggregate Outstanding Amount of the Class G Notes, in whole but not in part, on any Payment Date (the "**Clean-up Call Date**"), on or after the Payment Date on which the Aggregate Outstanding Amount of the Principal Balance Notes (excluding any Class C Deferred Interest Amount, Class D Deferred Interest Amount, Class E Deferred Interest Amount and Class F Deferred Interest Amount) has been reduced to 10% or less of the Aggregate Outstanding Amount of the Principal Balance Notes on the Closing Date, at a price equal to the applicable Redemption Prices (such redemption, a "**Clean-up Call**"); and *provided*, that the funds available to be used for such Clean-up Call are at least equal to the Total Redemption Amount. Disposition of Mortgage Loans in connection with a Clean-up Call may include sales of Mortgage Loans to more than one purchaser, including by means of sales of participation interests in one or more Mortgage Loans to more than one purchaser.

(b) The Notes shall be redeemable (in whole but not in part) on any Payment Date (such redemption, an "**Optional Redemption**") from the Sale Proceeds and all Cash and Eligible Investments maturing on or prior to the scheduled Redemption Date credited to the Interest Collection Account, the Principal Collection Account, the Expense Account and the Note Payment Account ("**Available Redemption Funds**"), at the written direction of the Holders of at least 66⅔% of the Aggregate Outstanding Amount of the Class G Notes, at the applicable Redemption Prices; *provided* that (i) no such Optional Redemption may be effected prior to the Payment Date occurring in June 2019 and (ii) subject to the next paragraph, the Available Redemption Funds on the relevant Payment Date are at least equal to the Total Redemption Amount.

In the case of an Optional Redemption, if the holder of the Class G Notes also owns 100% of the Class E and/or 100% of the Class F Notes, in lieu of paying the Redemption Price for one or more of such classes, such holder may elect to exchange such Notes for the Intermediate Trust Certificate and immediately thereafter exchange the Intermediate Trust Certificate for all of the remaining Mortgage Loans and other assets of the Intermediate Trust. In such event, the Total Redemption Amount referred to in clause (ii) of the proviso to the prior paragraph shall exclude the cash Redemption Prices for the Classes subject to such election.

(c) Upon the occurrence of a Tax Event and if the Tax Materiality Condition is satisfied, the Notes shall be redeemable by the Issuer on any Payment Date (such redemption, a "**Tax Redemption**") in whole but not in part at the written direction of the Holders of at least 66⅔% of the Aggregate Outstanding Amount of the Class G Notes from Available Redemption Funds on such Payment Date at the applicable Redemption Price; and *provided further*, that Available Redemption Funds on the relevant Payment Date are at least equal to the Total Redemption Amount.

(d) In the event of an Optional Redemption, Clean-up Call or Tax Redemption, unless the Holders of at least 66⅔% of the Aggregate Outstanding Amount of the Class G Notes have requested the Issuer to redeem the Class G Notes on such Payment Date, the amount of Mortgage Loans sold in connection with such Optional Redemption, Clean-up Call or Tax Redemption shall not exceed by any material amount the amount necessary for the Issuer to obtain the Total Redemption Amount. In addition, for the avoidance of doubt no Tax Redemption may be effected unless the Tax Materiality Condition is satisfied.

Section 9.2 Redemption Procedures for Optional Redemption, Clean-up Call or Tax Redemption.

(a) The Notes may not be redeemed pursuant to Section 9.1 hereof unless at least six Business Days before the scheduled Redemption Date, the Issuer shall have furnished to the Indenture Trustee evidence (such evidence to be sent via electronic mail to cts.cmbs.bond.admin@wellsfargo.com indicating firm bids or an Officer's Certificate of the Issuer), and certifies to the Indenture Trustee, that the Issuer (x) has entered or caused the Intermediate Trust to enter into a binding agreement or agreements with, or (y) has obtained or caused to be obtained firm bids from one or more Qualified Buyers pursuant to which the Issuer has agreed or caused the Intermediate Trust to agree to sell, not later than the Business Day immediately preceding the scheduled Redemption Date, all or part of the Mortgage Loans at a sale price (including in such price the sale of accrued interest) that, when added to other Available Redemption Funds on the relevant Payment Date, is at least equal to an amount sufficient to pay (in accordance with the Priority of Payments) the Total Redemption Amount.

(b) Installments of principal and interest due on or prior to a Redemption Date shall continue to be payable to the Holders of such Notes as of the relevant Record Dates according to their terms. The election of the Issuer to redeem any Notes pursuant to Section 9.1 hereof shall be evidenced by an Issuer Order directing the Indenture Trustee to make the payment to the Paying Agent of the Redemption Price of all of the Notes to be redeemed from funds in the Note Payment Account in accordance with the Priority of Payments. The Issuer shall deposit, or cause to be deposited, the funds required for an Optional Redemption, Clean-up Call or Tax Redemption

pursuant to Section 9.1 hereof in the Note Payment Account on or before the fifth Business Day prior to the Redemption Date or, if later, upon receipt.

(c) The Issuer shall set the Redemption Date and the applicable Record Date and give notice thereof to the Indenture Trustee pursuant to Section 9.3 hereof.

(d) Any amounts applied to the redemption of the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes pursuant to Section 9.1 hereof shall be applied to the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes respectively, in each case, *pro rata* in accordance with the Aggregate Outstanding Amounts of such Class of Notes on the date of such redemption.

Section 9.3 Notice to Indenture Trustee of Optional Redemption, Clean-up Call or Tax Redemption.

In the event of any redemption pursuant to Section 9.1 hereof, the Issuer shall, at least 45 days (but not more than 90 days) prior to the scheduled Redemption Date, notify the Indenture Trustee, the Rule 17g-5 Information Provider (for posting on the Rule 17g-5 Website), the Rating Agencies (after delivery to the Rule 17g-5 Information Provider), the Servicer, the Operating Advisor, the Holders of the Notes of the Controlling Class and the Paying Agent of such Redemption Date, the applicable Record Date, the principal amount of each Class of Notes to be redeemed on such Redemption Date and the Redemption Price of such Notes in accordance with Section 9.1 hereof.

Section 9.4 Notice of Optional Redemption, Clean-up Call or Tax Redemption or Maturity by the Issuer.

Notice of redemption pursuant to Section 9.1 hereof or the Maturity of any Class of Notes shall be given by the Indenture Trustee in the manner provided in Section 14.4 hereof not less than 10 Business Days prior to the applicable Redemption Date or Maturity to each Holder of Notes to be redeemed pursuant to Section 9.1 hereof or to mature, at such Holder's address in the Note Register with a copy of such notice to the Rating Agencies.

All notices of redemption shall state:

(i) the applicable Redemption Date;

(ii) the applicable Record Date;

(iii) the Redemption Price;

(iv) the principal amount of each Class of Notes to be redeemed shall terminate and that interest on such principal amount of Notes shall cease to accrue on the date specified in the notice; and

(v) the place or places where such Notes are to be surrendered for payment of the Redemption Price, which shall be the Corporate Trust Office of the Indenture Trustee.

The notice of redemption with respect to an Optional Redemption, Clean-Up Call or Tax Redemption shall be withdrawn by the Issuer on or prior to the fifth Business Day preceding the scheduled Redemption Date by written notice to the Indenture Trustee, the Operating Advisor, the Rule 17g-5 Information Provider (for posting to the Rule 17g-5 Website), the Rating Agencies (after delivery to the Rule 17g-5 Information Provider) and the Holders of the Notes if on or prior to the sixth Business Day preceding the scheduled Redemption Date (i) the Issuer has not delivered to the Indenture Trustee the certification required to be delivered by the Issuer pursuant to Section 12.1(b)(ii)(x) hereof, (ii) the Independent accountants appointed by the Issuer have not confirmed in writing the calculations made in such certification pursuant to Section 12.1(b)(ii)(y) hereof or (iii) in the case of a Cash Purchaser, such purchaser has not paid the purchase price in full to the Issuer or escrowed the purchase price pursuant to an arrangement reasonably acceptable to the Issuer and the Indenture Trustee on or prior to the sixth Business Day preceding the scheduled Redemption Date.

At the cost of the Issuer, the Indenture Trustee shall give notice to each Holder of Notes to be redeemed of any withdrawal by overnight courier guaranteeing next day delivery, sent not later than the fifth Business Day prior to the scheduled Redemption Date, at such Holder's address in the Note Register maintained by the Note Registrar, and to the Rule 17g-5 Information Provider (for posting to the Rule 17g-5 Website) and the Rating Agencies (after delivery to the Rule 17g-5 Information Provider).

Notice of redemption shall be given by the Issuer or, at the Issuer's request following notice to the Indenture Trustee in accordance with Section 9.3 hereof, by the Indenture Trustee in the name and at the expense of the Issuer. Failure to give notice of redemption, or any defect therein, to any Holder of any Note selected for redemption shall not impair or affect the validity of the redemption of any other Notes.

Section 9.5 Notes Payable on Redemption Date.

Notice of redemption having been given as aforesaid, the Notes to be so redeemed shall, on the Redemption Date, become due and payable at the Redemption Price therein specified and from and after the Redemption Date (unless the Issuer shall default in the payment of the Redemption Price and accrued interest, if any) such Notes shall cease to bear interest on the Redemption Date. Upon final payment on a Note to be redeemed, the Holder shall present and surrender such Note at the place specified in the notice of redemption on or prior to such Redemption Date; *provided* that if there is delivered to the Issuer and the Indenture Trustee (i) in the case of a Holder that is not a Qualified Institutional Buyer, such security or indemnity as may be required by them to save each of them harmless (an unsecured indemnity agreement delivered to the Issuer and the Indenture Trustee by an institutional investor with a net worth of at least U.S. $200,000,000 being deemed to satisfy such security or indemnity requirement) and (ii) an undertaking thereafter to surrender such Note, then, in the absence of notice to the Issuer and the Indenture Trustee that the applicable Note has been acquired by a *bona fide* purchaser, such final payment shall be made without presentation or surrender. Installments of interest on Notes of a Class so to be redeemed whose Stated Maturity is on or prior to the Redemption Date shall be payable to the Holders of such Notes, or one or more predecessor Notes, registered as such at the close of business on the relevant Record Date according to the terms and provisions of Section 2.6(l) hereof.

If any Note called for redemption shall not be paid upon surrender thereof for redemption, the principal thereof shall, until paid, bear interest from the Redemption Date at the applicable Note Interest Rate for each successive Interest Period the Note remains Outstanding.

However, in the case of an Optional Redemption, if the holder of the Class G Notes also owns 100% of the Class E Notes and/or 100% of the Class F Notes, in lieu of paying the Redemption Price for one or more of such Classes, such holder may elect to exchange such Notes for the Intermediate Trust Certificate (which shall be immediately exchanged for all of the remaining Mortgage Loans and the other assets of the Intermediate Trust), and in such event, delivery of such Mortgage Loans and other assets of the Intermediate Trust shall constitute payment of the Redemption Price for each of the applicable Classes.

Section 9.6 Redemption From Unused Proceeds.

Any Principal Proceeds on deposit in the Unused Proceeds Account not used to fund the purchase price of a Delayed Close Mortgage Loan will be distributed in accordance with the Unused Proceeds Principal Amortization Priority on the Payment Date following the Purchase Termination Date. Any Interest Proceeds remaining in the Unused Proceeds Account after the Purchase Termination Date shall be applied as Interest Proceeds on the Payment Date following the Purchase Termination Date.

In addition, if at any time prior to the Purchase Termination Date, the Seller notifies the Issuer and the Indenture Trustee in writing, that a Delayed Close Mortgage Loan will not be available for acquisition for inclusion in the Intermediate Trust prior to the Purchase Termination Date (a "**Withdrawal Notice**") and designates an Early Unused Proceeds Release Date for such Delayed Close Mortgage Loan, Principal Proceeds on deposit in the Unused Proceeds Account, shall, upon Issuer Order, be deposited in the Note Payment Account on the Early Unused Proceeds Release Date and applied in accordance with the Unused Proceeds Principal Amortization Priority on the next Payment Date; *provided* that, the Early Unused Proceeds Release Date may not be any day from and including the Determination Date to and including the Payment Date in any month.

ARTICLE X

ACCOUNTS, ACCOUNTINGS AND RELEASES

Section 10.1 Collection of Cash.

(a) Except as otherwise expressly provided herein, the Indenture Trustee may demand payment or delivery of, and shall receive and collect, directly and without intervention or assistance of any fiscal agent or other intermediary, all Cash and other property payable to or receivable by the Indenture Trustee pursuant to this Indenture, including all payments due on the Pledged Assets, in accordance with the terms and conditions of such Pledged Assets. The Indenture Trustee shall segregate and hold all such Cash and property received by it in trust for the Secured Parties and shall apply it as provided in this Indenture.

(b) Each of the parties hereto hereby agrees to cause the Custodian and any other Securities Intermediary that holds (or is deemed to hold) any Cash or other property for the

Issuer in an Account to agree with the parties hereto that (x) each Account is a Securities Account in respect of which the Indenture Trustee is the Entitlement Holder, (y) the Cash, Securities and other property credited to any Account is to be treated as a Financial Asset under Article 8 of the UCC and (z) the "**securities intermediary's jurisdiction**" (within the meaning of Section 8-110 of the UCC) for that purpose will be the State of New York. In no event may any Financial Asset held in any Account be registered in the name of, payable to the order of, or specially Indorsed to, the Issuer unless such Financial Asset has also been Indorsed in blank or to the Custodian or other Securities Intermediary that holds such Financial Asset in such Account. Each Account shall be held and maintained through an office located in the State of New York or Minnesota.

(c) The Indenture Trustee or its Affiliates are permitted to receive additional compensation from Persons other than the Issuer that could be deemed to be in the Indenture Trustee's economic self-interest for (i) serving as investment adviser, administrator, shareholder servicing agent, custodian or sub-custodian with respect to certain of the Eligible Investments, (ii) using Affiliates to effect transactions in certain Eligible Investments and (iii) effecting transactions in certain Eligible Investments.

Section 10.2 Principal Collection Account; Interest Collection Account; Custodial Account.

(a) The Indenture Trustee shall, prior to the Closing Date, cause to be established a Securities Account which shall be designated as the "**Interest Collection Account**," which may be a subaccount of the Note Payment Account and which shall be held in the name of the Indenture Trustee as Entitlement Holder in trust for the benefit of the Secured Parties, into which the Indenture Trustee shall from time to time, subject to Section 10.8(d) hereof, deposit all Interest Proceeds (except as otherwise provided herein).

(b) [Reserved.]

(c) The Indenture Trustee shall, prior to the Closing Date, cause to be established a Securities Account which shall be designated as the "**Principal Collection Account**," which may be a subaccount of the Note Payment Account and which shall be held in the name of the Indenture Trustee as Entitlement Holder in trust for the benefit of the Secured Parties, into which, the Indenture Trustee shall from time to time, subject to Section 10.8(d) hereof, deposit all Principal Proceeds. All amounts received by the Indenture Trustee on behalf of the Issuer and not otherwise required to be remitted to a particular Account, shall be remitted to the Principal Collection Account.

(d) The Issuer may, but under no circumstances shall be required to, deposit or cause to be deposited from time to time such Cash (that is not proceeds of the Collateral) in a Collection Account (in addition to any amount required hereunder to be deposited therein) as it deems, in its sole discretion, to be advisable and by notice to the Indenture Trustee may designate that such Cash that is not proceeds of the Collateral is to be treated as Principal Proceeds or Interest Proceeds hereunder at its discretion. All Cash deposited from time to time in a Collection Account pursuant to this Indenture shall be held by the Indenture Trustee as part of the Collateral and shall be applied to the purposes herein provided. The Collection Accounts shall at all times comply with the requirements of Section 11.2 hereof. The Indenture Trustee agrees to give the Issuer

prompt notice (with a copy to the Servicer, the Rating Agencies and the Holders of the Notes of the Controlling Class) if a Trust Officer of the Indenture Trustee receives written notice that either Collection Account or any funds on deposit therein, or otherwise standing to the credit of a Collection Account, shall become subject to any writ, order, judgment, warrant of attachment, execution or similar process.

(e) All Distributions, any deposit required pursuant to Section 10.2(f) hereof and any net proceeds from the sale or disposition of a Mortgage Loan or an REO Property received by the Indenture Trustee shall be immediately deposited into the Interest Collection Account or the Principal Collection Account, as the case may be. Subject to Sections 10.2(g) and 11.2 hereof, all amounts deposited in the Collection Accounts, together with any securities in which funds included in such property are or will be invested during the term of this Indenture for the benefit of the Secured Parties, and any income or other gain realized from such investments shall be held by the Indenture Trustee in the Collection Accounts as part of the Collateral subject to disbursement and withdrawal as provided in this Section 10.2. The Indenture Trustee shall invest all funds received into the Collection Accounts during a Due Period and amounts received in prior Due Periods and retained in the Collection Accounts in Eligible Investments in accordance with Section 10.2(f) hereof. The Indenture Trustee, within one Business Day after receipt of any Distribution or other proceeds which are not Cash, shall so notify the Issuer and the Servicer and the Issuer shall, within five Business Days of receipt of such notice from the Indenture Trustee, sell such Distribution or other proceeds for Cash in an arm's length transaction to a Person which is not an Affiliate of the Issuer and deposit the proceeds thereof in the Interest Collection Account or Principal Collection Account, as the case may be, for investment pursuant to this Section 10.2; *provided* that the Issuer need not sell such Distributions or other proceeds if it delivers an Officer's Certificate to the Indenture Trustee certifying that such Distributions or other proceeds constitute Mortgage Loans, REO Properties or Eligible Investments. All such proceeds will be retained in the Collection Accounts unless such proceeds are used as otherwise permitted under this Indenture.

(f) By Issuer Order executed by an Authorized Officer (which may be in the form of standing instructions), the Issuer shall at all times direct the Indenture Trustee to, and upon receipt of such Issuer Order, the Indenture Trustee shall, for the benefit of the Secured Parties, invest and reinvest the funds held in the Accounts (other than the Trust Certificate Account, the Note Payment Account and the Custodial Account) in Eligible Investments maturing not later than the earlier of (i) 30 days after the date of such investment or (ii) the Business Day immediately preceding the next Payment Date (or, in the absence of such direction, in Eligible Investments so maturing that are described in clause (h) of the definition thereof). All interest and other income from such investments shall be deposited in such Account, any gain realized from such investments shall be credited to such Account, and any loss resulting from such investments shall be charged to such Account. Any gain or loss with respect to an Eligible Investment shall be allocated in such a manner as to increase or decrease, respectively, Principal Proceeds and/or Interest Proceeds in the proportion which the amount of Principal Proceeds and/or Interest Proceeds used to acquire such Eligible Investment bears to the purchase price thereof. The Indenture Trustee shall not in any way be held liable by reason of any insufficiency of such Accounts resulting from any loss relating to any such investment, *provided,* that nothing herein shall relieve the Bank of (i) its obligations or liabilities under any agreement entered into by, or any security or obligation issued by, the Bank or any Affiliate thereof or (ii) liability for any loss resulting from negligence, willful misconduct or Bad Faith on the part of the Bank or any Affiliate thereof.

(g) The Indenture Trustee shall transfer to the Note Payment Account for application pursuant to Section 11.1(a) hereof and in accordance with the calculations contained in the Monthly Report prepared by the Indenture Trustee pursuant to Section 10.7(a) hereof, on or prior to the close of business on the Business Day prior to each Payment Date, any amounts then held in the Collection Accounts and all Interest Advances made to or by the Indenture Trustee pursuant to Section 10.12 and any Unused Proceeds Principal Amortization Amounts.

(h) The Indenture Trustee shall apply amounts credited to the Collection Accounts in accordance with any Redemption Date Statement delivered to the Indenture Trustee in connection with the redemption of Notes pursuant to Section 9.1 hereof.

(i) The Indenture Trustee shall, prior to the Closing Date, establish a segregated Securities Account which shall be designated as the "**Custodial Account**," on behalf of the Custodian, which shall be held in the name of the Indenture Trustee as Entitlement Holder in trust for the benefit of the Secured Parties and into which the Indenture Trustee shall from time to time deposit (or be deemed to deposit) Pledged Assets. All Pledged Assets from time to time deposited (or deemed deposited) in, or otherwise standing to the credit of, the Custodial Account pursuant to this Indenture shall be held by the Indenture Trustee as part of the Collateral and shall be applied to the purposes herein provided. The Indenture Trustee agrees to give the Issuer immediate notice (with a copy to the Rating Agencies and the Holders of the Notes of the Controlling Class) if a Trust Officer of the Indenture Trustee receives written notice that the Custodial Account or any funds on deposit therein, or otherwise standing to the credit of the Custodial Account, shall become subject to any writ, order judgment, warrant of attachment, execution or similar process. The Issuer shall not have any legal, equitable or beneficial interest in the Custodial Account other than in accordance with the Priority of Payments. All amounts on deposit in the Custodial Account from time to time shall remain uninvested.

Section 10.3 Note Payment Account.

(a) The Indenture Trustee shall, prior to the Closing Date, establish a segregated Securities Account which shall be designated as the "**Note Payment Account**," which shall be held in the name of the Indenture Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Any and all funds at any time on deposit in, or otherwise to the credit of, the Note Payment Account shall be held in trust by the Indenture Trustee for the benefit of the Secured Parties. Except as provided in Sections 11.1 and 11.2 hereof, the only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Note Payment Account shall be (i) to pay the interest on and the principal of the Notes in accordance with their terms and the provisions of this Indenture, (ii) to deposit into the Trust Certificate Account for distributions to the Holder of the Trust Certificate and (iii) pursuant to the Monthly Report, to pay Administrative Expenses, amounts due to the Advancing Agent or the Backup Advancing Agent in connection with the reimbursement of Interest Advances and interest thereon and other amounts specified therein, each in accordance with the Priority of Payments. The Indenture Trustee agrees to give the Issuer, the Servicer and the Holders of the Notes of the Controlling Class immediate notice if a Trust Officer of the Indenture Trustee receives written notice that the Note Payment Account or any funds on deposit therein, or otherwise standing to the credit of the Note Payment Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Issuer shall not have any legal, equitable or beneficial interest in the Note

Payment Account other than in accordance with the Priority of Payments. The Note Payment Account shall at all times comply with the requirements of Section 11.2 hereof.

(b) The Indenture Trustee shall, prior to the Closing Date, cause to be established a Securities Account which shall be designated as the "**Trust Certificate Account**," which may be a subaccount of the Note Payment Account and which shall be held in the name of the Indenture Trustee as Entitlement Holder in trust for the benefit of the Holder of the Trust Certificate, into which the Indenture Trustee shall from time to time, subject to Section 10.8(d) hereof, deposit all amounts payable to the Holder of the Trust Certificate in accordance with the Priority of Payments (except as otherwise provided herein).

(c) All funds received into and held in the Note Payment Account and the Trust Certificate Account (or any subaccount thereof) shall remain uninvested.

Section 10.4 Expense Account.

(a) The Indenture Trustee shall, prior to the Closing Date, cause to be established a segregated Securities Account which shall be designated as the "**Expense Account**," which shall be held in the name of the Indenture Trustee as Entitlement Holder in trust for the benefit of the Secured Parties. Any and all funds at any time on deposit in, or otherwise to the credit of, the Expense Account shall be held in trust by the Indenture Trustee for the benefit of the Secured Parties.

(b) On the Closing Date, RAIT Partnership or its Affiliates shall deposit into the Expense Account an amount equal to U.S. $100,000. On each Payment Date, the Indenture Trustee shall transfer (as directed in writing by the Servicer no later than 1:00 p.m. Eastern time on the applicable Remittance Date) to the Expense Account from the Note Payment Account amounts required to be deposited therein pursuant to Section 11.1(a) hereof and in accordance with the calculations contained in the Monthly Report prepared by the Indenture Trustee pursuant to Section 10.7(a) hereof. Except as provided in Sections 11.1 and 11.2 hereof, the only permitted withdrawal from or application of funds on deposit in, or otherwise standing to the credit of, the Expense Account shall be to pay (on any day other than a Payment Date) accrued and unpaid Administrative Expenses of the Issuer, *provided* that the Indenture Trustee shall be entitled (but not required) without liability on its part, to refrain from making any such payment of an Administrative Expense on any day other than a Payment Date if, in its reasonable determination, taking into account the Priority of Payments and Interest Advances, the payment of such amounts is likely to leave insufficient funds available to pay in full each of the items payable prior thereto in the Priority of Payments on the next succeeding Payment Date. The Issuer shall, by Issuer Order, direct the Indenture Trustee to, and, upon receipt of such Issuer Order the Indenture Trustee shall, transfer all funds on deposit in the Expense Account, at the time when substantially all of the Issuer's assets have been sold or otherwise disposed of (as determined by the Servicer), into the Note Payment Account for application as Interest Proceeds on the immediately succeeding Payment Date pursuant to Section 11.1(a).

(c) The Indenture Trustee agrees to give the Issuer, the Holders of the Notes of the Controlling Class and the Placement Agents immediate notice if a Trust Officer of the Indenture Trustee receives written notice that the Expense Account or any funds on deposit in, or

otherwise standing to the credit of, the Expense Account, shall become subject to, any writ, order, judgment, warrant of attachment, execution or similar process. The Expense Account shall at all times comply with the requirements of Section 11.2 hereof.

(d) The Indenture Trustee shall invest all funds received into the Expense Account during a Due Period and amounts received in prior Due Periods and retained in the Expense Account in Eligible Investments in accordance with Section 10.2(f) hereof.

Section 10.5 Unused Proceeds Account.

(a) The Indenture Trustee shall, on or prior to the Closing Date, establish a single, segregated trust account, which may be a sub-account of a single account, which shall be designated as the "Unused Proceeds Account," which shall be held in trust in the name of the Indenture Trustee, for the benefit of the Indenture Trustee and for the benefit of the Secured Parties, into which the amount specified in Section 3.2(e) shall be deposited. All amounts credited to the Unused Proceeds Account pursuant to this Indenture shall be held by the Indenture Trustee as part of the Collateral and shall be applied to the purposes herein provided.

(b) The Indenture Trustee agrees to give the Issuer prompt notice if it becomes aware that the Unused Proceeds Account or any funds on deposit therein, or otherwise to the credit of the Unused Proceeds Account, becomes subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Issuer shall have no legal, equitable or beneficial interest in the Unused Proceeds Account other than in accordance with the Priority of Payments.

(c) On or prior to the Purchase Termination Date, the Issuer (or the Special Servicer on behalf of the Issuer) may by Issuer Order direct the Indenture Trustee to, and upon receipt of such Issuer Order the Indenture Trustee shall, apply amounts on deposit in the Unused Proceeds Account to acquire on behalf of the Intermediate Trust any Delayed Close Mortgage Loan as directed by the Servicer as permitted under and in accordance with the requirements of Section 7.19 and such Issuer Order. The Issuer hereby acknowledges and agrees that, upon acquisition of a Delayed Close Mortgage Loan from the Trust Depositor, such Delayed Close Mortgage Loan will be an asset of the Intermediate Trust and the Issuer's sole interest therein shall be as the holder of the Intermediate Trust Certificate (which evidences 100% beneficial ownership of the Intermediate Trust).

(d) Principal Proceeds remaining in the Unused Proceeds Account shall, on the Business Day after the Purchase Termination Date, be deposited in the Note Payment Account and applied pursuant to Section 11.1(a)(ii)(2) on the Payment Date following the Purchase Termination Date.

(e) Without limitation of clause (d) of this Section 10.5, if the Issuer and the Indenture Trustee receive a Withdrawal Notice from the Seller, the Issuer shall instruct the Indenture Trustee by Issuer Order to transfer the Unused Proceeds Principal Amortization Amount on deposit in the Unused Proceeds Account to the Note Payment Account on the Early Unused Proceeds Release Date and apply it pursuant to Section 11.1(a)(ii)(2) on the next Payment Date; *provided* that, the Early Unused Proceeds Release Date may not be any day from and including the Determination Date to and including the Payment Date in any month.

(f) The Indenture Trustee shall invest all funds received into the Unused Proceeds Account during a Due Period and amounts received in prior Due Periods and retained in the Unused Proceeds Account in Eligible Investments in accordance with Section 10.2(f) hereof.

Section 10.6 Reports by Parties.

The Indenture Trustee shall make available in a timely fashion to the Servicer, the Directing Holder, the Rating Agencies (after delivery to the Rule 17g-5 Information Provider) and the Issuer any information regularly maintained by the Indenture Trustee that the Issuer, the Directing Holder or the Servicer may from time to time request with respect to the Collateral, the Underlying Mortgage Pool or the Accounts and provide any other information reasonably available to the Indenture Trustee by reason of its acting as Indenture Trustee hereunder and required to be provided by Section 10.7 hereof or to permit the Issuer to perform its obligations hereunder. Each of the Issuer, the Servicer, the Special Servicer (with respect to a Mortgage Loan that is a Specially Serviced Mortgage Loan), and the Directing Holder shall promptly forward to the Indenture Trustee any information in their possession or reasonably available to them concerning any of the Collateral that the Indenture Trustee reasonably may request or that reasonably may be necessary to enable the Indenture Trustee to prepare any report or perform any duty or function on its part to be performed under the terms of this Indenture. The Issuer shall promptly notify the Indenture Trustee and the Holders of the Notes of the Controlling Class if the rating of any Class of Notes has been, or it is known by the Issuer that such rating will be, changed or withdrawn.

Section 10.7 Reports; Accountings.

(a) Based on monthly reports prepared by the Servicer and the Special Servicer and delivered by the Servicer to the Indenture Trustee in accordance with Section 4.01 of the Servicing Agreement, the Indenture Trustee shall prepare and make available electronically on its website initially located at www.ctslink.com (or, upon written request from registered Holders of the Notes or from those parties that cannot receive such statement electronically, provide by first class mail), on each Payment Date to Privileged Persons, a report in the form attached hereto as Exhibit F (the "**Monthly Report**"), setting forth, among other things, the following information:

(i) the amount of the distribution of principal and interest on such Payment Date to the Noteholders and any reduction of the Aggregate Outstanding Amount of the Principal Balance Notes;

(ii) the aggregate amount of compensation paid to the Indenture Trustee and servicing compensation paid to the Servicer and the Special Servicer during the related Due Period;

(iii) the Aggregate Outstanding Amount of each Class of Notes immediately before and immediately after the Payment Date;

(iv) the number, Aggregate Principal Balance, weighted average remaining term to maturity and weighted average interest rate of the Mortgage Loans as of the end of the related Due Period;

(v) the number and aggregate Principal Balance of Mortgage Loans (A) delinquent 30-59 days, (B) delinquent 60-89 days, (C) delinquent 90 days or more and (D) Mortgage Loans that are current but "specially serviced" or in foreclosure but not an REO property;

(vi) the value of any REO Property owned by the Intermediate Trust or any Permitted Subsidiary as of the end of the related Due Period, on an individual Mortgage Loan basis, based on the most recent appraisal or valuation;

(vii) the amount of Interest Proceeds and Principal Proceeds received in the related Due Period;

(viii) the amount of any Interest Advances made by the Advancing Agent or the Backup Advancing Agent, as applicable;

(ix) the payments due pursuant to the Priority of Payments with respect to each clause thereof;

(x) the number and related Principal Balances of any Mortgage Loans extended or modified during the related Due Period on an individual Mortgage Loan basis;

(xi) the amount of any remaining unpaid interest due on the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes and the Class F Notes as of the close of business on the Payment Date;

(xii) a listing of each Mortgage Loan that was the subject of a principal prepayment during the related Due Period and the amount of principal prepayment occurring;

(xiii) the Aggregate Principal Balance of the Mortgage Loans outstanding as of the close of business on the related Determination Date;

(xiv) with respect to any Mortgage Loan as to which a liquidation occurred during the related Due Period (other than through a payment in full), (A) the number thereof and (B) the aggregate of all liquidation proceeds which are included in the Note Payment Account and other amounts received in connection with the liquidation (separately identifying the portion thereof allocable to distributions on the Notes);

(xv) with respect to any REO Property owned by the Intermediate Trust or any Permitted Subsidiary thereof, as to which the Special Servicer determined that all payments or recoveries with respect to the related property have been ultimately recovered during the related collection period, (A) the related Mortgage Loan and (B) the aggregate of all liquidation proceeds and other amounts received in connection with that determination (separately identifying the portion thereof allocable to distributions on the Securities);

(xvi) the aggregate amount of interest on Interest Advances in respect of the Mortgage Loans paid to the Advancing Agent and/or the Backup Advancing Agent since the prior Payment Date;

(xvii) a listing of each material modification, extension or waiver made with respect to each Mortgage Loan;

(xviii) a listing of any Material Document Defect or Material Breach;

(xix) an itemized listing of any Special Servicing Fees, Workout Fees and Liquidation Fees received by the Special Servicer or any of its affiliates during the related Due Period; and

(xx) the amount of any dividends or other distributions to the Trust Certificate on the Payment Date.

(b) All information made available on the Indenture Trustee's website will be restricted and the Indenture Trustee will only provide access to such reports to those parties entitled thereto pursuant to this Indenture. In connection with providing access to its website, the Indenture Trustee may require registration and the acceptance of a disclaimer.

(c) Not more than five Business Days after receiving an Issuer Request requesting information regarding a redemption of the Notes of a Class as of a proposed Redemption Date set forth in such Issuer Request, the Indenture Trustee shall compute the following information and provide such information in a statement (the "**Redemption Date Statement**") delivered to the Directing Holder and the Paying Agent:

(i) the Aggregate Outstanding Amount of the Notes of the Class or Classes to be redeemed as of such Redemption Date;

(ii) the amount of accrued interest due on such Notes as of the last day of the Due Period immediately preceding such Redemption Date;

(iii) the Redemption Price;

(iv) the sum of all amounts due and unpaid under Section 11.1(a) (other than amounts payable in respect of the Notes being redeemed or to the Noteholders thereof); and

(v) the amount in the Accounts (other than the Trust Certificate Account) available for application to the redemption of such Notes.

(d) The Issuer hereby authorizes the Indenture Trustee to, and the Indenture Trustee shall, make available (to the extent received by the Indenture Trustee) to Bloomberg Financial Markets, L.P., CMBS.com, Inc., Trepp, LLC and Intex Solutions, Inc. or such other vendor chosen by the Issuer that submits to the Indenture Trustee a certification in the form of Exhibit H to this Agreement, all the Monthly Reports, CREFC® reports and supplemental notices delivered or made available pursuant to this Section 10.7 to Privileged Persons.

(e) The Issuer shall cooperate (and cause the Servicer and the Special Servicer to cooperate) with the Indenture Trustee in connection with the preparation of each Monthly Report. The Indenture Trustee shall in no event have any liability for the actions or omissions of

the Servicer or the Special Servicer, and shall have no liability for any inaccuracy or error in a Monthly Report prepared by it that results from or is caused by inaccurate, untimely or incomplete information or data received by it from the Issuer, the Servicer or the Special Servicer. The Indenture Trustee shall not be liable for any failure to perform or delay in performing its specified duties hereunder which results from or is caused by a failure or delay on the part of the Servicer, the Special Servicer or other Person in furnishing necessary, timely and accurate information to the Indenture Trustee. It is expressly understood and agreed that the application and performance by the Indenture Trustee of its obligation to prepare the Monthly Report shall, with respect to information relating to the Mortgage Loans, be based upon, and in reliance upon, data and information provided to it by the Servicer and the Special Servicer. The Indenture Trustee shall be permitted to conclusively rely, absent manifest error, upon data and information provided to it by the Servicer and the Special Servicer, and nothing herein shall impose or imply any duty or obligation on the part of the Indenture Trustee to recompile, recalculate, verify the accuracy of, investigate or audit any such information or data, or to determine or monitor on an independent basis whether any Obligor is in default or in compliance with the documents governing the related Mortgage Loan.

Section 10.8 Release of Assets.

(a) Unless the Majority Holders of the Controlling Class shall have given notice to the Indenture Trustee at a time when an Indenture Event of Default shall have occurred and be continuing that Pledged Assets, Mortgage Loans and REO Properties may not be sold without the consent of the Majority Holders of the Controlling Class (and in any event subject to Article XII), the Issuer shall, in connection with any sale required or permitted pursuant to Section 12.1 hereof, by Issuer Order executed by an Authorized Officer of the Issuer and delivered to the Indenture Trustee at least two Business Days prior to the settlement date for any sale of a Pledged Asset, Mortgage Loan or REO Property certifying that the conditions set forth in Section 12.1 hereof are satisfied, direct the Indenture Trustee to release (if and to the extent applicable) such Pledged Asset, Mortgage Loan or REO Property (and all right, title and interest of the Issuer with respect thereto) from the lien of this Indenture against receipt of payment therefor.

(b) The Issuer shall, if delivery of a Pledged Asset is a condition to redemption or payment in full, by Issuer Order executed by an Authorized Officer of the Issuer and delivered to the Indenture Trustee at least two Business Days prior to the date set for redemption or payment in full of such Pledged Asset, certifying that such Pledged Asset is being redeemed or paid in full, direct the Indenture Trustee or, at the Indenture Trustee's instructions, the Custodian, to deliver such Pledged Asset, if in physical form, duly endorsed, or, if such Pledged Asset is a Clearing Corporation Security, to cause it to be presented, to the appropriate paying agent therefor on or before the date set for redemption or payment, in each case against receipt of the redemption price or payment in full thereof.

(c) Unless the Majority Holders of the Controlling Class shall have given notice to the Indenture Trustee at a time when an Indenture Event of Default shall have occurred and be continuing that Pledged Assets, Mortgage Loans and REO Properties may not be sold without the consent of the Majority Holders of the Controlling Class (and in any event subject to Article XII), the Issuer shall, in accordance with Section 6.16 hereof, by Issuer Order executed by an Authorized Officer of the Issuer and delivered to the Indenture Trustee at least two Business Days prior to the

date set for an exchange or Offer or other disposition permitted hereby or by the Servicing Agreement (including without limitation a foreclosure or deed in-lieu of foreclosure of the related real property), certifying that a Pledged Asset, Mortgage Loan or REO Property is subject to an exchange or Offer or other such disposition and setting forth in reasonable detail the procedure for response to such Offer or other such disposition, direct the Indenture Trustee or, at the Indenture Trustee's instructions, the Custodian, to deliver (i) with respect to a Mortgage Loan, the related Mortgage Loan File and (ii) such Pledged Asset, if in physical form, duly endorsed, or, if such Pledged Asset is a Clearing Corporation Security, to cause it to be delivered, as applicable, in accordance with such Issuer Order, in each case against receipt of payment therefor.

(d) The Indenture Trustee shall deposit any proceeds received by it from the disposition of a Pledged Asset, Mortgage Loan or REO Property in the Interest Collection Account or the Principal Collection Account, as directed by the Servicer or the Issuer.

(e) The Indenture Trustee shall, upon receipt of an Issuer Order at such time as there are no Notes Outstanding and all obligations of the Issuer hereunder have been satisfied, release the Collateral from the lien of this Indenture.

(f) The Issuer may retain agents to assist the Issuer in preparing any notice or other report required under Section 10.6 hereof.

Section 10.9 [Reserved.]

Section 10.10 [Reserved.]

Section 10.11 Tax Matters

(a) The Issuer shall, and by accepting a Note, each Holder of Notes agrees to, treat the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes and Class D Notes (unless held by the Issuer Parent or an Issuer Parent Disregarded Entity) as indebtedness, each for U.S. federal, state and local income tax purposes, to report all income (or loss) in accordance with such characterization and each further agrees not to take any action inconsistent with such treatment, except as otherwise required by any taxing authority under applicable law.

(b) The Issuer agrees not to elect to be treated as other than an Issuer Parent Disregarded Entity for U.S. federal income tax purposes.

(c) The Issuer agrees to ensure that the Intermediate Trust does not elect to be treated as other than an Issuer Parent Disregarded Entity for U.S. federal income tax purposes.

Section 10.12 Interest Advances.

(a) If, with respect to any Payment Date, the sum of (i) Interest Proceeds received during the related Due Period and (ii) funds on deposit in the Interest Collection Account are insufficient to pay in full interest due on the Class A Notes, the Class A-S Notes and the Class B Notes in accordance with the Priority of Payments on any such Payment Date (the amount of such insufficiency, an "**Interest Shortfall**"), then the Indenture Trustee shall provide the Advancing Agent with written notice of such Interest Shortfall no later than 10:00 a.m. (New York

time) on the Business Day immediately preceding such Payment Date. The Indenture Trustee shall provide the Advancing Agent with notice, prior to any funding of an Interest Advance (as defined below) by the Advancing Agent, of any additional interest remittances received by the Indenture Trustee after delivery of such initial notice that reduce such Interest Shortfall. No later than 5:00 p.m. (New York time) on the Business Day immediately preceding the related Payment Date, the Advancing Agent shall advance (each such advance, an "**Interest Advance**"), by deposit in the Note Payment Account, subject to a determination of recoverability by the Advancing Agent as described in this Section 10.12, a cash amount equal to the lesser of (i) the amount of the Interest Shortfall that would otherwise occur on the Class A Notes, the Class A-S Notes and the Class B Notes and (ii) the aggregate of the interest payments due and not received in respect of the Mortgage Loans.

Any Interest Advance made by the Advancing Agent with respect to a Payment Date that is in excess of the actual Interest Shortfall for such Payment Date shall be refunded to the Advancing Agent by the Indenture Trustee on the same Business Day that such Interest Advance was made (or, if such Interest Advance is made prior to final determination by the Indenture Trustee of such Interest Shortfall, on the Business Day of such final determination). The Advancing Agent shall provide the Indenture Trustee written notice of a determination by the Advancing Agent that a proposed Interest Advance would constitute a Nonrecoverable Interest Advance no later than the close of business on the Business Day immediately preceding the related Payment Date.

If the Advancing Agent does not make any required Interest Advance at or prior to the time at which distributions are to be made pursuant to Section 11.1, the Backup Advancing Agent shall make such Interest Advance, subject to a determination of recoverability by the Backup Advancing Agent as described in Section 10.12.

The Indenture Trustee and the Backup Advancing Agent shall be entitled to conclusively rely on any determination by the Advancing Agent (including any prior determination by the terminated Advancing Agent) that an Interest Advance, if made, would constitute a Nonrecoverable Interest Advance. Notwithstanding the foregoing, to the extent the Advancing Agent fails to make an Interest Advance it was required to make, the Advancing Agent shall not be entitled to make a recoverability determination affecting the Backup Advancing Agent's obligation to provide an Interest Advance and any such determination shall not be binding on the Backup Advancing Agent. No later than the close of business on the Remittance Date related to a Payment Date on which the recovery of a Nonrecoverable Interest Advance would result in an Interest Shortfall, the Advancing Agent shall provide such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website.

Notwithstanding anything herein to the contrary, neither the Advancing Agent nor the Backup Advancing Agent shall be required to make any Interest Advance unless such Person determines, in its sole discretion, exercised in good faith and, in respect of any such determination made by the Advancing Agent, in accordance with the Advancing Standards (as defined below), that such Interest Advance, plus interest expected to accrue thereon at the Reimbursement Rate, will be recoverable from subsequent payments or collections with respect to all Mortgage Loans. Such interest on any Interest Advance shall be payable to the Advancing Agent or the Backup Advancing Agent, as the case may be, in accordance with the Priority of Payments. In determining

whether any proposed Interest Advance will be, or whether any Interest Advance previously made is, a Nonrecoverable Interest Advance, the Advancing Agent or the Backup Advancing Agent, as applicable, shall take into account:

(1) amounts that may be realized on each mortgaged property in its "as is" or then current condition and occupancy;

(2) that such Interest Advances, together with interest accruing thereon, may only be recovered from subsequent payments or collections on the Mortgage Loans;

(3) the possibility and effects of future adverse change with respect to the mortgaged properties, the potential length of time before such Interest Advance may be reimbursed and the resulting degree of uncertainty with respect to such reimbursement; and

(4) the fact that Interest Advances are intended to provide liquidity only and not credit support to the Noteholders.

For purposes of any such determination of whether an Interest Advance constitutes or would constitute a Nonrecoverable Interest Advance, an Interest Advance shall be deemed to be nonrecoverable if the Advancing Agent or the Backup Advancing Agent, as applicable, determines that future payments or collections on the Mortgage Loans may be insufficient to fully reimburse such Interest Advance, plus interest thereon at the Reimbursement Rate, within a reasonable period of time. Absent Bad Faith, the determination by the Advancing Agent or the Backup Advancing Agent, as applicable, as to the nonrecoverability of any Interest Advance shall be conclusive and binding on the Noteholders. The Backup Advancing Agent shall be entitled to conclusively rely on any determination by the Advancing Agent that an Interest Advance, if made, would constitute a Nonrecoverable Interest Advance. The Servicer and the Special Servicer shall provide any information regarding the Mortgage Loans reasonably requested by the Advancing Agent or the Backup Advancing Agent in connection with the Advancing Agent's or the Backup Advancing Agent's determination, as applicable, of whether any Interest Advance would be recoverable.

Notwithstanding anything contained herein or in any other Transaction Document to the contrary, in calculating the amount of any Interest Advance amount allocable to any individual Mortgage Loan (including, but not limited to, for purposes of determining the Mortgage Loan Par Purchase Price (as defined in the Servicing Agreement) of such Mortgage Loan), the Servicer or the Special Servicer, as applicable, shall determine such amount by allocating all unreimbursed Interest Advances among all of the Mortgage Loans for which there are unreimbursed interest shortfalls *pro rata* (in accordance with the amounts of unreimbursed interest shortfalls on each such Mortgage Loan).

(b) The Advancing Agent and the Backup Advancing Agent shall each be entitled to recover any previously unreimbursed Interest Advance made by it (including any Nonrecoverable Interest Advance), together with interest thereon, in accordance with Section 11.1(i).

(c) The Advancing Agent and the Backup Advancing Agent shall each be entitled with respect to any Interest Advance made by it (including Nonrecoverable Interest Advances) to interest accrued on the amount of such Interest Advance for so long as it is outstanding at the Reimbursement Rate.

(d) The Advancing Agent's obligations to make Interest Advances in respect of the Class A Notes, Class A-S Notes and Class B Notes shall continue through the date on which the outstanding principal amount of such Notes is paid in full or redeemed.

(e) In no event shall the Advancing Agent or the Backup Advancing Agent be required to advance any payments in respect of interest on any Notes other than the Class A Notes, the Class A-S Notes and the Class B Notes or any payments in respect of principal on any Notes.

(f) To the extent that the Backup Advancing Agent makes an Interest Advance on any Payment Date that the Advancing Agent was required, but failed to make and the Advancing Agent did not determine that such Interest Advance would be a Nonrecoverable Interest Advance, the Advancing Agent shall be deemed to have resigned and the Backup Advancing Agent, as successor Advancing Agent, shall be entitled to receive the Advancing Agent Fee in accordance with the Priority of Payments for such Payment Date thereafter.

(g) In consideration of the performance of its obligations hereunder, the Advancing Agent shall be entitled to receive, at the times set forth herein and subject to the conditions and the priority of distribution provisions hereof, to the extent funds are available therefor, the Advancing Agent Fee (except to the extent the Advancing Agent Fee is being paid to the Backup Advancing Agent, as successor Advancing Agent, as described in clause (f), above).

(h) The determination by the Advancing Agent or the Backup Advancing Agent, as applicable, (i) that it has made a Nonrecoverable Interest Advance or (ii) that any proposed Interest Advance, if made, would constitute a Nonrecoverable Interest Advance, shall be evidenced by an Officer's Certificate delivered promptly to the Indenture Trustee (or, if applicable, retained thereby), the Issuer, and, the Rule 17g-5 Information Provider for posting on the Rule 17g-5 Website setting forth the basis for such determination; *provided*, that failure to give such notice, or any defect therein, shall not impair or affect the validity of, or the Advancing Agent's or the Backup Advancing Agent's entitlement to reimbursement with respect to, any Interest Advance.

(i) The Advancing Agent, in such capacity, shall act in the best interests of the Holders of the Class A Notes, the Class A-S Notes and the Class B Notes (taking into account the interests of the Holders of the Class A Notes, the Class A-S Notes and the Class B Notes collectively), as determined by the Advancing Agent, in its good faith judgment and in accordance with this Indenture and applicable law, and in all cases without regard to: (i) any relationship that the Advancing Agent may have with any obligor under a Mortgage Loan or any Affiliate of such obligor, any seller or any other parties to this Indenture; (ii) the ownership of any Note by the Advancing Agent or any of its Affiliates; (iii) the Advancing Agent's right to receive compensation for its services (or the adequacy of such compensation) and reimbursement for its costs hereunder; (iv) the ownership or management of any interests in any Mortgage Loans, any Mortgaged Properties or any mezzanine loans secured by direct or indirect interests in any obligor under a

Mortgage Loan by the Advancing Agent; (v) any obligation of the Advancing Agent or any of its Affiliates to cure a breach of a representation or warranty or document defect with respect to, or repurchase or substitute for, any Mortgage Loan; and (vi) any other debt the Advancing Agent or any of its Affiliates has extended to any obligor under any Mortgage Loan or any of its Affiliates (the criteria specified in this Section 10.12(i), collectively referred to as the "**Advancing Standards**").

Section 10.13 Certain Procedures.

For so long as the Notes may be transferred in accordance with Rule 144A, the Issuer will ensure that any Bloomberg screen containing information about the Rule 144A Global Notes includes the following (or similar) language:

(i) the "Note Box" on the bottom of the "Security Display" page describing the Rule 144A Global Notes will state: "Iss'd Under 144A";

(ii) the "Security Display" page will have the flashing red indicator "See Other Available Information"; and

(iii) the indicator will link to the "Additional Security Information" page, which will state that the Notes "are being offered in reliance on the exemption from registration under Rule 144A of the Securities Act to persons who are qualified institutional buyers (as defined in Rule 144A under the Securities Act).

Section 10.14 Information Available Electronically.

(a) The Indenture Trustee shall make available to any Privileged Person the following items (in each case, as applicable, to the extent received by it) by means of the Indenture Trustee's website located at www.ctslink.com.

(i) The following documents, which shall initially be made available under a tab or heading designated "deal documents":

(A) the final Offering Circular related to the Notes;

(B) this Indenture, and any schedules, exhibits and supplements thereto; and

(C) the CREFC® Loan Setup file;

(ii) The following documents, which shall initially be made available under a tab or heading designated "periodic reports":

(A) the Monthly Reports prepared by the Indenture Trustee pursuant to Section 10.7(a); and

(B) certain information and reports specified in the Servicing Agreement (including the collection of reports specified by CRE Finance Council

(or any successor organization reasonably acceptable to the Indenture Trustee and the Servicer) known as the "CREFC® Investor Reporting Package") relating to the Mortgage Loans, to the extent that the Indenture Trustee receives such information and reports from the Servicer from time to time;

(iii) The following documents, which shall initially be made available under a tab or heading designated "Additional Documents":

(A) inspection reports delivered to the Indenture Trustee under the terms of the Servicing Agreement; and

(B) appraisals delivered to the Indenture Trustee under the terms of the Servicing Agreement;

(iv) The following documents, which shall initially be made available under a tab or heading designated "special notices":

(A) notice of final payment on the Notes delivered to the Indenture Trustee pursuant to Section 9.4;

(B) notice of termination of the Servicer or the Special Servicer;

(C) notice of a Servicer Termination Event or a Special Servicer Termination Event, each as defined in the Servicing Agreement and delivered to the Indenture Trustee under the terms of the Servicing Agreement;

(D) notice of the resignation of any party to the Indenture and notice of the acceptance of appointment of a replacement for any such party, to the extent such notice is prepared or received by the Indenture Trustee;

(E) Officer's Certificates supporting the determination that any Interest Advance was (or, if made, would be) a Nonrecoverable Interest Advance delivered to the Indenture Trustee pursuant to Section 10.12;

(F) (1) any direction received by the Indenture Trustee from the Directing Holder for the termination of the Special Servicer during any period when such person is entitled to make such a direction and, (2) if a Consultation Termination Event has occurred and is continuing, any direction of the holders of at least 75% of the aggregate Voting Rights of the Notes to terminate the Special Servicer in response to the recommendation of the Operating Advisor;

(G) any recommendation of the Operating Advisor to the Indenture Trustee to replace the Special Servicer;

(H) any direction received by the Indenture Trustee from Holders of at least 66⅔% of the Aggregate Outstanding Amount of each Class of Principal Balance Notes or Holders of at least 66⅔% of the Aggregate Outstanding Amount

of Notes of the Controlling Class for the termination of the Indenture Trustee pursuant to Section 6.9(c); and

(I) notice of the occurrence or cessation of any Control Shift Event or Consultation Termination Event;

(v) The following information, which shall initially be made available under a tab or heading designated "Risk Retention":

(A) the fair value (expressed as a percentage of the fair value of all Notes and dollar amount) of the actual principal amount of the Retention Interest acquired and retained by the Retention Holder as of the Closing Date (based on actual sale prices and finalized Class sizes);

(B) the fair value (expressed as a percentage of the fair value of all Notes and dollar amount) of the Notes that the Retention Holder is required to retain pursuant to the Credit Risk Retention Rules; and

(C) to the extent that the valuation methodology or any of the key inputs and assumptions on the Closing Date are materially different than those disclosed in the "*Credit Risk Retention*" section of the Offering Circular, a description of any such material differences.

(vi) the "Investor Q&A Forum" pursuant to Section 10.15;

(vii) solely to Noteholders and holder of the Trust Certificate, the "Investor Registry" pursuant to Section 10.15.

(b) Notwithstanding the requirements set forth in Section 10.4(a) set forth above, the Indenture Trustee will be authorized to use such other headings and labels on its website as it may reasonably determine from time to time.

(c) For the avoidance of doubt, the Indenture Trustee shall provide such Monthly Report and the CREFC® Investor Reporting Package to the Rule 17g-5 Information Provider for posting to the Rule 17g-5 Website in accordance with, and subject to, the provisions of Section 14.14 hereof.

(d) The Indenture Trustee makes no representations or warranties as to the accuracy or completeness of such information and assumes no responsibility therefor. In addition, the Indenture Trustee may disclaim responsibility for any information distributed by the Indenture Trustee for which it is not the original source. The Indenture Trustee shall not be responsible for the accuracy or completeness of any information supplied to it by the Servicer is included in any reports, statements, materials or information prepared or provided by the Servicer or Special Servicer, as applicable, and the Indenture Trustee shall be entitled to conclusively rely, absent manifest error, upon the Servicer's reports and the Special Servicer's reports without any duty or obligation to recompute, verify or re-evaluate any of the amounts or other information stated therein. The Indenture Trustee shall have no obligation to monitor or investigate Material Document Defects or Material Breaches and shall only include any such Material Document

Defect or Material Breach on the Monthly Report to the extent that it has received notice thereof from the Seller pursuant to the Seller Purchase and Sale Agreement. In connection with providing access to the Indenture Trustee's website, the Indenture Trustee may require registration and the acceptance of a disclaimer and an Investor Certification. The Indenture Trustee shall not be liable for the dissemination of information in accordance herewith.

(e) Assistance in using the Indenture Trustee's website can be obtained by calling its customer service desk at (866) 846-4526 or at ctslink.customerservice@wellsfargo.com, or at any other number or email address as designated by the Indenture Trustee to the Noteholders.

Section 10.15 Investor Q&A Forum; Investor Registry.

(a) The Indenture Trustee shall make a question-and-answer forum (the "**Investor Q&A Forum**") available to Privileged Persons by means of the Indenture Trustee's website, where Noteholders (including beneficial owners of Notes) and prospective purchasers of Notes may (i) submit inquiries to the Indenture Trustee relating to the Monthly Reports, and submit inquiries to the Servicer, the Special Servicer or, for so long as a Control Shift Event with respect to the Class E Notes has occurred and is continuing, the Operating Advisor (each, a "**Q&A Respondent**") relating to any reports prepared by that party, the Mortgage Loans, or the properties related thereto (each an "**Inquiry**" and collectively, "**Inquiries**"), and (ii) view previously submitted Inquiries and related answers. Upon receipt of an Inquiry for a Q&A Respondent, the Indenture Trustee shall forward the Inquiry to the applicable Q&A Respondent, in each case via email within a commercially reasonable period of time following receipt thereof. Following receipt of an Inquiry, the Indenture Trustee and the applicable Q&A Respondent, unless such party determines not to answer such Inquiry as provided below, shall reply to the Inquiry, which reply of the applicable Q&A Respondent shall be by email to the Indenture Trustee. The Indenture Trustee shall post (within a commercially reasonable period of time following preparation or receipt of such answer, as the case may be) such Inquiry and the related answer to the Indenture Trustee's website. If the Indenture Trustee or the applicable Q&A Respondent determines, in its respective sole discretion, that (i) any Inquiry is not of a type described above, (ii) answering any Inquiry would not be in the best interests of the Issuer or the Noteholders, (iii) answering any Inquiry would be in violation of applicable law, the Loan Documents, this Indenture or the Servicing Agreement, (iv) answering any Inquiry would materially increase the duties of, or result in significant additional cost or expense to, the Indenture Trustee, the Servicer, the Special Servicer or the Operating Advisor, as applicable or (v) answering any such inquiry would reasonably be expected to result in the waiver of an attorney-client privilege or the disclosure of attorney work product, or is otherwise not advisable to answer, it shall not be required to answer such Inquiry and shall promptly notify the Indenture Trustee of such determination. The Indenture Trustee shall notify the Person who submitted such Inquiry in the event that the Inquiry shall not be answered. Any notice by the Indenture Trustee to the Person who submitted an Inquiry that shall not be answered shall include the following statement: "Because the Indenture provides that the Indenture Trustee, Servicer, Special Servicer and Operating Advisor shall not answer an Inquiry if it determines, in its respective sole discretion, that (i) any Inquiry is beyond the scope of the topics described in the Indenture, (ii) answering any Inquiry would not be in the best interests of the Issuer and/or the Noteholders, (iii) answering any Inquiry would be in violation of applicable law or the Loan Documents, this Indenture or the Servicing Agreement, (iv) answering any Inquiry would materially increase the duties of, or result in significant additional cost or expense to, the

Indenture Trustee, the Servicer, the Special Servicer or the Operating Advisor, as applicable, or (v) answering any such inquiry would reasonably be expected to result in the waiver of an attorney client privilege or the disclosure of attorney work product, or is otherwise not advisable to answer, no inference shall be drawn from the fact that the Indenture Trustee, the Servicer, the Special Servicer or the Operating Advisor has declined to answer the Inquiry." Answers posted on the Investor Q&A Forum shall be attributable only to the respondent, and shall not be deemed to be answers from any other Person, including the Issuer, the Placement Agents or any of their respective Affiliates. None of the Placement Agents, the Issuer, the Intermediate Trust Trustee, the Servicer, the Special Servicer, the Operating Advisor, or the Indenture Trustee, or any of their respective Affiliates shall certify to any of the information posted in the Investor Q&A Forum and no such party shall have any responsibility or liability for the content of any such information. The Indenture Trustee shall not be required to post to the Indenture Trustee's website any Inquiry or answer thereto that the Indenture Trustee determines, in its sole discretion, is administrative or ministerial in nature. The Investor Q&A Forum shall not reflect questions, answers and other communications that are not submitted via the Indenture Trustee's website. Additionally, the Indenture Trustee may require acceptance of a waiver and disclaimer for access to the Investor Q&A Forum.

(b) The Indenture Trustee shall make the "Investor Registry" available to any Noteholder or holder of the Trust Certificate and any beneficial owner of a Note via the Indenture Trustee's website. Noteholders and beneficial owners of Notes can register on a voluntary basis and thereafter obtain contact information with respect to any other Noteholder or beneficial owner that has so registered. Any person registering to use the Investor Registry shall be required to certify that (i) it is a Noteholder, a beneficial owner of a Note or holder of the Trust Certificate and (ii) it grants authorization to the Indenture Trustee to make its name and contact information available on the Investor Registry for at least 45 days from the date of such certification to other registered Noteholders and registered beneficial owners or Notes. Such Person shall then be asked to enter certain mandatory fields such as the individual's name, the company name and email address, as well as certain optional fields such as address, and phone number. If any Noteholder or beneficial owner of a Note notifies the Indenture Trustee that it wishes to be removed from the Investor Registry (which notice may not be within 45 days of its registration), the Indenture Trustee shall promptly remove it from the Investor Registry. The Indenture Trustee shall not be responsible for verifying or validating any information submitted on the Investor Registry, or for monitoring or otherwise maintaining the accuracy of any information thereon. The Indenture Trustee may require acceptance of a waiver and disclaimer for access to the Investor Registry.

Section 10.16 Permitted Funded Companion Participation Acquisition Account.

(a) The Indenture Trustee shall, on or prior to the Closing Date, establish a single, segregated trust account which shall be designated as the "**Permitted Funded Companion Participation Acquisition Account**" which shall be held in trust for the benefit of the Secured Parties and over which the Indenture Trustee shall have exclusive control and the sole right of withdrawal. All amounts credited to the Permitted Funded Companion Participation Acquisition Account pursuant to this Indenture shall be held by the Indenture Trustee as part of the Collateral and shall be applied to the purposes herein provided.

(b) Upon receipt of Permitted Principal Proceeds by the Issuer, if so directed by the Future Funding Holder by delivery of a notice substantially in the form of Exhibit M hereto, the Issuer shall deposit, or direct the Indenture Trustee to deposit, all or a portion of such funds, into the Permitted Funded Companion Participation Acquisition Account.

(c) The Indenture Trustee agrees to give the Issuer prompt notice if it becomes aware that the Permitted Funded Companion Participation Acquisition Account or any funds on deposit therein, or otherwise to the credit of the Permitted Funded Companion Participation Acquisition Account, becomes subject to any writ, order, judgment, warrant of attachment, execution or similar process. The Issuer shall have no legal, equitable or beneficial interest in the Permitted Funded Companion Participation Acquisition Account other than in accordance with the Priority of Payments. The Permitted Funded Companion Participation Acquisition Account shall remain at all times an Eligible Account.

(d) The only permitted withdrawals from or application of Permitted Principal Proceeds on deposit in, or otherwise standing to the credit of, the Permitted Funded Companion Participation Acquisition Account shall be (i) to acquire Related Funded Companion Participations in accordance with Section 12.4. of this Indenture and (ii) to withdraw amounts for deposit into the Note Payment Account for application pursuant to Section 11.1(a)(ii) as Principal Proceeds. Any Permitted Principal Proceeds deposited into the Permitted Funded Companion Participation Acquisition Account will be available for use to acquire Related Funded Companion Participations in accordance with Section 12.4 for a period, not to exceed the earlier of (1) 120 days from the date of receipt of such Permitted Principal Proceeds (the **"Proceeds Availability Period"**) and (2) the end of the Permitted Funded Companion Participation Acquisition Period. If (x) the Issuer fails to acquire Related Funded Companion Participations with such specified Permitted Principal Proceeds within the applicable Proceeds Availability Period, or (y) if the Issuer is so directed by the Future Funding Holder on any Payment Date prior to the expiration of the applicable Proceeds Availability Period, the Indenture Trustee (upon the direction of the Issuer in the case of clause (y)) shall withdraw such Permitted Principal Proceeds (**"Excluded Permitted Principal Proceeds"**) from the Permitted Funded Companion Participation Acquisition Account and deposit such Permitted Principal Proceeds into the Note Payment Account for application pursuant to Section 11.1(a)(ii) as Principal Proceeds and the Issuer shall not be permitted to cause any Excluded Permitted Principal Proceeds to be re-deposited into the Permitted Funded Companion Participation Acquisition Account. Upon the expiration of the Permitted Funded Companion Participation Acquisition Period, the Indenture Trustee shall transfer all amounts on deposit in the Permitted Funded Companion Participation Acquisition Account to the Note Payment Account for application pursuant to Section 11.1(a)(ii) as Principal Proceeds.

ARTICLE XI

APPLICATION OF CASH

Section 11.1 Disbursements of Cash from Note Payment Account.

(a) Notwithstanding any other provision in this Indenture, but subject to the other clauses of this Article XI hereof, on each Payment Date and on the Accelerated Maturity Date, the Indenture Trustee shall disburse amounts transferred to the Note Payment Account from the Collection Accounts pursuant to Section 10.2(g) hereof as follows and for application by the Indenture Trustee in accordance with the following priorities (the "**Priority of Payments**"):

(i) On each Payment Date that is not a Redemption Date or a Payment Date following the occurrence and continuation of an acceleration of the Notes as a result of an Indenture Event of Default, Interest Proceeds with respect to the related Due Period shall be distributed in the order of priority (the "**Interest Proceeds Waterfall**") set forth below:

(1) to the payment of taxes and filing and registration fees owed by the Issuer, if any;

(2) (a) first, to the extent not previously reimbursed, to the Advancing Agent or the Backup Advancing Agent, the aggregate amount of any Nonrecoverable Interest Advances due and payable to such party, (b) second, to the Advancing Agent, the Advancing Agent Fee and any previously due but unpaid Advancing Agent Fee (provided that the Advancing Agent has not failed to make any Interest Advance required to be made in respect of any Payment Date pursuant to the terms of this Indenture, and if the Advancing Agent failed to make an Interest Advance, then the Backup Advancing Agent, as successor Advancing Agent, will receive the Advancing Agent Fee, and (c) third, to the Advancing Agent and the Backup Advancing Agent, (i) to the extent due and payable to such party, Reimbursement Interest and (ii) reimbursement of any outstanding Interest Advances not (in the case of this clause (ii)) to exceed the amount that would result in an Interest Shortfall with respect to such Payment Date;

(3) (a) first, to the Indenture Trustee, the Indenture Trustee Fee and any previously due but unpaid Indenture Trustee Fees, (b) second, to the Indenture Trustee, all accrued and unpaid Indenture Trustee Expenses (other than amounts payable pursuant to indemnities) under this Indenture (and, if an Indenture Event of Default has occurred and is continuing under this Indenture, all accrued and unpaid expenses of the Indenture Trustee (including amounts payable pursuant to the indemnity)), (c) third, to the extent not previously reimbursed, to the Indenture Trustee, Indenture Trustee Expenses constituting indemnities, and (d) fourth, to the payment of all other accrued and unpaid Administrative Expenses then due and payable; *provided* that all payments made pursuant to subclauses (b) through (d) of this clause (3) (together with all amounts withdrawn from the

Expense Account in respect of Administrative Expenses) do not exceed $300,000 in the aggregate during the applicable Expense Year (including such Payment Date);

(4) to the payment of the Interest Distribution Amount with respect to the Class A Notes;

(5) to the payment of the Interest Distribution Amount with respect to the Class A-S Notes;

(6) to the payment of the Interest Distribution Amount with respect to the Class B Notes;

(7) to the payment of the Interest Distribution Amount with respect to the Class C Notes;

(8) to the payment of the Class C Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class C Notes);

(9) to the payment of the Interest Distribution Amount with respect to the Class D Notes;

(10) to the payment of the Class D Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class D Notes);

(11) to the payment of the Interest Distribution Amount with respect to the Class E Notes;

(12) to the payment of the Class E Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class E Notes);

(13) to the payment of the Interest Distribution Amount with respect to the Class F Notes;

(14) to the payment of the Class F Deferred Interest Amount (in reduction of the Aggregate Outstanding Amount of the Class F Notes);

(15) to the payment of, first, to the Indenture Trustee of accrued and unpaid Indenture Trustee Expenses and, second, all other accrued and unpaid Administrative Expenses, in each case in the priority of, and to the extent not paid pursuant to, clause (3) above (whether as the result of the limitations on amounts set forth therein or otherwise);

(16) for deposit into the Expense Account in respect of anticipated Administrative Expenses that will be due prior to the next Payment Date such amount as the Servicer directs the Indenture Trustee in writing (no later than the applicable Remittance Date), but in no event may such deposit cause the Balance of all Eligible Investments and cash in the

Expense Account (including any amounts remaining on deposit in the Expense Account from the Closing Date) immediately after such deposit to exceed $50,000; and

(17) to the Holder of the Class G Notes (for so long as the Aggregate Outstanding Amount of the Class G Notes has not been reduced to zero on a prior Payment Date, and otherwise to the Holder of the Trust Certificate), any remaining amounts (in the case of the Class G Notes, as interest).

(ii) On each Payment Date that is not a Redemption Date or a Payment Date following the occurrence and continuation of an acceleration of the Notes as a result of an Indenture Event of Default, Principal Proceeds with respect to the related Due Period will be distributed in the order of priority (the "**Principal Proceeds Waterfall**") set forth below:

(1) to the payment of the amounts referred to in clauses (1) to (6) of the Interest Proceeds Waterfall in the same order of priority specified therein, but only to the extent not paid in full thereunder;

(2) on the Payment Date after the Unused Proceeds Release Date for a Delayed Close Mortgage Loan, an amount equal to the Unused Proceeds Principal Amortization Amount for such Delayed Close Mortgage Loan to the payment of principal of the Notes (other than the most junior Class of Notes then Outstanding) in accordance with the Unused Proceeds Principal Amortization Priority (in such amounts and in such priority as are described in the definition of such term);

(3) to the payment of principal of the Class A Notes until the Class A Notes have been paid in full;

(4) to the payment of principal of the Class A-S Notes until the Class A Notes have been paid in full;

(5) to the payment of principal of the Class B Notes until the Class B Notes have been paid in full;

(6) if no Class A Notes, Class A-S Notes or Class B Notes are Outstanding, to the payment of the amounts referred to in clause (7) of the Interest Proceeds Waterfall, but only to the extent not paid in full thereunder;

(7) to the payment of principal of the Class C Notes (including the Class C Deferred Interest Amount), until the Class C Notes have been paid in full;

(8) if no Class A Notes, Class A-S Notes, Class B Notes or Class C Notes are Outstanding, to the payment of the amounts referred to in clause

(9) of the Interest Proceeds Waterfall, but only to the extent not paid in full thereunder;

(9) to the payment of principal of the Class D Notes (including the Class D Deferred Interest Amount), until the Class D Notes have been paid in full;

(10) if no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are outstanding, to the payment of the amounts referred to in clause (11) of the Interest Proceeds Waterfall, but only to the extent not paid in full thereunder;

(11) to the payment of principal of the Class E Notes (including the Class E Deferred Interest Amount), until the Class E Notes have been paid in full;

(12) if no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are outstanding, to the payment of the amounts referred to in clause (13) of the Interest Proceeds Waterfall, but only to the extent not paid in full thereunder;

(13) to the payment of principal of the Class F Notes (including the Class F Deferred Interest Amount), until the Class F Notes have been paid in full;

(14) to the payment of principal of the Class G Notes, until the Class G Notes have been paid in full;

(15) to the payment of amounts referred to in clauses (15) and (16) of the Interest Proceeds Waterfall, in the same order of priority specified therein, but only to the extent not paid in full thereunder; and

(16) to the Holder of the Trust Certificate, any remaining amounts.

(iii) On any Redemption Date or a Payment Date following the occurrence and continuation of an acceleration of the Notes as a result of an Indenture Event of Default, Interest Proceeds and Principal Proceeds with respect to the related Due Period will be distributed in the following order of priority:

(1) to the payment of the amounts referred to in clauses (1) through (3) of the Interest Proceeds Waterfall, in the same order of priority set forth therein, but without giving effect to any limitations on amounts payable set forth therein;

(2) to the payment of any out-of-pocket fees and expenses of the Issuer and Indenture Trustee (including legal fees and expenses) incurred in connection with an acceleration of the Notes following an Indenture Event

of Default, including in connection with sale and liquidation of any of the Collateral in connection therewith;

(3) to the payment of the Interest Distribution Amount with respect to the Class A Notes;

(4) to the payment of principal of the Class A Notes until the Class A Notes have been paid in full;

(5) to the payment of the Interest Distribution Amount with respect to the Class A-S Notes;

(6) to the payment of principal of the Class A-S Notes until the Class A-S Notes have been paid in full;

(7) to the payment of the Interest Distribution Amount with respect to the Class B Notes;

(8) to the payment of principal of the Class B Notes until the Class B Notes have been paid in full;

(9) to the payment of the Interest Distribution Amount with respect to the Class C Notes;

(10) to the payment of principal of the Class C Notes (including the Class C Deferred Interest Amount) until the Class C Notes have been paid in full;

(11) to the payment of the Interest Distribution Amount with respect to the Class D Notes;

(12) to the payment of principal of the Class D Notes (including the Class D Deferred Interest Amount) until the Class D Notes have been paid in full;

(13) to the payment of the Interest Distribution Amount with respect to the Class E Notes;

(14) to the payment of principal of the Class E Notes (including the Class E Deferred Interest Amount) until the Class E Notes have been paid in full;

(15) to the payment of the Interest Distribution Amount with respect to the Class F Notes;

(16) to the payment of principal of the Class F Notes (including the Class F Deferred Interest Amount) until the Class F Notes have been paid in full;

(17) to the payment of principal of the Class G Notes until the Class G Notes have been paid in full; and

(18) any remaining Interest Proceeds and Principal Proceeds to the Holder of the Trust Certificate.

(iv) Any Interest Proceeds or Principal Proceeds applied to pay principal of the Class C Notes, Class D Notes, Class E Notes or Class F Notes will be applied first to pay any related Deferred Interest Amount prior to being applied to reduce the remaining portion of the related Aggregate Outstanding Amount.

(b) On or prior to the close of business on the Remittance Date preceding each Payment Date, the Issuer shall remit (or cause the Servicer to remit) to the Indenture Trustee for deposit into the Note Payment Account pursuant to Section 10.2(g) hereof, an amount of Cash sufficient to pay the amounts described in Section 11.1(a) required to be paid on such Payment Date.

(c) If, on any Payment Date, as applicable, the amount available in the Note Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required by the statements furnished by the Issuer pursuant to Section 10.7(b) hereof, the Indenture Trustee shall make the disbursements called for in the order and according to the priority set forth under Section 11.1(a) hereof, to the extent funds are available therefor.

(d) Except as otherwise expressly provided in this Section 11.1, if on any Payment Date the amount available in the Note Payment Account from amounts received in the related Due Period is insufficient to make the full amount of the disbursements required under any clause of the Interest Proceeds Waterfall or the Principal Proceeds Waterfall to different Persons, the Indenture Trustee shall make the disbursements called for by such clause ratably in accordance with the respective amounts of such disbursements in such clause then due and payable to the extent funds are available therefor.

(e) In connection with the application of funds to pay Administrative Expenses of the Issuer, in accordance with sub-clauses (3), (15) and (16) of clause (i) of Section 11.1(a) hereof and sub-clauses (1) and (15) of clause (ii) of Section 11.1(a) hereof, the Indenture Trustee shall remit such funds, to the extent available, as directed by the Issuer pursuant to the related Monthly Report (net of amounts payable to the Indenture Trustee). All such payments shall be made pursuant to the Priority of Payments.

(f) Any amounts to be paid to the Indenture Trustee for distribution to the Holder of the Trust Certificate pursuant to clause (17) of the Interest Proceeds Waterfall, clause (16) of the Principal Proceeds Waterfall or clause (18) of the payment waterfall described under clause (iii) of Section 11.1(a) shall be released from the lien of this Indenture.

(g) In connection with any required payment by the Issuer to the Operating Advisor pursuant to the Servicing Agreement of any amount scheduled to be paid from time to time between Payment Dates from amounts received with respect to the Mortgage Loans, such amounts shall be paid to the Operating Advisor pursuant to the terms of the Servicing Agreement.

(h) [Reserved.]

(i) The Advancing Agent (or the Backup Advancing Agent, as successor Advancing Agent, as provided in Section 10.12(f)) shall be entitled to receive the Advancing Agent Fee payable in accordance with the Priority of Payments. In addition, the Advancing Agent and the Backup Advancing Agent shall each be entitled on each Payment Date to reimbursement of any previously unreimbursed Interest Advance made by it, together with interest thereon, from Interest Proceeds, and to the extent not reimbursed in full by Interest Proceeds, from Principal Proceeds, prior to application of collections in accordance with Section 11.1(a), as well as in accordance with the Priority of Payments; *provided* that (i) reimbursement of Interest Advances (other than Nonrecoverable Interest Advances) shall not cause an additional Interest Shortfall, (ii) reimbursement of Nonrecoverable Interest Advances, together with interest thereon, shall be made first from Interest Proceeds, and to the extent not reimbursed in full from Interest Proceeds, from Principal Proceeds and (iii) reimbursement of Nonrecoverable Interest Advances shall be made regardless of whether such reimbursement causes an additional Interest Shortfall and may be made on any Business Day prior to the related Determination Date or on a Payment Date. For purposes of the foregoing, an Interest Advance shall be deemed to be a Nonrecoverable Interest Advance if the Advancing Agent or the Backup Advancing Agent, as applicable, determines that future payments or collections on the Mortgage Loans could reasonably be expected to be insufficient to fully reimburse such Interest Advance, plus interest thereon. Amounts used for the reimbursement of Interest Advances and interest thereon shall not be included in the Available Redemption Funds for any Payment Date. Notwithstanding the foregoing, the Advancing Agent or the Backup Advancing Agent, as applicable, may opt, in its sole discretion, to defer the reimbursement for Nonrecoverable Interest Advances to a subsequent Payment Date or Payment Dates if such reimbursement would trigger an additional Interest Shortfall. The Advancing Agent will also be permitted (but not obligated) to defer or otherwise structure the timing of recoveries by the Advancing Agent of Nonrecoverable Interest Advances in such manner as the Advancing Agent determines is in the best interest of the Holders of the Class A Notes, the Class A-S Notes and the Class B Notes, as a collective whole, which may include being reimbursed for Nonrecoverable Interest Advances in installments. In addition, based upon information available at such time, the Advancing Agent or the Backup Advancing Agent, as applicable, shall provide 15 days prior notice to the Servicer, the Indenture Trustee and the Rating Agencies if an Interest Advance is determined to be a Nonrecoverable Interest Advance and whether or not reimbursement thereof shall be deferred; *provided*, that the failure to provide such notice shall in no way limit the rights of either the Advancing Agent or the Backup Advancing Agent to reimburse itself for Nonrecoverable Interest Advances on any Payment Date.

Section 11.2 Trust Accounts.

Each Account shall remain at all times with either (x) the Indenture Trustee's Corporate Trust Office in a segregated trust account that is subject to fiduciary funds on deposit regulations (or internal guidelines) substantially similar to 12 C.F.R. § 9.10(b) or (y) a financial institution (i) the short-term debt obligations of which are rated at least (a) "K1" by KBRA (if rated by KBRA or, if not rated by KBRA, an equivalent rating such as that listed above by at least two NRSROs (which may include S&P and/or Fitch)), and (b) "P-1" by Moody's, in the case of accounts in which funds are held for thirty (30) days or less (or such lower rating as to which the Rating Agency Condition with respect to each Rating Agency is satisfied) or (ii) in the case of

accounts in which funds are held for more than thirty (30) days, (a) the long-term debt obligations of which are rated at least "A+" by KBRA (if rated by KBRA or, if not rated by KBRA, an equivalent rating such as that listed above by at least two NRSROs (which may include S&P and/or Fitch)) and (b) the long-term and short-term debt obligations of which are rated at least "A2/P-1" by Moody's, or, in each case, such other rating with respect to which the Rating Agency Condition for each Rating Agency has been satisfied and having a combined capital and surplus of at least $200,000,000 and subject to supervision or examination by federal or state authority.

All Cash held by, or deposited with, the Indenture Trustee in any Account (other than the Custodial Account) pursuant to the provisions of this Indenture, and not invested in Mortgage Loans or Eligible Investments as herein provided, shall be deposited in one or more accounts, maintained at a financial institution described in the preceding paragraph, to be held in trust for the benefit of the Noteholders. Except with respect to amounts on deposit in the Note Payment Account, to the extent Cash deposited in an account exceeds amounts insured by the Bank Insurance Fund or Savings Association Insurance Fund administered by the Federal Deposit Insurance Corporation, or any agencies succeeding to the insurance functions thereof, and is not fully collateralized by direct obligations of the United States, such excess shall be invested in Eligible Investments (pursuant to and as provided in Sections 10.2, 10.3 and 10.4 hereof).

Section 11.3 Securities Accounts.

The Issuer hereby directs the Indenture Trustee to invest all amounts held by, or deposited with the Indenture Trustee in the Permitted Funded Companion Participation Acquisition Account pursuant to the provisions of this Indenture in Eligible Investments described in clause (h) of the definition of Eligible Investments and such amounts shall be credited to the Indenture Accounts that are the source of funds for such investment. Any amounts not so invested in Eligible Investments as herein provided, shall be credited to one or more securities accounts established and maintained pursuant to the Securities Account Control Agreement at the Corporate Trust Office of the Indenture Trustee, or at another financial institution whose (1) long-term rating is at least equal to "A1" by Moody's or (2) (x) long-term rating is at least equal to "A2" by Moody's and (y) short-term rating is at least equal to "P-1" by Moody's (or such lower rating as the Rating Agency shall approve) and agrees to act as a Securities Intermediary on behalf of the Indenture Trustee on behalf of the Secured Parties pursuant to an account control agreement in form and substance similar to the Securities Account Control Agreement.

ARTICLE XII

PURCHASE AND SALE OF MORTGAGE LOANS; ACQUISITION OF RELATED FUNDED COMPANION PARTICIPATIONS; FUTURE FUNDING ESTIMATES

Section 12.1 Sale of Mortgage Loans.

(a) Except as otherwise expressly permitted or required by this Indenture, the Issuer shall not sell or otherwise dispose of or cause to be sold or otherwise disposed of any Mortgage Loan. Subject to satisfaction of any applicable conditions in Section 10.8, so long as on or prior to the trade date for such sale the Servicer has certified to the Indenture Trustee that each of the conditions applicable to such sale set forth below has been satisfied, the Issuer may direct

the Intermediate Trust Trustee, the Servicer and/or Special Servicer in writing (a copy of which writing shall be delivered to the Indenture Trustee) to sell, and the Intermediate Trust Trustee, the Servicer and/or Special Servicer, as applicable, shall be permitted to sell, in the manner directed by the Issuer in writing, on behalf of the Intermediate Trust:

(i) any Defaulted Mortgage Loan at the direction of the Special Servicer acting pursuant to the Servicing Agreement (subject to the consent of the Directing Holder, for so long as no Control Shift Event with respect to the Class E Notes has occurred and is continuing) provided that the Special Servicer may also sell such Defaulted Mortgage Loan (and any REO Property) in accordance with the terms of the Servicing Agreement;

(ii) any Mortgage Loan with respect to which a material document defect or material breach of representation or warranty set forth in the Seller Purchase and Sale Agreement exists, which requires the Seller to repurchase such Mortgage Loan at the Repurchase Price thereof;

(iii) any Mortgage Loan in connection with an Optional Redemption, Clean-up Call, Tax Redemption, at the Stated Maturity or in connection with the exercise of a purchase option held by the holder of a mezzanine loan or similar interest; and

(iv) any Related Funded Companion Participation as set forth in Section 12.4(d).

All Sale Proceeds of any Mortgage Loans and REO Properties sold by or at the request of the Issuer in accordance with this Section 12.1 will, upon receipt by the Indenture Trustee, be deposited in the Interest Collection Account or the Principal Collection Account, as the case may be, in accordance with Sections 10.2(a) and 10.2(c) hereof and applied on the Payment Date immediately succeeding the end of the Due Period in which they were received in accordance with the Priority of Payments or as otherwise required by Article IX.

(b) After the Issuer has notified the Indenture Trustee of an Optional Redemption, Clean-up Call or Tax Redemption in accordance with Section 9.3 hereof, the Issuer (or the Directing Holder) may direct the Intermediate Trust Trustee, the Servicer and/or the Special Servicer in writing (a copy of which writing shall be delivered to the Indenture Trustee) to sell, and the Intermediate Trust Trustee, the Servicer and/or the Special Servicer, as applicable, shall be permitted to sell, any Mortgage Loan or REO Property without regard to the foregoing limitations in Section 12.1(a) hereof; *provided* that:

(i) in connection with an Optional Redemption, Clean-up Call or Tax Redemption, the Sale Proceeds therefrom must be used to pay certain expenses and redeem all of the Notes in whole but not in part pursuant to Sections 9.1(a), 9.1(b) and 9.1(c) hereof, and upon any such sale the Indenture Trustee shall release the Pledged Assets, such Mortgage Loans and REO Properties pursuant to Section 10.8 hereof;

(ii) in connection with an Optional Redemption, Clean-up Call or Tax Redemption, the Issuer may not direct the Intermediate Trust Trustee to sell (and the Intermediate Trust Trustee, the Servicer and/or the Special Servicer, as applicable, shall not be permitted to sell) a Mortgage Loan or REO Property pursuant to this Section 12.1(b)

hereof unless on or prior to the sixth Business Day preceding the scheduled Redemption Date:

(x) the Issuer certifies to the Indenture Trustee that (1) in its judgment based on calculations included in such certification by the Issuer (which certification shall include the sale prices of the Mortgage Loans), the Available Redemption Funds will be sufficient to pay the Total Redemption Amount pursuant to Section 9.2(a) hereof and (2) the sale prices of the Mortgage Loans intended to be sold in connection with such redemption are not (in the sole judgment of the Servicer) below the fair market value of such Mortgage Loans; and

(y) an Independent accountant appointed by the Issuer shall confirm in writing the calculations made in clause (x)(1) above;

(iii) in connection with an Optional Redemption, Clean-up Call or Tax Redemption, all the Mortgage Loans and REO Properties to be sold pursuant to this Section 12.1(c) hereof must be sold in accordance with the requirements set forth in Section 9.2(a) hereof, as the case may be; and

(iv) in connection with an Optional Redemption, if the holder of the Class G Notes also owns 100% of the Class E Notes and/or 100% of the Class F Notes, in lieu of paying the Redemption Price for one or more of such Classes, such holder may elect to exchange such Notes for the Intermediate Trust Certificate and immediately thereafter exchange the Intermediate Trust Certificate for all of the remaining Mortgage Loans and other assets of the Intermediate Trust, in which event the certification required by clause (ii)(x) above with respect to the Total Redemption Amount shall exclude cash Redemption Prices for the Classes subject to such election.

(c) The Servicer and the Special Servicer, their Affiliates and any account for which the Servicer and the Special Servicer or an Affiliate of the Servicer or the Special Servicer acts as investment adviser (and for which the Servicer or such Affiliate has discretionary authority) shall be entitled to bid on any Mortgage Loan to be sold by or at the request of the Issuer pursuant to this Section 12.1 hereof.

(d) Notwithstanding anything herein to the contrary, the Servicer on behalf of the Issuer shall be permitted to sell to a Permitted Subsidiary any Sensitive Asset for consideration consisting of equity interests in such Permitted Subsidiary (or an increase in the value of equity interests already owned).

Section 12.2 Acquisition of the Delayed Close Mortgage Loan(s).

(a) On the Closing Date, the Issuer will deposit the sum of $20,000,000 into the Unused Proceeds Account to be available for the acquisition, on or prior to the Purchase Termination Date, of the Delayed Close Mortgage Loan(s) by the Intermediate Trust), subject to confirmation by the Special Servicer that the terms of the Loan Documents evidencing each such Mortgage Loan substantially conform to those provided to the Special Servicer as of the date

hereof (receipt of which is hereby acknowledged), as evidenced by the delivery to the Indenture Trustee of an Officer's Certificate of the Special Servicer confirming the same.

(b) The Issuer may also cause the Intermediate Trust to acquire any Delayed Close Mortgage Loan, subject to each of the conditions set forth in paragraph (a) above, this paragraph (b) and paragraphs (c) and (d) below, by instructing the Indenture Trustee by Issuer Order to release amounts in the Unused Proceeds Account directly to the account of the related obligor.

(c) The acquisition by the Intermediate Trust of a Delayed Close Mortgage Loan, and the remittance by the Indenture Trustee of amounts from the Unused Proceeds Account as consideration for such acquisition shall be conditioned upon (i) receipt by the Indenture Trustee of the Officer's Certificate described in paragraph (a) above (upon which the Indenture Trustee may conclusively rely) and (ii) satisfaction of the Rating Agency Condition.

(d) In connection with the acquisition of a Delayed Close Mortgage Loan, the Seller shall make the representations and warranties set forth on Exhibit B to the Seller Purchase and Sale Agreement as of the date of such acquisition (subject to such exceptions as are reasonably acceptable to the Special Servicer) and deliver the related Mortgage Loan File to the Custodian. Upon such acquisition, the Mortgage Loan Schedule (as defined in the Servicing Agreement) shall be amended to add such Delayed Close Mortgage Loan.

Section 12.3 Conditions Applicable to all Transactions Involving Sale or Grant.

(a) Any transaction effected after the Closing Date under Article V, Article IX or Section 10.2 hereof or this Article XII shall be conducted on an arms' length basis and if effected with the Issuer, the Indenture Trustee, the Servicer, the Special Servicer or any Affiliate of any of the foregoing, shall be effected at fair market value in a secondary market transaction on terms at least as favorable to the Noteholders as would be the case if such Person were not so Affiliated or, on the Closing Date, and on the date of transfer of each Delayed Close Mortgage Loan, pursuant to the Purchase and Sale Agreements. The Indenture Trustee shall have no responsibility to oversee compliance with this clause by the other parties.

(b) Upon any Grant pursuant to this Article XII, all of the Issuer's right, title and interest in and to the Pledged Assets shall be Granted to the Indenture Trustee pursuant to this Indenture, such Pledged Assets shall be assigned or endorsed to the Indenture Trustee (or in blank), and, if applicable, the Indenture Trustee shall receive such Pledged Assets (as well as, with respect to any Mortgage Loans, the delivery of all related Mortgage Loan Files in accordance with Section 3.3(d) hereof). The Indenture Trustee shall also receive, not later than the date of delivery of any Mortgage Loan delivered after the Closing Date, an Officer's Certificate of the Issuer or the Servicer certifying that, as of the date of such Grant, such Grant complied with the applicable conditions of and is permitted by this Article XII.

(c) Notwithstanding anything contained in this Article XII to the contrary, but subject to Section 12.3(d) hereof, the Issuer shall have the right to effect any transaction which has been consented to by the Holders of Notes evidencing 100% of the Aggregate Outstanding Amount of each and every Class of Notes and of which the Rating Agencies have been notified.

(d) Notwithstanding anything to the contrary in this Indenture, in no event may the Issuer or the Intermediate Trust engage in any business or activity that would cause the Issuer or the Intermediate Trust to fail to qualify as a Qualified REIT Subsidiary or other Issuer Parent Disregarded Entity or which otherwise would subject the Issuer or the Intermediate Trust to net income tax in any jurisdiction.

Section 12.4 Acquisition of Related Funded Companion Participations.

(a) Upon receipt of Permitted Principal Proceeds, if so directed by the Future Funding Holder, the Issuer shall deposit all or a portion of such funds, or cause the Indenture Trustee to deposit such funds, into the Permitted Funded Companion Participation Acquisition Account and during the period ending on the earlier of (1) the Proceeds Availability Period and (2) the end of the Permitted Funded Companion Participation Acquisition Period, shall, if directed by the Future Funding Holder, cause the Intermediate Trust to acquire such Related Funded Companion Participations as identified by such Future Funding Holder (ownership of which shall be, and hereby are upon acquisition by the Intermediate Trust, evidenced by the Intermediate Trust Certificate, which is Granted to the Trustee pursuant to the Granting Clause of this Indenture), subject to the satisfaction of the Acquisition Criteria as of the date of the acquisition of any such Related Funded Companion Participation as evidenced by the delivery to the Indenture Trustee of an Officer's Certificate of the Servicer confirming the satisfaction of the Acquisition Criteria.

(b) The acquisition by the Intermediate Trust of any Related Funded Companion Participation, and the remittance by the Indenture Trustee of amounts from the Permitted Funded Companion Participation Acquisition Account as consideration for such acquisition shall be conditioned upon (i) receipt by the Indenture Trustee of the Officer's Certificate of the Servicer confirming satisfaction of the Acquisition Criteria (upon which the Indenture Trustee may conclusively rely) substantially in the form of Exhibit J hereto, (ii) receipt by the Custodian of the Subsequent Transfer Instrument substantially in the form of Exhibit K hereto with respect to the transfer of the applicable Related Funded Companion Participation, which Subsequent Transfer Instrument shall, as of the date of such transfer, (1) list the purchase price for the Related Funded Companion Participation, (2) warrant and confirm the satisfaction of the conditions precedent specified in Section 3 of the Seller Purchase and Sale Agreement and (3) reaffirm the representations and warranties made in Section 4 of the Seller Purchase and Sale Agreement, subject only to such exceptions, if any, as were taken by the Seller with respect to the related Pari Passu Participation (which are also set forth in Schedule 1 to such transfer instrument), (iii) receipt by the Custodian of the Subsequent Transfer Instrument substantially in the form of Exhibit L hereto with respect to the transfer of the applicable Related Funded Companion Participation, which Subsequent Transfer Instrument shall, as of the date of such transfer, (1) list the purchase price for the Related Funded Companion Participations, (2) warrant and confirm the satisfaction of the conditions precedent specified in Section 3 of the Depositor Purchase and Sale Agreement and (3) reaffirm the representations and warranties made in Section 4 of the Depositor Purchase and Sale Agreement, subject only to such exceptions, if any, as were taken by the Trust Depositor with respect to the related Pari Passu Participation (which are also set forth in Schedule A to such transfer instrument) and (iv) if the Related Funded Companion Participation is evidenced by a physical certificate, receipt by the Custodian of such certificate together with any and all intervening endorsements thereon, endorsed in blank.

(c) After the termination of the Permitted Funded Companion Participation Acquisition Period, the Issuer may not cause the Intermediate Trust to acquire or cause to be acquired any Related Funded Companion Participations.

(d) If the acquisition by the Intermediate Trust of all or a portion of a Related Funded Companion Participation results, in and of itself, in a downgrade of the ratings of any Class of Notes by Moody's, then the former holder of the applicable related Future Funding Participation shall promptly upon its receipt of written notice thereof repurchase such Related Funded Companion Participation at the same price as such entity paid to acquire it less any principal prepayments received by the Issuer and allocated thereto.

Section 12.5 Ongoing Future Advance Estimates.

(a) The Indenture Trustee, on behalf of the Noteholders is hereby directed by the Issuer to (i) enter into the Future Funding Agreement and the Future Funding Account Control Agreement, pursuant to which the Future Funding Indemnitor will agree to pledge certain collateral described therein in order to secure certain future funding obligations of the Future Funding Holder under the Participation Agreements and (ii) administer the rights of the Indenture Trustee and the secured party, as applicable, under the Future Funding Agreement and the Future Funding Account Control Agreement.

(b) The Rule 17g-5 Information Provider shall promptly post to the Rule 17g-5 Website pursuant to Section 14.14 of this Agreement, any certification with respect to the Future Funding Participations that is delivered to it in accordance with the Future Funding Agreement.

ARTICLE XIII

SECURED PARTIES' RELATIONS

Section 13.1 Subordination.

(a) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class A Notes that the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class A Subordinate Interests**") shall be subordinate and junior to the Class A Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class A Notes shall be paid in full before any further payment or distribution is made on account of the Class A Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Class A Subordinate Interests agree, for the benefit of the Holders of the Class A Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Subordinate Interests until the payment

in full of the Class A Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day) then in effect.

(b) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class A-S Notes that the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes, the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class A-S Subordinate Interests**") shall be subordinate and junior to the Class A-S Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class A-S Notes shall be paid in full before any further payment or distribution is made on account of the Class A-S Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Class A-S Subordinate Interests agree, for the benefit of the Holders of the Class A-S Notes, not to cause or join in the filing of a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Subordinate Interests until the payment in full of the Class A-S Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (plus one day).

(c) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class B Notes that the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes, the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class B Subordinate Interests**") shall be subordinate and junior to the Class B Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class B Notes shall be paid in full before any further payment or distribution is made on account of the Class B Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Class B Subordinate Interests agree, for the benefit of the Holders of the Class B Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Subordinate Interests until the payment in full of the Class B Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day).

(d) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class C Notes that the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes, the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class C Subordinate Interests**") shall be subordinate and junior to the Class C Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a

result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class C Notes shall be paid in full before any further payment or distribution is made on account of the Class C Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Class C Subordinate Interests agree, for the benefit of the Holders of the Class C Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Subordinate Interests until the payment in full of the Class C Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day).

(e) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class D Notes that the Class E Notes, the Class F Notes, the Class G Notes, the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class D Subordinate Interests**") shall be subordinate and junior to the Class D Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class D Notes shall be paid in full before any further payment or distribution is made on account of the Class D Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Subordinate Interests agree, for the benefit of the Holders of the Class D Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Class D Subordinate Interests until the payment in full of the Class D Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day).

(f) [Reserved.]

(g) [Reserved.]

(h) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class E Notes, the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class E Notes that the Class F Notes, the Class G Notes, the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class E Subordinate Interests**") shall be subordinate and junior to the Class E Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class E Notes shall be paid in full before any further payment or distribution is made on account of the Class E Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Subordinate Interests agree, for the benefit of the Holders of the Class E Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Class E Subordinate Interests until the payment in full of the Class E Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day).

(i) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class F Notes and the Class G Notes agree for the benefit of the Holders of the Class F Notes that the Class G Notes, the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class F Subordinate Interests**") shall be subordinate and junior to the Class F Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class F Notes shall be paid in full before any further payment or distribution is made on account of the Class F Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Subordinate Interests agree, for the benefit of the Holders of the Class F Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Class F Subordinate Interests until the payment in full of the Class F Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day).

(j) Anything in this Indenture or the Notes to the contrary notwithstanding, the Issuer, the Holder of the Trust Certificate and the Holders of the Class G Notes agree for the benefit of the Holders of the Class G Notes that the Trust Certificate and the Issuer's rights in and to the Collateral (the "**Class G Subordinate Interests**") shall be subordinate and junior to the Class G Notes to the extent and in the manner set forth in Section 11.1(a) hereof and hereinafter provided. If any Indenture Event of Default has not been cured or waived and acceleration occurs in accordance with Article V, including as a result of an Indenture Event of Default specified in Section 5.1(f) or 5.1(g), the Class G Notes shall be paid in full before any further payment or distribution is made on account of the Class G Subordinate Interests pursuant to Section 11.1(a)(iii). The Holders of the Notes and the Holder of the Trust Certificate evidencing Class G Subordinate Interests agree, for the benefit of the Holders of the Class G Notes, not to cause or join in the filing of a petition for winding up or a petition in bankruptcy against the Issuer for failure to pay to them amounts due in respect of such Subordinate Interests until the payment in full of the Class G Notes and not before one year and one day have elapsed since such payment or, if longer, the applicable preference period (*plus* one day).

(k) In the event that notwithstanding the provisions of this Indenture, any holder of any Subordinate Interests shall have received any payment or distribution in respect of such Subordinate Interests contrary to the provisions of this Indenture, then, unless and until all amounts payable to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, in each case as applicable, shall have been paid in full in Cash or the Majority Holders of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, in each case as applicable, consent, other than in Cash in accordance with this Indenture, such payment or distribution shall be received and held in trust for the benefit of, and shall forthwith be paid over and delivered to, the Indenture Trustee, which shall pay and deliver the same to the Holders of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, in each case as applicable, in accordance with this Indenture.

(l) Each holder of Subordinate Interests agrees with all Holders of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, in each case as applicable, that such holder of Subordinate Interests shall not demand, accept, or receive any payment or distribution in respect of such Subordinate Interests in violation of the provisions of this Indenture including this Section 13.1; *provided* that after all amounts payable to the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, in each case as applicable, have been paid in full, the Holders of such Subordinate Interests shall be fully subrogated to the rights of the Holders of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes and the Class G Notes, in each case as applicable. Nothing in this Section 13.1 shall affect the obligation of the Issuer to pay Holders of Subordinate Interests.

(m) The Holders of each Class of Notes agree, for the benefit of all Holders of each Class of Notes, not to cause the filing of a petition in bankruptcy against the Issuer or any Permitted Subsidiary until the payment in full of the Notes and not before one year and a day, or if longer, the applicable preference period then in effect (*plus* one day), has elapsed since such payment.

Section 13.2 Standard of Conduct.

In exercising any of its or their voting rights, rights to direct and consent or any other rights as a Secured Party under this Indenture, subject to the terms and conditions of this Indenture, including Section 5.9 hereof, a Secured Party or Secured Parties shall not have any obligation or duty to any Person or to consider or take into account the interests of any Person and shall not be liable to any Person for any action taken by it or them or at its or their direction or any failure by it or them to act or to direct that an action be taken, without regard to whether such action or inaction benefits or adversely affects any Secured Party, the Issuer, or any other Person, except for any liability to which such Secured Party may be subject to the extent the same results from such Secured Party's taking or directing an action, or failing to take or direct an action, in Bad Faith or in violation of the express terms of this Indenture.

ARTICLE XIV

MISCELLANEOUS

Section 14.1 Form of Documents Delivered to Indenture Trustee.

In any case where several matters are required to be certified by, or covered by an opinion of, any specified Person, it is not necessary that all such matters be certified by, or covered by the opinion of, only one such Person, or that they be so certified or covered by only one document, but one such Person may certify or give an opinion with respect to some matters and one or more other such Persons as to other matters, and any such Person may certify or give an opinion as to such matters in one or several documents.

Any certificate or opinion of an Authorized Officer of the Issuer may be based, insofar as it relates to legal matters, upon a certificate or opinion of, or representations by, counsel,

unless such Authorized Officer knows, or in the exercise of reasonable care should know, that the certificate or opinion or representations with respect to the matters upon which his certificate or opinion is based are erroneous. Any such certificate of an Authorized Officer of the Issuer or Opinion of Counsel may be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Authorized Officer of the Issuer or any other Person, stating that the information with respect to such factual matters is in the possession of the Issuer or such other Person, unless such Authorized Officer of the Issuer or such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous. Any Opinion of Counsel may also be based, insofar as it relates to factual matters, upon a certificate or opinion of, or representations by, an Authorized Officer of the Issuer or Directing Holder, stating that the information with respect to such matters is in the possession of the Issuer, unless such counsel knows that the certificate or opinion or representations with respect to such matters are erroneous.

Where any Person is required to make, give or execute two or more applications, requests, consents, certificates, statements, opinions or other instruments under this Indenture, they may, but need not, be consolidated and form one instrument.

Whenever in this Indenture it is provided that the absence of the occurrence and continuation of a Default is a condition precedent to the taking of any action by the Indenture Trustee at the request or direction of the Issuer, then notwithstanding that the satisfaction of such condition is a condition precedent to the Issuer's rights to make such request or direction, the Indenture Trustee shall be protected in acting in accordance with such request or direction if it does not have knowledge of the occurrence and continuation of such Default as provided in Section 6.1(d) hereof.

Section 14.2 Acts of Noteholders.

(a) Any request, demand, authorization, direction, notice, consent, waiver or other action provided by this Indenture to be given or taken by Noteholders may be embodied in and evidenced by one or more instruments of substantially similar tenor signed by such Noteholders in person or by an agent duly appointed in writing; and, except as herein otherwise expressly provided, such action shall become effective when such instrument or instruments are delivered to the Indenture Trustee, and, where it is hereby expressly required, to the Issuer. Such instrument or instruments (and the action or actions embodied therein and evidenced thereby) are herein sometimes referred to as the "**Act of Noteholders**" signing such instrument or instruments. Proof of execution of any such instrument or of a writing appointing any such agent shall be sufficient for any purpose of this Indenture and conclusive in favor of the Indenture Trustee and the Issuer, if made in the manner provided in this Section 14.2. Notwithstanding anything to the contrary contained herein, with respect to any Noteholder which has notified the Indenture Trustee in writing that pursuant to such Noteholder's organizational documents or other documents governing such Noteholder's actions, such Noteholder is not permitted to take any affirmative action approving, rejecting or otherwise acting upon any Issuer Request including, but not limited to, a request for the consent of such Noteholder to a proposed amendment or waiver pursuant to this Indenture, the failure by such Noteholder to consent to or reject any such requested action will be deemed a consent by such Noteholder to the requested action.

(b) The fact and date of the execution by any Person of any such instrument or writing may be proved in any manner which the Indenture Trustee deems sufficient.

(c) The principal amount and registered numbers of Notes held by any Person, and the date of his holding the same, shall be proved by the Note Register.

(d) Any request, demand, authorization, direction, notice, consent, waiver or other action by the Holder of any Notes shall bind the Holder (and any transferee thereof) of such Note and of every Note issued upon the registration thereof or in exchange therefor or in lieu thereof, in respect of anything done, omitted or suffered to be done by the Indenture Trustee or the Issuer in reliance thereon, whether or not notation of such action is made upon such Note.

(e) In connection with any vote, consent or waiver to be made by the Noteholders as to which the Servicer or Special Servicer is not entitled to vote, the Indenture Trustee shall request from the Servicer a list of Securities held by the Servicer or Special Servicer.

Section 14.3 Notices, Etc., to Indenture Trustee, the Issuer, the Servicer, the Operating Advisor, the Directing Holder and the Rating Agencies.

Any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with:

(a) the Indenture Trustee shall be sufficient for every purpose hereunder if in writing in legible form and confirmed by overnight courier service guaranteed next day delivery to the Indenture Trustee addressed to it at Wells Fargo Bank, National Association, Corporate Trust Services, 9062 Old Annapolis Road, Columbia, Maryland 21045-1951 Attention – Trust Administration Group (RAIT 2017-FL7) or at GCTSTrustAdministrationGroup@wellsfargo.com, with a copy to its Corporate Trust Office or at any other address furnished in writing to the other parties hereto;

(b) the Issuer shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Issuer addressed to it at RAIT 2017-FL7 Trust, c/o RAIT Partnership, L.P., Two Logan Square, 100 N. 18th Street, 23rd Floor, Philadelphia, Pennsylvania 19103, Attention: Scott L.N. Davidson, Chief Executive Officer and President, Fax: 215-207-2786 (with a copy to RAIT Financial Trust, Two Logan Square, 100 N. 18th Street, 23rd Floor, Philadelphia, Pennsylvania 19103, Attention: Jamie Reyle, Esq., General Counsel, Fax: 215-207-2786) or at any other address furnished in writing to the other parties hereto;

(c) the Advancing Agent shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Issuer addressed to it at RAIT Partnership, L.P., Two Logan Square, 100 N. 18th Street, 23rd Floor, Philadelphia, Pennsylvania 19103, Attention: Scott L.N. Davidson, Chief Executive Officer and President, Fax: 215-207-2786 (with a copy to RAIT Financial Trust, Two Logan Square, 100 N. 18th Street, 23rd

Floor, Philadelphia, Pennsylvania 19103, Attention: Jamie Reyle, Esq., General Counsel, Fax: 215-207-2786) or at any other address furnished in writing to the other parties hereto;

(d) the Directing Holder shall be sufficient for every purpose hereunder if in writing and mailed, first class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to the Directing Holder addressed to it at RAIT 2017-FL7, LLC, c/o RAIT Partnership, L.P., Two Logan Square, 100 N. 18th Street, 23rd Floor, Philadelphia, Pennsylvania 19103, Attention: Scott L.N. Davidson, Chief Executive Officer and President, Fax: 215-207-2786 (with a copy to RAIT Financial Trust, Two Logan Square, 100 N. 18th Street, 23rd Floor, Philadelphia, Pennsylvania 19103, Attention: Jamie Reyle, Esq., General Counsel, Fax: 215-207-2786) or at any other address furnished in writing to the Issuer and the Indenture Trustee;

(e) KBRA shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to Kroll Bond Rating Agency, Inc., addressed to 845 Third Avenue, 4th Floor, New York, New York 10022, Attention: CMBS Surveillance, fax number: (646) 731-2395, or such other address that such Rating Agency shall designate in the future; *provided* that any request, demand, authorization, direction, order, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with KBRA shall be provided to the Rule 17g-5 Information Provider in accordance with, and subject to, the provisions of Section 14.14 hereof;

(f) Moody's shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and mailed, first-class postage prepaid, hand delivered, sent by overnight courier service or by facsimile in legible form, to 7 World Trade Center, 250 Greenwich Street, New York, New York 10007, Attention: CRE CDO Surveillance (or by electronic mail at moodys_cre_cdo_monitoring@moodys.com), or such other address that such Rating Agency shall designate in the future; *provided* that any request, demand, authorization, direction, order, notice, consent, waiver or Act of Noteholders or other documents provided or permitted by this Indenture to be made upon, given or furnished to, or filed with Moody's shall be provided to the Rule 17g-5 Information Provider in accordance with, and subject to, the provisions of Section 14.14 hereof;

(g) the Servicer or Special Servicer, as applicable, shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and sent by facsimile in legible form and confirmed by overnight courier service guaranteed next day delivery, or by electronic mail (where expressly provided therein) to the Servicer or Special Servicer, as applicable, addressed to it at the address specified in the Servicing Agreement or at any other address furnished in writing to the Issuer and the Indenture Trustee by the Servicer or Special Servicer, as applicable;

(h) the Operating Advisor by the Issuer or the Indenture Trustee shall be sufficient for every purpose hereunder (unless otherwise herein expressly provided) if in writing and sent by facsimile in legible form and confirmed by overnight courier service guaranteed next day delivery, or by electronic mail (where expressly provided therein) to the Operating Advisor addressed to it at Park Bridge Lender Services LLC, 600 Third Avenue, 40th Floor, New York, New York 10016, Attention: RAIT 2017-FL7 Surveillance Manager, and with a copy sent

contemporaneously via email to cmbs.notices@parkbridgefinancial.com, or at any other address previously furnished in writing to the Issuer and the Indenture Trustee; and

(i) the Placement Agents shall be sufficient for every purpose hereunder if in writing and sent by facsimile in legible form and confirmed by overnight courier service guaranteed next day delivery to (i) in the case of Citigroup Global Markets Inc., 390 Greenwich Street, 5th Floor, New York, New York 10013, Attention: Paul Vanderslice, fax number: (212) 723-8599, and 388 Greenwich Street, 19th Floor, New York, New York 10013, Attention: Richard Simpson, fax number: (646) 328 2943, with copies by electronic mail to Richard Simpson at richard.simpson@citi.com and Ryan M. O'Connor at ryan.m.oconnor@citi.com; (ii) in the case of UBS Securities LLC, 1285 Avenue of the Americas, New York, New York 10019, Attention: David Schell, Facsimile: (212) 821-2943, with a copy to UBS Securities LLC, 1285 Avenue of the Americas, New York, New York 10019, Attention: Office of the General Counsel, Facsimile: (212) 821-2943, and with a copy to UBS Securities LLC, 153 West 51st Street, New York, New York 10019, Attention: Chad Eisenberger, Executive Director & Counsel; and (iii) in the case of Barclays Capital Inc., 745 7th Avenue, 4th Floor, New York, New York 10019, Attention: Daniel Vinson, Facsimile: (646) 758-1527, E-mail: daniel.vinson@barclays.com, with a copy to Barclays Capital Inc., 745 7th Avenue, New York, New York 10019, Attention: Steven P. Glynn, Legal Department, Facsimile: (212) 412-7519, E-mail: steven.glynn@barclays.com, or any other address furnished in writing to the Issuer and the Indenture Trustee.

Delivery of any request, demand, authorization, direction, notice, consent, waiver or Act of Noteholders or other documents made as provided above will be deemed effective: (i) if in writing and delivered in person or by overnight courier service, on the date it is delivered; (ii) if sent by facsimile transmission, on the date that transmission is received by the recipient in legible form (as evidenced by the sender's written confirmation of delivery); and (iii) if sent by mail, on the date that mail is delivered or its delivery is attempted; in each case, unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Business Day.

Section 14.4 Notices and Reports to Noteholders; Waiver.

Except as otherwise expressly provided herein, where this Indenture provides for a report to Holders or for a notice to Holders of Notes of any event,

(a) such notice shall be sufficiently given to all Holders of Notes if in writing and mailed, first-class postage prepaid, to each Holder of a Note affected by such event, at the address of such Holder as it appears in the Note Register, not earlier than the earliest date and not later than the latest date, prescribed for the giving of such report or notice;

(b) such report or notice shall be in the English language; and

(c) all reports or notices to Holders of the Junior Notes and the Trust Certificate shall be sufficiently given if provided in writing and mailed, first class postage prepaid, to the Directing Holder.

Such reports and notices will be deemed to have been given on the date of such mailing. The Indenture Trustee shall have the right to change the method by which such reports are distributed in order to make such distribution more convenient and/or more accessible to the Noteholders, and in such event the Indenture Trustee shall provide timely notification thereof (in any event not less than 30 days) to all Noteholders.

The Indenture Trustee will deliver to the Holder of any Note shown on the Note Register any readily available information or notice requested to be so delivered, at the expense of the Issuer.

A copy of any notice or report delivered or made available to any Holder of Notes hereunder shall be delivered or made available by the Indenture Trustee to the Placement Agents.

Neither the failure to mail any notice, nor any defect in any notice so mailed, to any particular Holder of a Note shall affect the sufficiency of such notice with respect to other Holders of Notes.

Where this Indenture provides for notice in any manner, such notice may be waived in writing by any Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice. Waivers of notice by Noteholders shall be filed with the Indenture Trustee but such filing shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

In the event that, by reason of the suspension of the regular mail service as a result of a strike, work stoppage or similar activity, it shall be impractical to mail notice of any event to Noteholders when such notice is required to be given pursuant to any provision of this Indenture, then any manner of giving such notice as shall be satisfactory to the Indenture Trustee shall be deemed to be a sufficient giving of such notice.

Section 14.5 Effect of Headings and Table of Contents.

The Section headings herein and the Table of Contents are for convenience only and shall not affect the construction hereof.

Section 14.6 Successors and Assigns.

All covenants and agreements in this Indenture by the Issuer shall bind its respective successors and assigns, whether so expressed or not.

Section 14.7 Severability.

In case any provision in this Indenture or in the Notes shall be invalid, illegal or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 14.8 Benefits of Indenture.

Nothing in this Indenture or in the Securities, expressed or implied, shall give to any Person, other than (i) the parties hereto and their successors hereunder and (ii) the Noteholders, the Holder of the Trust Certificate, the Servicer, the Special Servicer, the Operating Advisor, the Future Funding Holder, the Future Funding Indemnitor and the Placement Agents (each of whom, in the case of this clause (ii), shall be an express third party beneficiary hereunder provided that, with respect to the Servicer, Special Servicer, Operating Advisor, Future Funding Holder, Future Funding Indemnitor and Placement Agents only to the extent of provisions related thereto), any benefit or any legal or equitable right, remedy or claim under this Indenture.

Section 14.9 Governing Law.

THIS INDENTURE AND EACH NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH, AND THIS INDENTURE AND EACH NOTE AND ALL MATTERS ARISING OUT OF OR RELATING IN ANY WAY WHATSOEVER (WHETHER IN CONTRACT, TORT OR OTHERWISE) TO THIS INDENTURE AND EACH NOTE SHALL BE GOVERNED BY, THE INTERNAL LAWS OF THE STATE OF NEW YORK (INCLUDING, WITHOUT LIMITATION, SECTIONS 5-1401 AND 5-1402 OF THE GENERAL OBLIGATIONS LAW OF THE STATE OF NEW YORK).

Section 14.10 Submission to Jurisdiction.

The Issuer and the Indenture Trustee hereby irrevocably submit to the jurisdiction of any New York State or federal court sitting in the Borough of Manhattan in The City of New York in any action or proceeding arising out of or relating to the Notes or this Indenture, and the Issuer and Indenture Trustee hereby irrevocably agree that all claims in respect of such action or proceeding may be heard and determined in such New York State or federal court. The Issuer and the Indenture Trustee hereby irrevocably waive, to the fullest extent that they may legally do so, the defense of an inconvenient forum to the maintenance of such action or proceeding. The Issuer irrevocably consents to the service of any and all process in any action or proceeding by the mailing (by registered or certified mail or by overnight courier service) or delivery of copies of such process to it at the office of the Issuer's agent in Delaware set forth in Section 7.2 hereof, with a copy as required by law to the Secretary of State for the State of New York. The Issuer agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

Section 14.11 Counterparts.

This instrument may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, but all such counterparts shall together constitute but one and the same instrument.

Section 14.12 Waiver of Jury Trial.

EACH PARTY HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT THAT IT MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY PROCEEDING. Each party hereby (i) certifies that no representative, agent

or attorney of the other has represented, expressly or otherwise, that the other would not, in the event of a Proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it has been induced to enter into this Indenture by, among other things, the mutual waivers and certifications in this paragraph.

Section 14.13 Confidential Treatment of Documents.

Except as otherwise provided in this Indenture or as required by law and as required by Rule 144A, this Indenture shall be treated by the parties hereto as confidential. The Indenture Trustee shall make available on its website (located at www.ctslink.com) a copy of this Indenture to any holder of a beneficial interest in any Note upon completion of an Investor Certification therefor certifying that it is such a holder and to any Person which any such Holder or the Placement Agents certifies to the Indenture Trustee is a transferee of such beneficial interest.

Notwithstanding anything herein to the contrary, the foregoing shall not be construed to prohibit (i) disclosure of any and all information that is or becomes publicly known, or information obtained by the Indenture Trustee from sources other than the parties hereto, (ii) disclosure of any and all information (A) if required to do so by any applicable law, rule or regulation, (B) to any government agency or regulatory body having or claiming authority to regulate or oversee any respect of the Indenture Trustee's business or that of its Affiliates, (C) pursuant to any subpoena, civil investigative demand or similar demand or request of any court, regulatory authority, arbitrator or arbitration to which the Indenture Trustee or any Affiliate or an Officer, director, employer or shareholder thereof is subject or (D) to any Affiliate, Independent or internal auditor, agent, employee or attorney of the Indenture Trustee having a need to know the same; *provided* that the Indenture Trustee has advised such recipient of the confidential nature of the information being disclosed, or (iii) any other disclosure authorized by the Issuer or its Affiliates.

Notwithstanding anything herein to the contrary, subject to the provisions of Section 15.5 hereof, the parties, and each employee, representative or other agent of any such party, may disclose to any and all persons or entities, without limitation of any kind, the U.S. federal income tax treatment and tax structure of the offering of the Notes and the Trust Certificate and all materials of any kind, including opinions and other tax analysis, that are provided to the parties relating to such tax treatment and tax structure; *provided* that such authorization to disclose such tax treatment and tax structure shall not permit disclosure of information identifying the Issuer, the Servicer or any other party hereto, the offering of the Notes and the Trust Certificate (except to the extent such information is relevant to such tax structure or tax treatment).

Section 14.14 17g-5.

The Issuer shall comply with its obligations under Rule 17g-5 promulgated under the Exchange Act ("**Rule 17g-5**"), by their or their agent's posting on the Rule 17g-5 Website, no later than the time such information is provided to the Rating Agencies, all information that the Issuer or other parties on its behalf, including the Indenture Trustee and the Servicer, provide to the Rating Agencies for the purposes of determining the initial credit rating of the Senior Notes or undertaking credit rating surveillance of the Senior Notes (the "**Rule 17g-5 Information**"); *provided* that no party other than the Issuer, the Indenture Trustee or the Servicer may provide

information to the Rating Agencies on the Issuer's behalf without the prior written consent of the Servicer. At all times while any Senior Notes are rated by the Rating Agencies or any other NRSRO, the Issuer shall engage a third party to post Rule 17g-5 Information to the Rule 17g-5 Website. The Issuer hereby engages the Indenture Trustee (in such capacity, the "**Rule 17g-5 Information Provider**"), to post Rule 17g-5 Information it receives from the Issuer, the Indenture Trustee or the Servicer to the Rule 17g-5 Website in accordance with this Section 14.14, and the Indenture Trustee hereby accepts such engagement.

Any information required to be delivered to the Rule 17g-5 Information Provider by any party under this Agreement or the Servicing Agreement shall be delivered to it via electronic mail at 17g5InformationProvider@wellsfargo.com, specifically with a subject reference of "RAIT 2017-FL7" and an identification of the type of information being provided in the body of such electronic mail, or via any alternative electronic mail address following notice to the parties hereto or any other delivery method established or approved by the Rule 17g-5 Information Provider.

The foregoing information shall be made available by the Rule 17g-5 Information Provider on the Rule 17g-5 Website. Information will be posted on the same Business Day of receipt provided that such information is received by 12:00 p.m. (Eastern time) or, if received after 12:00 p.m., on the next Business Day. The Rule 17g-5 Information Provider shall have no obligation or duty to verify, confirm or otherwise determine whether the information being delivered is accurate, complete, conforms to the transaction, or otherwise is or is not anything other than what it purports to be. In the event that any information is delivered or posted in error, the Rule 17g-5 Information Provider may remove such information from the Rule 17g-5 Website, and shall remove such information promptly when instructed to do so by the Person that delivered such information to the Rule 17g-5 Information Provider. The Indenture Trustee and the Rule 17g-5 Information Provider have not obtained and shall not be deemed to have obtained actual knowledge of any information merely by posting such information to the Rule 17g-5 Website to the extent such information was not produced by the Indenture Trustee or the Rule 17g-5 Information Provider, as applicable. Access will be provided by the Rule 17g-5 Information Provider to the NRSROs upon receipt of an NRSRO Certification in the form of Exhibit E hereto (which certification may be submitted electronically via the Rule 17g-5 Website). Questions regarding delivery of information to the Rule 17g-5 Information Provider may be directed to the Rule 17g-5 Information Provider at (866) 846-4526 or 17g5InformationProvider@wellsfargo.com (specifically referencing "RAIT 2017-FL7" in the subject line). Information provided to the Rule 17g-5 Information Provider pursuant to this section shall be delivered via email, containing a document in a format suitable for posting on the website.

Upon request of the Issuer or the Rating Agencies, the Rule 17g-5 Information Provider shall post on the Rule 17g-5 Website any additional information requested by the Issuer or the Rating Agencies to the extent such information is delivered to the Rule 17g-5 Information Provider electronically in accordance with this Section 14.14. In no event shall the Rule 17g-5 Information Provider disclose on the Rule 17g-5 Website the Rating Agencies or NRSRO that requested such additional information.

The Rule 17g-5 Information Provider shall provide a mechanism to notify each Person that has signed-up for access to the Rule 17g-5 Website in respect of the transaction governed by this Agreement each time an additional document is posted to the Rule 17g-5 Website.

Any information required to be delivered to the Rating Agencies pursuant to this Indenture shall be furnished to the Rating Agencies, but only after such information has been delivered to the Rule 17g-5 Information Provider in accordance with Section 14.14, and the Rule 17g-5 Information Provider has provided written confirmation (which may be in the form of electronic mail) that such information has been posted on the Rule 17g-5 Website.

The Rule 17g-5 Information Provider shall make available, only to NRSROs, the Rating Agency Q&A Forum and Servicer Document Request Tool. The "**Rating Agency Q&A Forum and Servicer Document Request Tool**" shall be a service available on the Rule 17g-5 Website, where NRSROs may (i) submit questions to the Indenture Trustee relating to any Monthly Report, or submit questions to the Servicer or the Special Servicer, as applicable, relating to the reports prepared by such parties (each such submission, a "**Rating Agency Inquiry**"), and (ii) view Rating Agency Inquiries that have been previously submitted and answered, together with the responses thereto. In addition, NRSROs may use the forum to submit requests (each such submission also, a "**Rating Agency Inquiry**") to the Servicer for loan-level reports and other related information. Upon receipt of a Rating Agency Inquiry for the Servicer or the Special Servicer, the Rule 17g-5 Information Provider shall forward the Rating Agency Inquiry to the appropriate person, in each case within a commercially reasonable period of time following receipt thereof. Following receipt of a Rating Agency Inquiry from the Rule 17g-5 Information Provider, the Servicer or the Special Servicer, as applicable, unless it determines not to answer such Rating Agency Inquiry as provided below, shall reply by email to the Indenture Trustee. The Rule 17g-5 Information Provider shall post (within a commercially reasonable period of time following receipt of such response) such Rating Agency Inquiry with the related response thereto (or such reports, as applicable) to the Rating Agency Q&A Forum and Servicer Document Request Tool. Any reports posted by the Rule 17g-5 Information Provider in response to an inquiry may be posted on a separate website or web page accessible by a link on the Rule 17g-5 Website. If the Indenture Trustee, the Servicer or the Special Servicer determines, in its respective sole discretion, that (i) answering any Rating Agency Inquiry would be in violation of applicable law, the Servicing Standard, this Agreement or any Mortgage Loan document, (ii) answering any Rating Agency Inquiry is or would be reasonably expected to result in a waiver of any attorney-client privilege, or the disclosure of attorney work product, or (iii) (A) answering any Rating Agency Inquiry would materially increase the duties of, or result in significant additional cost or expense to, the Indenture Trustee, the Servicer or the Special Servicer, as applicable, and (B) the Indenture Trustee, the Servicer or the Special Servicer, as applicable, determines in accordance with the Servicing Standard (or in good faith, in the case of the Indenture Trustee) that the performance of such duties or the payment of such costs and expenses is beyond the scope of its duties in its capacity as Indenture Trustee, Servicer or Special Servicer, as applicable, under this Indenture, it shall not be required to answer such Rating Agency Inquiry and shall promptly notify the Rule 17g-5 Information Provider by email of such determination. The Rule 17g-5 Information Provider shall promptly thereafter post the Rating Agency Inquiry with the reason it was not answered to the Rating Agency Q&A Forum and Servicer Document Request Tool. The Rule 17g-5 Information Provider shall not be liable for the failure by any other such Person to so answer a Rating Agency Inquiry. Questions posted on the Rating Agency Q&A Forum and Servicer Document Request

Tool shall not be attributed to the submitting NRSRO. Answers posted on the Rating Agency Q&A Forum and Servicer Document Request Tool shall be attributable only to the respondent, and shall not be deemed to be answers from any other person. None of the Issuer or any of its respective Affiliates will certify to any of the information posted in the Rating Agency Q&A Forum and Servicer Document Request Tool and no such party shall have any responsibility or liability for the content of any such information. The Rule 17g-5 Information Provider shall not be required to post to the Rule 17g-5 Website any Rating Agency Inquiry or answer thereto that the Rule 17g-5 Information Provider determines, in its sole discretion, is administrative or ministerial in nature. The Rating Agency Q&A Forum and Servicer Document Request Tool will not reflect questions, answers and other communications that are not submitted via the Rule 17g-5 Website.

Section 14.15 Rating Agency Condition.

Other than with respect to satisfaction of the Rating Agency Condition in connection with the acquisition of a Delayed Close Mortgage Loan, any request for satisfaction of a Rating Agency Condition made by the Issuer or Indenture Trustee, as applicable, pursuant to this Indenture, shall be made in writing, which writing shall contain a cover page indicating the nature of the request for satisfaction of such Rating Agency Condition, and shall contain all back-up material necessary for the Rating Agency receiving such request to process such request. Such written request for satisfaction of a Rating Agency Condition shall be provided in electronic format to the Rule 17g-5 Information Provider for posting on the Rule 17g-5 Website in accordance with Section 14.14 hereof.

Section 14.16 Wells Fargo Delaware Trust Company, N.A.

It is expressly understood and agreed by the parties hereto that (i) this Agreement is executed and delivered by Wells Fargo Delaware Trust Company, N.A., not individually or personally but solely as Owner Trustee on behalf of the Issuer under the Trust Agreement, in the exercise of the powers and authority conferred upon and vested in it, (ii) each of the representations, undertakings and agreements herein made on the part of the Issuer is made and intended not as a personal representation, undertaking or agreement by Wells Fargo Delaware Trust Company, N.A., but is made and intended for the purpose of binding only the Issuer, (iii) nothing herein contained shall be construed as creating any liability on the part of Wells Fargo Delaware Trust Company, N.A. individually or personally, to perform any covenant either expressed or implied contained herein, all such liability, if any, being expressly waived by the parties to this Agreement and by any person claiming by, through or under them and (iv) under no circumstances shall Wells Fargo Delaware Trust Company, N.A. be personally liable for the payment of any indebtedness or expenses of the Issuer or be liable for the breach or failure of any obligation, representation, warranty or covenant made or undertaking by the Issuer under this Agreement or any related documents.

ARTICLE XV

ASSIGNMENT OF PURCHASE AND SALE AGREEMENTS, SERVICING AGREEMENT, INTERMEDIATE TRUST AGREEMENT AND TRUST ADMINISTRATION AGREEMENT

Section 15.1 Assignment of Purchase and Sale Agreements, Servicing Agreement, Intermediate Trust Agreement and Trust Administration Agreement.

(a) The Issuer, in furtherance of the covenants of this Indenture and as security for the Notes and amounts payable to the Secured Parties hereunder and the performance and observance of the provisions hereof, hereby collaterally pledges, assigns, transfers, conveys and sets over to the Indenture Trustee, for the benefit of the Noteholders, all of the Issuer's estate, right, title and interest in, to and under (but not any of its obligations with respect to) each Purchase and Sale Agreement, the Servicing Agreement, the Intermediate Trust Agreement and the Trust Administration Agreement (each, an "**Article 15 Agreement**"), including, without limitation, (i) the right to give all notices, consents and releases thereunder, (ii) the right to give all notices of termination and to take any legal action upon the breach of an obligation of the Seller thereunder, including the commencement, conduct and consummation of proceedings at law or in equity, (iii) the right to receive all notices, accountings, consents, releases and statements thereunder and (iv) the right to do any and all other things whatsoever that the Issuer is or may be entitled to do thereunder; *provided, however*, that the Indenture Trustee hereby grants the Issuer a license to exercise all of the Issuer's rights pursuant to the Article 15 Agreements without notice to or the consent of the Indenture Trustee (except as otherwise expressly required by this Indenture, including, without limitation, as set forth in Section 15.1(f)) which license shall be and is hereby deemed to be automatically revoked upon the occurrence of an Indenture Event of Default hereunder until such time, if any, that such Event of Default is cured or waived.

(b) The assignment made hereby is executed as collateral security, and the execution and delivery hereby shall not in any way impair or diminish the obligations of the Issuer under the provisions of each of the Article 15 Agreements, nor shall any of the obligations of the Issuer contained in each of the Article 15 Agreements be imposed on the Indenture Trustee.

(c) Upon the retirement of the Notes and the release of the Pledged Assets from the lien of this Indenture, this assignment and all rights herein assigned to the Indenture Trustee for the benefit of the Noteholders shall cease and terminate and all the estate, right, title and interest of the Indenture Trustee in, to and under each of the Article 15 Agreements shall revert to the Issuer and no further instrument or act shall be necessary to evidence such termination and reversion.

(d) The Issuer represents that it has not executed any assignment of any of the Article 15 Agreements other than this collateral assignment.

(e) The Issuer agrees that this assignment is irrevocable, and that it shall not take any action which is inconsistent with this assignment or make any other assignment inconsistent herewith. The Issuer shall, from time to time upon the request of the Indenture Trustee, execute all instruments of further assurance and all such supplemental instruments with respect to this assignment as the Indenture Trustee may specify.

(f) The parties hereto acknowledge that the Noteholders shall be entitled hereunder to all rights granted to them under the Servicing Agreement to the same extent as if such rights were expressly set forth herein.

ARTICLE XVI

[RESERVED]

ARTICLE XVII

ADVANCING AGENT

Section 17.1 Liability of the Advancing Agent.

The Advancing Agent shall be liable in accordance herewith only to the extent of the obligations specifically imposed upon and undertaken by the Advancing Agent. The Advancing Agent shall promptly provide notice to the Issuer, the Servicer and the Indenture Trustee of (i) any voluntary or involuntary proceeding or petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereinafter in effect, (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Advancing Agent or for a substantial part of its assets and (iii) any general assignment made by the Advancing Agent for the benefit of its creditors.

Section 17.2 Merger or Consolidation of the Advancing Agent.

(a) The Advancing Agent will keep in full effect its existence, rights and franchises as a corporation under the laws of the jurisdiction in which it was formed, and will obtain and preserve its qualification to do business as a foreign corporation in each jurisdiction in which such qualification is or shall be necessary to protect the validity and enforceability of this Indenture to perform its duties under this Indenture.

(b) Any Person into which the Advancing Agent may be merged or consolidated, or any corporation resulting from any merger or consolidation to which the Advancing Agent shall be a party, or any Person succeeding to the business of the Advancing Agent shall be the successor of the Advancing Agent, hereunder, without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding (it being understood and agreed by the parties hereto that the consummation of any such transaction by the Advancing Agent shall have no effect on the Indenture Trustee's obligations under Section 10.12, which obligations shall continue pursuant to the terms of Section 10.12).

Section 17.3 Limitation on Liability of the Advancing Agent and Others.

None of the Advancing Agent or any of its affiliates, directors, officers, employees or agents shall be under any liability for any action taken or for refraining from the taking of any action in good faith pursuant to this Indenture, or for errors in judgment; *provided*, *however*, that this provision shall not protect the Advancing Agent against liability to the Issuer or Noteholders

for any breach of warranties or representations made herein or any liability which would otherwise be imposed by reason of willful misfeasance, Bad Faith or negligence in the performance of duties or by reason of negligent disregard of obligations and duties hereunder. The Advancing Agent and any director, officer, employee or agent of the Advancing Agent may rely in good faith on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder. The Advancing Agent and any director, officer, employee or agent of the Advancing Agent shall be indemnified by the Issuer pursuant to the priorities set forth in Section 11.1(a) and held harmless against any loss, liability or expense incurred in connection with any legal action relating to this Indenture or the Notes, other than any loss, liability or expense incurred by reason of any breach of a representation, warranty or covenant made herein, any misfeasance, Bad Faith or negligence by the Advancing Agent in the performance of or negligent disregard of, obligations or duties hereunder.

Section 17.4 Representations and Warranties of the Advancing Agent.

The Advancing Agent represents and warrants that:

(a) the Advancing Agent (i) has been duly organized, is validly existing and is in good standing under the laws of the State of Delaware, (ii) has full power and authority to own the Advancing Agent's assets and to transact the business in which it is currently engaged, and (iii) is duly qualified and in good standing under the laws of each jurisdiction where the Advancing Agent's ownership or lease of property or the conduct of the Advancing Agent's business requires, or the performance of this Indenture would require, such qualification, except for failures to be so qualified that would not in the aggregate have a material adverse effect on the business, operations, assets or financial condition of the Advancing Agent or the ability of the Advancing Agent to perform its obligations under, or on the validity or enforceability of, the provisions of this Indenture applicable to the Advancing Agent;

(b) the Advancing Agent has full power and authority to execute, deliver and perform this Indenture; this Indenture has been duly authorized, executed and delivered by the Advancing Agent and constitutes a legal, valid and binding agreement of the Advancing Agent, enforceable against it in accordance with the terms hereof, except that the enforceability hereof may be subject to (i) bankruptcy, insolvency, reorganization, moratorium or other similar laws now or hereafter in effect relating to creditors' rights and (ii) general principles of equity (regardless of whether such enforcement is considered in a proceeding in equity or at law);

(c) neither the execution and delivery of this Indenture nor the performance by the Advancing Agent of its duties hereunder conflicts with or will violate or result in a breach or violation of any of the terms or provisions of, or constitutes a default under: (i) the Certificate of Limited Partnership and limited partnership agreement of the Advancing Agent, (ii) the terms of any indenture, contract, lease, mortgage, deed of trust, note agreement or other evidence of indebtedness or other agreement, obligation, condition, covenant or instrument to which the Advancing Agent is a party or is bound, (iii) any law, decree, order, rule or regulation applicable to the Advancing Agent of any court or regulatory, administrative or governmental agency, body or authority or arbitrator having jurisdiction over the Advancing Agent or its properties, and which would have, in the case of any of (i), (ii) or (iii) of this subsection (c), either individually or in the aggregate, a material adverse effect on the business, operations, assets or financial condition of the

Advancing Agent or the ability of the Advancing Agent to perform its obligations under this Indenture;

(d) no litigation is pending or, to the best of the Advancing Agent's knowledge, threatened, against the Advancing Agent that would materially and adversely affect the execution, delivery or enforceability of this Indenture or the ability of the Advancing Agent to perform any of its obligations under this Indenture in accordance with the terms hereof; and

(e) no consent, approval, authorization or order of or declaration or filing with any government, governmental instrumentality or court or other person is required for the performance by the Advancing Agent of its duties hereunder, except such as have been duly made or obtained.

Section 17.5 Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Advancing Agent and no appointment of a successor Advancing Agent pursuant to this Article XVII shall become effective until the acceptance of appointment by the successor Advancing Agent under Section 17.6.

(b) The Advancing Agent may resign at any time by giving written notice thereof to the Issuer, the Indenture Trustee, the Directing Holder, the Servicer, the Operating Advisor, the Noteholders and the Rule 17g-5 Information Provider for posting to the Rule 17g-5 Website.

(c) The Advancing Agent may be removed at any time by the Majority Holders of the Class A Notes, the Class A-S Notes and the Class B Notes, upon written notice delivered to the Indenture Trustee and to the Issuer.

(d) If the Advancing Agent fails to make an Interest Advance required by this Indenture with respect to a Payment Date, the Advancing Agent shall be deemed to have resigned and the Backup Advancing Agent shall be required to make such Interest Advance and shall thereafter, as successor Advancing Agent, be entitled to receive the Advancing Agent Fee in accordance with the Priority of Payments.

(e) If the Advancing Agent shall have failed to make an Interest Advance required by this Indenture, which failure, in each case, is not cured by the remittance of the amount of such Interest Advance by the Advancing Agent to the Indenture Trustee by 11:00 a.m., New York time, on the related Payment Date, the Indenture Trustee may (without the need for any act on the part of any Person) terminate the Advancing Agent as an advancing agent hereunder and the Backup Advancing Agent shall automatically (and without the need for any act on the part of any Person) assume the capacity of the successor Advancing Agent hereunder. Thereafter, the Backup Advancing Agent (for so long as the Backup Advancing Agent acts as successor Advancing Agent) shall be entitled to receive, in consideration of becoming the successor Advancing Agent, the Advancing Agent Fee (for so long as the Backup Advancing Agent acts as successor Advancing Agent) in accordance with the Priority of Payments.

(f) Subject to Section 17.5(d), if the Advancing Agent shall resign or be removed, upon receiving such notice of resignation or removal, the Issuer shall promptly appoint

a successor advancing agent by written instrument, in duplicate, executed by an Authorized Officer of the Issuer, one copy of which shall be delivered to the Advancing Agent so resigning and one copy to the successor Advancing Agent, together with a copy to each Noteholder, the Indenture Trustee, the Servicer and the Operating Advisor; *provided* that, other than with respect to the Backup Advancing Agent, such successor Advancing Agent shall be appointed only subject to satisfaction of the Rating Agency Condition with respect to each Rating Agency and upon the written consent of the Majority Holders of the Class A Notes, the Class A-S Notes and the Class B Notes. If no successor Advancing Agent shall have been appointed and an instrument of acceptance by a successor Advancing Agent shall not have been delivered to the Advancing Agent within thirty (30) days after the giving of such notice of resignation, the resigning Advancing Agent, the Indenture Trustee or any Holder of the Trust Certificate, on behalf of himself and all others similarly situated, may petition, any court of competent jurisdiction for the appointment of a successor Advancing Agent.

(g) The Issuer shall give prompt notice of each resignation and each removal of the Advancing Agent and each appointment of a successor Advancing Agent by mailing written notice of such event by first class mail, postage prepaid, to the Rating Agencies (after providing such notice to the Rule 17g-5 Information Provider for prior posting on the Rule 17g-5 Website) and to the Holders of the Notes as their names and addresses appear in the Note Register.

(h) No resignation or removal of the Advancing Agent and no appointment of a Successor Advancing Agent (other than the Backup Advancing Agent) shall become effective until the acceptance of appointment by the Successor Advancing Agent.

Section 17.6 Acceptance of Appointment by Successor Advancing Agent.

(a) Every successor Advancing Agent appointed hereunder shall execute, acknowledge and deliver to the Issuer, the Servicer, the Operating Advisor, the Indenture Trustee and the retiring Advancing Agent an instrument accepting such appointment. Upon delivery of the required instruments, the resignation or removal of the retiring Advancing Agent shall become effective and such successor Advancing Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of the retiring Advancing Agent.

(b) No appointment of a successor Advancing Agent shall become effective unless the Rating Agency Condition with respect to each Rating Agency has been satisfied.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Indenture as of the day and year first above written.

RAIT 2017-FL7 TRUST, as Issuer

By: Wells Fargo Delaware Trust Company, N.A., not in its individual capacity, but solely as Owner Trustee

By: /s/ Rosemary Kennard
Name: Rosemary Kennard
Title: Vice President

WELLS FARGO BANK, NATIONAL ASSOCIATION, not in its individual capacity, but solely as Indenture Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodian, Backup Advancing Agent and Note Registrar

By: /s/ Michael J. Baker
Name: Michael J. Baker
Title: Vice President

RAIT PARTNERSHIP, L.P., not in its individual capacity, but solely as Advancing Agent

By: RAIT General, Inc., its general partner

By: /s/ Scott Davidson
Name: Scott Davidson
Title: Chief Executive Officer

SCHEDULE A

SCHEDULE OF MORTGAGE LOANS

Mortgage Loan Number	Property Name	Mortgage Loan Type	Principal Balance	Stated Matu
1.	Rittenhouse Portfolio	Whole Loan	$63,000,000	4/1/2019
2.	20 North Orange	Whole Loan	$32,815,000	10/1/201
3.	Progress 405	Whole Loan	$30,000,000	5/1/2020
4.	Tierra Linda	Pari Passu Participation	$27,582,000	10/1/201
5.	Fullerton University Village	Pari Passu Participation	$25,150,000	7/1/2019
6.	34Hundred Apartments	Pari Passu Participation	$19,462,774	7/1/2019
7.	Royal Oaks	Pari Passu Participation	$13,200,000	7/1/2019
8.	Westshore Office Park	Whole Loan	$12,500,000	5/1/2020
9.	Sabre Centre I	Whole Loan	$12,300,000	1/1/2020
10.	12-14 Maple Street	Whole Loan	$10,925,000	6/1/2020
11.	Northwood Apartments	Whole Loan	$10,120,000	2/1/2020
12.	2807 West Sunset	Pari Passu Participation	$10,000,000	7/1/2020
13.	Citation North Apartments	Whole Loan	$9,700,000	5/1/2020
14.	735 Collins Avenue	Whole Loan	$9,000,000	1/1/2020
15.	1855 Haight Street	Whole Loan	$9,000,000	6/1/2020
16.	Macayo Plaza	Whole Loan	$8,100,000	6/1/2020
17.	College Town Tucson	Whole Loan	$7,150,000	6/1/2020
18.	Lone Oak Shopping Center	Whole Loan	$7,120,000	2/1/2020
19.	Tri-City Corporate Towers	Whole Loan	$7,100,000	9/1/2017
20.	Aqua Palms	Pari Passu Participation	$6,800,000	7/1/2020
21.	Chorro Apartments	Whole Loan	$5,000,000	3/1/2019
22.	Victoria Square	Whole Loan	$3,198,525	6/1/2025
23.	1475 West Adams	Whole Loan	$3,150,000	6/1/2019

SCHEDULE B

LIBOR FORMULA

"**LIBOR**" for purposes of calculating the Note Interest Rate for each Class of Notes for each Interest Period will be determined by the Calculation Agent in accordance with the following provisions:

1. On each LIBOR Determination Date, "LIBOR" shall equal the offered rate, as determined by the Calculation Agent, for deposits in U.S. dollars for a period equal to 30 days, which appears on the Reuters Page LIBOR01 (or such other page that may replace that page on such service for the purpose of displaying comparable rates) as reported by Bloomberg Financial Markets Commodities News as of 11:00 a.m., London time, on the LIBOR Determination Date.

2. If, on any LIBOR Determination Date, such rate does not appear on Reuters Screen LIBOR01, the Calculation Agent shall determine LIBOR on the basis of the rates at which deposits in U.S. Dollars are offered by Reference Banks at approximately 11:00 a.m. (London time) on the LIBOR Determination Date to prime banks in the London interbank market for a period of one month commencing on the LIBOR Determination Date and in a representative amount of U.S. $1,000. The Calculation Agent shall request the principal London office of each of the Reference Banks to provide a quotation of its rate. If at least two such quotations are provided, the rate for that LIBOR Determination Date shall be the arithmetic mean of the quotations. If fewer than two quotations are provided as requested, the rate for that LIBOR Determination Date shall be the arithmetic mean of the rates quoted by major banks in New York City, selected by the Calculation Agent, at approximately 11:00 a.m. (New York City time) on the LIBOR Determination Date for loans in U.S. Dollars to leading European banks for a period of one month commencing on the LIBOR Determination Date and in a representative amount of U.S. $1,000.

3. LIBOR for the first Interest Period will be determined on the first LIBOR Business Day of the calendar month in which the Closing Date occurs.

4. Notwithstanding the foregoing, in no event shall LIBOR be less than zero.

In making the above calculations, (A) all percentages resulting from the calculation (other than the calculation determined pursuant to clause (2) above) will be rounded, if necessary, to the nearest one hundred thousandth of a percentage point (0.00001%) and (B) all percentages determined pursuant to clause (2) above will be rounded, if necessary, in accordance with the method set forth in (A), but to the same degree of accuracy as the two rates used to make the determination (except that such percentages will not be rounded to a lower degree of accuracy than the nearest one thousandth of a percentage point (0.001%)).

As used in both paragraphs 1 and 2 above:

"**LIBOR Business Day**" means any day other than a Saturday, Sunday or any other day on which commercial banks in London, England are not open for business.

"**LIBOR Determination Date**" means, (i) with respect to any Interest Period, other than the first Interest Period, the first LIBOR Business Day of the calendar month in which such Interest Period commences, and (ii) with respect to the first Interest Period, the first LIBOR Business Day of the calendar month in which the Closing Date occurs.

"**Reference Banks**" mean four major banks in the London interbank market, selected by the Calculation Agent.

The determination of the Note Interest Rate for each Class of Notes by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

SCHEDULE C-1

LIST OF AUTHORIZED OFFICERS OF THE TRUST DEPOSITOR

(Attached)

SCHEDULE C-2

LIST OF AUTHORIZED OFFICERS OF THE SERVICER

(Attached)

OHSUSA:766738685.12

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Section 3: EX-4.8 (EX-4.8)

EXECUTION VERSION

Exhibit 4.8

INDENTURE

RAIT 2017-FL8 TRUST, as Issuer

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Indenture Trustee, Paying Agent, Calculation Agent, Transfer Agent, Custodian, Backup Advancing Agent and Note Registrar

RAIT PARTNERSHIP, L.P., as Advancing Agent

Dated November 29, 2017

USActive 37579766.24

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DISCHARGE

ARTICLE V

EVENTS OF DEFAULT; REMEDIES

ARTICLE VI

THE INDENTURE TRUSTEE

THIS INDENTURE dated as of November 29, 2017 (the "**Indenture**") is made among RAIT 2017-FL8 TRUST, a Delaware statutory trust, as issuer, RAIT PARTNERSHIP, L.P., as advancing agent, and WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, as indenture trustee, paying agent, calculation agent, transfer agent, custodian, backup advancing agent and note registrar.

PRELIMINARY STATEMENT

The Issuer is duly authorized to execute and deliver this Indenture to provide for the issuance of the Notes as provided herein. All covenants and agreements made by the Issuer herein are for the benefit and security of the Noteholders, the Servicer, the Special Servicer, the Trust Depositor, the Backup Advancing Agent, the Operating Advisor and the Indenture Trustee (collectively, the "**Secured Parties**"). The Issuer is entering into this Indenture, and the Indenture Trustee is accepting the trusts created hereby, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged.

All things necessary to make this Indenture a valid agreement of the Issuer in accordance with its terms have been done.

GRANTING CLAUSES

The Issuer hereby Grants to the Indenture Trustee, for the benefit and security of the Secured Parties, all of its right, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all accounts, general intangibles, chattel paper, instruments, securities, investment property and any and all other property (other than Excepted Property) of any type or nature owned by it, including (a) the Intermediate Trust Certificate (which evidences the 100% beneficial ownership interest in (1) the Mortgage Loans (listed, as of the Closing Date, in the Schedule of Mortgage Loans hereto) and all payments thereon or with respect thereto and (2) any Delayed Close Mortgage Loan or Related Funded Companion Participation acquired by or at the direction of the Issuer after the Closing Date in accordance with the terms of this Indenture, and all payments thereon or with respect thereto), (b) the Custodial Account, the Interest Collection Account, the Principal Collection Account, the Participated Whole Loan Collection Account (to the extent of the Issuer's interest therein), the Unused Proceeds Account, the Note Payment Account, the Expense Account, the Permitted Funded Companion Participation Acquisition Account, all funds and other property standing to the credit of each such account, Eligible Investments purchased with funds standing to the credit of each such account and all income from the investment of funds therein, (c) the rights of the Issuer under the Servicing Agreement and the Purchase and Sale Agreements, (d) all Cash delivered to the Indenture Trustee (directly or through a Securities Intermediary), (e) the Issuer's ownership interest in, and rights to, all Permitted Subsidiaries, (f) the Issuer's ownership interest in, and rights to, Sensitive Assets, and (g) all proceeds, accessions, profits, income benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses, but excluding Excepted Property (collectively, the "**Collateral**"). In addition, as further security for the Notes, the Issuer, as the 100% beneficial owner of the Intermediate Trust Certificate, hereby Grants to the Indenture Trustee, for the benefit and security of the Secured Parties, all of the Intermediate Trust's rights, title and interest in, to and under, in each case, whether now owned or existing, or hereafter acquired or arising, all accounts, general intangibles, chattel paper, instruments, securities, investment property and any and all other property (other than Excepted Property) of any type or nature owned by it, including (a) the Mortgage Loans (listed, as of the Closing Date, in the Schedule of Mortgage Loans hereto) and all payments thereon or with respect thereto and (b) any Delayed Close Mortgage Loan or Related Funded Companion Participation acquired by or at the direction of the Issuer after the Closing Date in accordance with the terms of this Indenture, and all payments thereon or with respect thereto.

Such Grants are made, however, to the Indenture Trustee to hold in trust, to secure the Notes equally and ratably without prejudice, priority or distinction between any Note and any other Note by reason of difference in time of issuance or otherwise, except as expressly provided in this Indenture, and to secure (i) the payment of all amounts due on the Notes in accordance with their respective terms, (ii) the payment of all other sums payable under this Indenture (including by reference to any other agreement) and (iii) compliance with the provisions of this Indenture, all as provided in this Indenture (collectively, the "**Secured Obligations**").

Except to the extent otherwise provided in this Indenture, the Issuer does hereby constitute and irrevocably appoint the Indenture Trustee the true and lawful attorney of the Issuer, with full power (in the name of the Issuer or otherwise), to exercise all rights of the Issuer with respect to the Collateral held for the benefit and security of the Secured Parties and to ask, require, demand, receive, settle, compromise, compound and give acquittance for any and all moneys and claims for moneys due and to become due under or arising out of any of the Collateral held for the benefit and security of the Secured Parties, to endorse any checks or other instruments or orders in connection therewith and to file any claims or take any action or institute any proceedings which the Indenture Trustee may deem to be necessary or advisable in the premises. The power of attorney granted pursuant to this Indenture and all authority hereby conferred are granted and conferred solely to protect the Indenture Trustee's interest in the Collateral held for the benefit and security of the Secured Parties and shall not impose any duty upon the Indenture Trustee to exercise any power. This power of attorney shall be irrevocable as one coupled with an interest prior to the payment in full of all the obligations secured hereby.

Except to the extent otherwise provided herein, this Indenture shall constitute a security agreement under the laws of the State of New York applicable to agreements made and to be performed therein. Upon the occurrence of any Indenture Event of Default, and in addition to any other rights available under this Indenture or any other instruments included in the Collateral held for the benefit and security of the Secured Parties or otherwise available at law or in equity, the Indenture Trustee shall have all rights and remedies of a secured party on default under the laws of the State of New York and other applicable law to enforce the assignments and security interests contained herein and, in addition, shall have the right, subject to compliance with any mandatory requirements of applicable law, to sell or apply any rights and other interests assigned or pledged hereby in accordance with the terms hereof at public or private sale.

It is expressly agreed that anything therein contained to the contrary notwithstanding, the Issuer shall remain liable under any instruments included in the Collateral to perform all the obligations assumed by it thereunder, all in accordance with and pursuant to the terms and provisions thereof, and except as otherwise expressly provided herein, the Indenture Trustee shall not have any obligations or liabilities under such instruments by reason of or arising out of this Indenture, nor shall the Indenture Trustee be required or obligated in any manner to perform or fulfill any obligations of the Issuer under or pursuant to such instruments or to make any payment, to make any inquiry as to the nature or sufficiency of any payment received by it, to present or file any claim, or to take any action to collect or enforce the payment of any amounts which may have been assigned to it or to which it may be entitled at any time or times.

The designation of the Indenture Trustee in any transfer document or record is intended and shall be deemed, first, to refer to the Indenture Trustee as custodian on behalf of the Issuer and second, to refer to the Indenture Trustee as secured party on behalf of the Secured Parties; *provided* that the Grant made by the Issuer to the Indenture Trustee pursuant to the Granting Clauses hereof shall apply to any Collateral bearing such designation.

The Indenture Trustee acknowledges such Grants, accepts the trusts hereunder in accordance with the provisions hereof, and agrees to perform the duties herein in accordance with the required standard of care set forth herein such that the interests of the Secured Parties may be adequately and effectively protected.

The Indenture Trustee on behalf of each of the Secured Parties hereby agrees and acknowledges that none of the Secured Parties shall have any claim on the funds and property from time to time deposited or credited in or to the Trust Certificate Account or the proceeds thereof (other than in its capacity as a Holder of the Trust Certificate, if applicable).

CREDIT RISK RETENTION

On the Closing Date, the Trust Depositor will retain 100% of the Class H Notes. The Class H Notes are referred to in this Indenture as the EHRI. The fair value of the EHRI is $14,288,000.

As of the Closing Date, the Mortgage Loans have an aggregate outstanding Principal Balance equal to approximately $259,776,000.

Pursuant to the Seller Purchase and Sale Agreement, the Seller will be required to timely deliver (or cause to be timely delivered) to the Indenture Trustee any notices contemplated by Section 10.14(a)(v) of this Agreement.

ARTICLE I

DEFINITIONS AND INTERPRETATION

Section 1.1 Definitions. Except as otherwise specified herein or as the context may otherwise require, the following terms have the respective meanings set forth below for all purposes of this Indenture. Whenever any reference is made to an amount the determination of which is governed by Section 1.2, the provisions of Section 1.2 shall be applicable to such determination or calculation, whether or not reference is specifically made to Section 1.2, unless some other method of calculation or determination is expressly specified in the particular provision.

"**Accelerated Maturity Date**" has the meaning specified in Section 5.5(a) hereof.

"**Access Termination Notice**" has the meaning specified in the Future Funding Agreement.

"**Account**" means any of the Interest Collection Account, the Principal Collection Account, the Note Payment Account, the Custodial Account, the Expense Account, the Unused Proceeds Account, the Permitted Funded Companion Participation Acquisition Account and the Trust Certificate Account. Any Account established hereunder shall include any number of sub-accounts or shall be sub-accounts of other accounts to the extent deemed necessary by the Indenture Trustee for convenience in administering the Accounts.

"**Account Control Agreement**" means the Securities Account Control Agreement dated as of the Closing Date, among the Issuer, the Indenture Trustee and the Securities Intermediary.

"**Acquisition Criteria**" means the following criteria that shall be satisfied with respect to each Related Funded Companion Participation as of the related acquisition date of such Related Funded Companion Participation:

(a) the underlying Mortgage Loan is not a Defaulted Mortgage Loan or a Specially Serviced Mortgage Loan;

(b) upon acquisition, the Related Funded Companion Participation will not be an Impaired Mortgage Loan;

(c) no Indenture Event of Default has occurred and is continuing;

(d) the requirements set forth in Section 12.4(b) regarding the representations and warranties with respect to such Related Funded Companion Participation and the related Mortgaged Property have been met (subject to such exceptions as are reasonably acceptable to the Special Servicer);

(e) no Control Shift Event with respect to the Class E Notes has occurred and is continuing;

(f) the acquisition of such Related Funded Companion Participation will be at a price no greater than the outstanding principal balance of such Related Funded Companion Participation; and

(g) notice has been provided to each Rating Agency at least five Business Days prior to such acquisition.

"**Act of Noteholders**" has the meaning specified in Section 14.2 hereof.

"**Administrative Expenses**" means with respect to any Payment Date (a) Indenture Trustee Expenses and (b) all amounts (including indemnities) due or accrued with respect to such Payment Date and payable by the Issuer or any Permitted Subsidiary to (i) the Owner Trustee pursuant to the Trust Agreement, (ii) the Intermediate Trust Trustee pursuant to the Intermediate Trust Agreement, (iii) the Independent accountants, agents and counsel of the Issuer for reasonable fees and expenses (including amounts payable in connection with the preparation of tax forms on behalf of the Issuer), (iv) any other Person in respect of any governmental fee, registered office fee, charge or tax in relation to the Issuer (as certified by an Authorized Officer of the Issuer to the Indenture Trustee), (v) the Placement Agents in respect of amounts payable to them under the Placement Agreement, (vi) the Rating Agencies in respect of Rating Agency Expenses, (vii) CREFC® in respect of the CREFC® Intellectual Property Royalty License Fee and (viii) any other Person in respect of any other fees or expenses permitted under this Indenture and the documents delivered pursuant to or in connection with this Indenture and the Notes; *provided* that Administrative Expenses shall not include (A) any amounts due or accrued with respect to the actions taken on or in connection with the Closing Date, (B) amounts payable in respect of the Notes or the Indenture Trustee Fee and (C) any Servicing Fee, Special Servicing Fee, Operating Advisor Fees or other amount payable or reimbursable to the Servicer, the Special Servicer or the Operating Advisor, respectively, pursuant to the terms of the Servicing Agreement.

"**Advancing Agent**" means RAIT Partnership, L.P., or any successor thereto in such capacity.

"**Advancing Agent Fee**" means a *per annum* fee payable to the Advancing Agent on each Payment Date in accordance with the Priority of Payments equal to 0.001% of the outstanding principal amount of the Class A Notes, Class A-S Notes and Class B Notes immediately prior to such Payment Date (except that if the Indenture Trustee is unable to identify a successor Advancing Agent at such rate of compensation, the Indenture Trustee will be authorized to make arrangements for increased compensation at a reasonable market rate, such increased rate to be payable by the Issuer). For so long as the Advancing Agent is an Affiliate of the Directing Holder, the Advancing Agent Fee will be 0.00%. Following any failure of the Advancing Agent to make any Interest Advance, the Backup Advancing Agent shall be obligated to make such Interest Advance, and the Advancing Agent Fee shall be payable to the Backup Advancing Agent.

"**Advisers Act**" has the meaning specified in Section 2.4(s) hereof.

"**Affiliate**" or "**Affiliated**" means, with respect to any Person, (i) any other Person who, directly or indirectly, is in control of, or controlled by, or is under common control with, such Person or (ii) any other Person who is a director, officer or employee (a) of such Person, (b) of any subsidiary or parent company of such Person or (c) of any Person described in clause (i) above. For the purposes of this definition, "**control**" of a Person shall mean the power, direct or indirect, (i) to vote more than 50% of the securities having ordinary voting power for the election of directors of such Person, or (ii) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise. Notwithstanding the foregoing, "**Affiliate**," with respect to the Issuer, does not include entities that are under common control by virtue of the affiliations of the directors of the Issuer.

"**Agent Members**" means members of, or participants in, the Depository, Clearstream or Euroclear.

"**Aggregate Outstanding Amount**" means, (i) when used with respect to any Class of Principal Balance Notes at any time, the aggregate principal amount of such Class of Principal Balance Notes Outstanding at such time, and (ii) when used with respect to all Classes of Principal Balance Notes in the aggregate, the aggregate principal amount of all Principal Balance Notes Outstanding at such time.

"**Aggregate Principal Balance**" means, when used with respect to any Pledged Assets or Mortgage Loans as of any date of determination, the sum of the Principal Balances on such date of determination of all such Pledged Assets or Mortgage Loans.

"**Appraisal**" has the meaning set forth in the Servicing Agreement.

"**Appraisal Reduction Event**" means the occurrence of any of the following events with respect to a Mortgage Loan (or, in the case of a Mortgage Loan that is a Pari Passu Participation, the related Participated Whole Loan):

(1) the 90th day following the occurrence of any uncured delinquency in monthly payments with respect to such Mortgage Loan or Participated Whole Loan, as applicable;

(2) receipt of notice that the related borrower has filed a bankruptcy petition or the date on which a receiver is appointed and continues in such capacity or the 90th day after the related borrower becomes the subject of involuntary bankruptcy proceedings and such proceedings are not dismissed in respect of the Mortgaged Property securing such Mortgage Loan or Participated Whole Loan, as applicable;

(3) the date on which the Mortgaged Property securing such Mortgage Loan or Participated Whole Loan, as applicable, becomes REO Property;

(4) such Mortgage Loan or Participated Whole Loan, as applicable, becomes a Modified Mortgage Loan; and

(5) a payment default occurs with respect to a balloon payment; *provided*, *however* if (A) the related borrower is diligently seeking a refinancing commitment (and delivers a statement to that effect to the Servicer within 30 days after the default, who will promptly deliver a copy to the Special Servicer, the Operating Advisor and the Directing Holder (but only for so long as no Consultation Termination Event has occurred and is continuing), (B) the related borrower continues to make its scheduled monthly payment, (C) no other Appraisal Reduction Event has occurred with respect to that Mortgage Loan or Participated Whole Loan, as applicable, and (D) for so long as no Control Shift Event with respect to the Class E Notes has occurred and is continuing, the Directing Holder consents, an Appraisal Reduction Event will not occur until 90 days beyond the related maturity date, unless extended by the Special Servicer in accordance with the Transaction Documents, the Indenture or the Servicing Agreement; and *provided*, *further*, if the related borrower has delivered to the Servicer, who shall have promptly delivered a copy to the Special Servicer, the Operating Advisor, and for so long as no Consultation Termination Event has occurred and is continuing, the Directing Holder, on or before the 90th day after the related maturity date, a refinancing commitment reasonably acceptable to the Special Servicer, and the borrower continues to make its scheduled monthly payments (and no other Appraisal Reduction Event has occurred with respect to that Mortgage Loan or Participated Whole Loan, as applicable), an Appraisal Reduction Event will not occur until the earlier of (1) 120 days beyond the related maturity date (or extended maturity date) and (2) the termination of the refinancing commitment.

"**Authenticating Agent**" means, with respect to the Notes or any Class of the Notes, the Person designated by the Indenture Trustee, if any, to authenticate such Notes on behalf of the Indenture Trustee pursuant to Section 2.11.

"**Authorized Officer**" means (i) with respect to the Issuer, any Officer (or attorney- in-fact appointed by the Issuer) of the Owner Trustee, the Servicer or the Trust Administrator who is authorized to act for the Issuer in matters relating to, and binding upon, the Issuer, (ii) with respect to the Trust Depositor, the Servicer or the Trust Administrator, initially those individuals the names of whom appear on the lists of Authorized Officers attached hereto (as such list may be modified or supplemented from time to time thereafter), (iii) with respect to the Indenture Trustee or any other bank or trust company acting as trustee of an express trust or as custodian, a Trust Officer and (iv)

with respect to the Intermediate Trust, any officer of the Intermediate Trust Trustee, the Servicer or the Intermediate Trust Administrator that is authorized to act for the Intermediate Trust or authorized to act for the Issuer, in matters relating to and binding upon, the Intermediate Trust. Each party may receive and accept a certification of the authority of any other party as conclusive evidence of the authority of any person to act, and such certification may be considered as in full force and effect until receipt by such other party of written notice to the contrary.

"**Available Redemption Funds**" has the meaning specified in Section 9.1(b) hereof.

"**Backup Advancing Agent**" means Wells Fargo Bank, National Association, solely in its capacity as backup advancing agent hereunder, unless a successor Person shall have become the backup advancing agent pursuant to the applicable provisions of this Indenture, and thereafter Backup Advancing Agent shall mean such successor Person.

"**Bad Faith**" means, with respect to the conduct or transaction concerned, the absence of "good faith" (as such term is defined in the UCC).

"**Balance**" means at any time, with respect to Cash or Eligible Investments in any Account at such time, the aggregate of the (i) current balance of Cash, demand deposits, time deposits, certificates of deposit, federal funds and money market funds; (ii) principal amount owing in respect of interest-bearing corporate and government securities, money market accounts, repurchase obligations and reinvestment agreements; and (iii) purchase price (but not greater than the face amount) of non-interest-bearing government and corporate securities and commercial paper.

"**Bank**" means Wells Fargo Bank, National Association, a national banking association organized under the laws of the United States, in its individual capacity and not as Indenture Trustee.

"**Bankruptcy Code**" means the United States Bankruptcy Code, Title 11 of the United States Code, as amended.

"**Beneficial Owner**" means any Person owning an interest in a Global Note as reflected on the books of the Depository or on the books of a Depository Participant or on the books of an indirect participant for which a Depository Participant of the Depository acts as agent.

"**Benefit Plan**" has the meaning specified in Section 2.4(n) hereof.

"**Board Resolution**" means with respect to the Issuer, a resolution or written consent of the holder of the Trust Certificate.

"**Business Day**" means a day on which commercial banks are open for business in each of New York, New York, Atlanta, Georgia, London, England and the city in which the Corporate Trust Office of each of the Indenture Trustee, the Intermediate Trust Trustee and the Owner Trustee is located and, in the case of the final payment of principal of any Note, the place of presentation of such Note.

"**Calculation Agent**" has the meaning specified in Section 7.14(a) hereof.

"**Calculation Amount**" means, with respect to any Mortgage Loan (or, in the case of a Mortgage Loan that is a Pari Passu Participation, the related Participated Whole Loan) as to which an Appraisal Reduction Event has occurred, the lesser of (a) the outstanding principal amount of such Mortgage Loan or Participated Whole Loan, as applicable, and (b) the sum of (1) the appraised value(s) (net of any prior mortgage liens) of the related Mortgaged Property or Mortgaged Properties securing such Mortgage Loan or Participated Whole Loan, as applicable, as determined by the most recent Updated Appraisal in respect of such Mortgaged Property or Mortgaged Properties, plus (2) all escrows, letters of credit and reserves (other than escrows and reserves for taxes, ground rents, assessments and insurance) plus (3) all insurance and casualty proceeds and condemnation awards that constitute collateral for the related Mortgage Loan or Participated Whole Loan, as applicable (whether paid or then payable by any insurance company or government authority), in each case, as determined by the Special Servicer (in the case of any Mortgage Loan that is a Pari Passu Participation, the amount determined by this clause (b) shall be reduced by the proportionate share attributable to the funded portion of the Companion Participation, if any).

"**Cash**" means such coin or currency of the United States of America as at the time shall be legal tender for payment of all public and private debts.

"**Cash Purchaser**" has the meaning specified in the definition of "Qualified Buyer".

"**Certificate of Authentication**" has the meaning specified in Section 2.3(f) hereof.

"**Certificate Register**" has the meaning give to such term in the Trust Agreement.

"**Certificated Security**" has the meaning specified in Section 8-102(a)(4) of the UCC.

"**Class**" means, with respect to the Notes, each of the eight classes thereof consisting of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes, respectively.

"**Class A Defaulted Interest Amount**" means, with respect to the Class A Notes as of each Payment Date, the accrued and unpaid amount due to holders of the Class A Notes on account of any interest shortfalls in respect of the Class A Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class A Notes**" means the Class A First Priority Senior Secured Floating Rate Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class A Note Rate.

"**Class A Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in November 2022, 0.850%, and (ii) beginning with the payment made on the Payment Date occurring in November 2022, 1.100%.

"**Class A Subordinate Interests**" has the meaning specified in Section 13.1(a) hereof.

"**Class A-S Defaulted Interest Amount**" means, with respect to the Class A-S Notes as of each Payment Date, the accrued and unpaid amount due to holders of the Class A-S Notes on account of any interest shortfalls in respect of the Class A-S Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class A-S Notes**" means the Class A-S Second Priority Senior Secured Floating Rate Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class A-S Note Rate.

"**Class A-S Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus Date (i) prior to and including the Payment Date occurring in November 2022, 1.450%, and (ii) beginning with the payment made on the Payment Date occurring in November 2022, 1.700%.

"**Class A-S Subordinate Interests**" has the meaning specified in Section 13.1(b) hereof.

"**Class B Defaulted Interest Amount**" means, with respect to the Class B Notes as of each Payment Date, the accrued and unpaid amount due to holders of the Class B Notes on account of any interest shortfalls in respect of the Class B Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class B Notes**" means the Class B Third Priority Senior Secured Floating Rate Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class B Note Rate.

"**Class B Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in November 2022, 1.750%, and (ii) beginning with the payment made on the Payment Date occurring in November 2022, 2.250%.

"**Class B Subordinate Interests**" has the meaning specified in Section 13.1(c) hereof.

"**Class C Defaulted Interest Amount**" means, with respect to the Class C Notes as of each Payment Date on which no Class A Notes, Class A-S Notes or Class B Notes are Outstanding, the accrued and unpaid amount due to holders of the Class C Notes (other than the Class C Deferred Interest Amount) on account of any interest shortfalls in respect of the Class C Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class C Deferred Interest Amount**" has the meaning specified in Section 2.6(b).

"**Class C Notes**" means the Class C Fourth Priority Deferrable Senior Secured Floating Rate Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class C Note Rate.

"**Class C Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in November 2022, 2.250%, and (ii) beginning with the payment made on the Payment Date occurring in November 2022, 2.750%.

"**Class C Subordinate Interests**" has the meaning specified in Section 13.1(d) hereof.

"**Class D Defaulted Interest Amount**" means, with respect to the Class D Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes or Class C Notes are Outstanding, the accrued and unpaid amount due to holders of the Class D Notes (other than the Class D Deferred Interest Amount) on account of any interest shortfalls in respect of the Class D Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class D Deferred Interest Amount**" has the meaning specified in Section 2.6(c).

"**Class D Notes**" means the Class D Fifth Priority Deferrable Senior Secured Floating Rate Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at the Class D Note Rate.

"**Class D Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus (i) prior to and including the Payment Date occurring in November 2022, 3.750%, and (ii) beginning with the payment made on the Payment Date occurring in November 2022, 4.25%.

"**Class D Subordinate Interests**" has the meaning specified in Section 13.1(e) hereof.

"**Class E Defaulted Interest Amount**" means, with respect to the Class E Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes or Class D Notes are Outstanding, the accrued and unpaid amount due to holders of the Class E Notes (other than the Class E Deferred Interest Amount) on account of any interest shortfalls in respect of the Class E Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class E Deferred Interest Amount**" has the meaning specified in Section 2.6(f).

"**Class E Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus 5.750%.

"**Class E Notes**" means the Class E Income Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at a rate *per annum* equal to the Class E Note Rate.

"**Class E Subordinate Interests**" has the meaning specified in Section 13.1(h) hereof.

"**Class F Defaulted Interest Amount**" means, with respect to the Class F Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes or Class E Notes are Outstanding, the accrued and unpaid amount due to holders of the Class F Notes (other than the Class F Deferred Interest Amount) on account of any interest shortfalls in respect of the Class F Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class F Deferred Interest Amount**" has the meaning specified in Section 2.6(g).

"**Class F Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus 7.750%.

"**Class F Notes**" means the Class F Income Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at a rate *per annum* equal to the Class F Note Rate.

"**Class F Subordinate Interests**" has the meaning specified in Section 13.1(i) hereof.

"**Class G Defaulted Interest Amount**" means, with respect to the Class G Notes as of each Payment Date on which no Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes or Class F Notes are Outstanding, the accrued and unpaid amount due to holders of the Class G Notes (other than the Class G Deferred Interest Amount) on account of any interest shortfalls in respect of the Class G Notes with respect to any preceding Payment Date or Payment Dates, together with interest accrued thereon (to the extent lawful).

"**Class G Deferred Interest Amount**" has the meaning specified in Section 2.6(h). "**Class G Note Rate**" means, for each Interest Period relating to a Payment Date, the applicable value of LIBOR, plus 10.000%.

"**Class G Notes**" means the Class G Income Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive interest at a rate *per annum* equal to the Class G Note Rate.

"**Class H Notes**" means the Class H Income Notes due December 2037, issued by the Issuer on the Closing Date in respect of which the Holders are entitled to receive any Interest Proceeds remaining after all other amounts payable therefrom.

"**Class H Subordinate Interests**" has the meaning specified in Section 13.1(k) hereof.

"**Clean-up Call**" has the meaning specified in Section 9.1(a) hereof.

"**Clean-up Call Date**" has the meaning specified in Section 9.1(a) hereof.

"**Clearing Agency**" means an organization registered as a "clearing agency" pursuant to Section 17A of the Exchange Act.

"**Clearing Corporation**" has the meaning specified in Section 8-102(a)(5) of the UCC.

"**Clearstream**" means Clearstream Banking S.A.

"**Closing Date**" means November 29, 2017.

"**Closing Date Mortgage Loans**" means the Mortgage Loans, other than the Delayed Close Mortgage Loan, that are deposited into the Intermediate Trust on the Closing Date, which are listed on Schedule A attached hereto.

"**Code**" means the U.S. Internal Revenue Code of 1986, as amended. "**Collateral**" has the meaning specified in the Granting Clauses.

"**Collection Accounts**" means the Interest Collection Account and the Principal Collection Account.

"**Companion Participation**" means the non-controlling pari passu participation interest in a Participated Whole Loan that is not included in the Underlying Mortgage Pool or beneficially owned by the Issuer.

"**Controlling Class**" means the Class A Notes or, if there are no Class A Notes Outstanding, then the Class A-S Notes or, if there are no Class A-S Notes Outstanding, then the Class B Notes or, if there are no Class B Notes Outstanding, then the Class C Notes or, if there are no Class C Notes Outstanding, then the Class D Notes or, if there are no Class D Notes Outstanding, then the Class E Notes or, if there are no Class E Notes Outstanding, then the Class F Notes or, if there are no Class F Notes Outstanding, then the Class G Notes or, if there are no Class G Notes Outstanding, then the Class H Notes.

"**Control Shift Event**" has the meaning specified in the Servicing Agreement.

"**Consultation Termination Event**" has the meaning specified in the Servicing Agreement.

"**Corporate Trust Office**" means (a) in the case of the Indenture Trustee (i) for Note transfer purposes, the principal corporate trust office at Wells Fargo Bank, National Association, Corporate Trust Operations, MAC N9300-070, 600 South Fourth Street, 7th Floor, Minneapolis, Minnesota 55479, Attention: Corporate Trust Services – RAIT 2017-FL8, and (ii) for all other purposes, at 9062 Old Annapolis Road, Columbia, Maryland 21045-1951, Attention: Client Manager – RAIT 2017-FL8 and (b) and in the case of the Owner Trustee, 919 N. Market Street, Suite 1600, Wilmington, Delaware 19801, Attention: RAIT 2017-FL8 and in each case, such other address as the Indenture Trustee or Owner Trustee may designate from time to time by notice to the Noteholders, the Servicer, and the Issuer, or the principal corporate trust office of any successor Indenture Trustee or Owner Trustee.

"**Credit Enhancement Level**" means, with respect to any Class of Principal Balance Notes, the fraction, expressed as a percentage, where the numerator is the Aggregate Outstanding Amount (excluding the Deferred Interest Amount) of each Class of Principal Balance Notes that is subordinate to such Class of Principal Balance Notes, and the denominator is the Aggregate Outstanding Amount (excluding the Deferred Interest Amount) of all Classes of Principal Balance Notes.

"**Credit Risk Retention Rules**" means the final credit risk retention rule issued by the Securities and Exchange Commission (appearing at 17 CFR § 246.1, et seq.) that adopted the joint final rule promulgated by the Regulatory Agencies (appearing at 79 F.R. 77601; pages 77740-77766) to implement the credit risk retention requirements of Section 15G of the Securities Exchange Act of 1934, as added by Section 941 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, as such rule may be amended from time to time, and subject to such clarification and interpretation as have been provided by the Regulatory Agencies in the adopting release (79 FR 77601 et seq.) or by the staff of any such agency, or as may be provided by any such agency or its staff from time to time, in each case, as effective from time to time.

"**CREFC®**" means CRE Finance Council, formerly known as Commercial Mortgage Securities Association, or any association or organization that is a successor thereto.

"**CREFC® Intellectual Property Royalty License Fee**" means with respect to each Mortgage Loan and for any Payment Date, an amount accrued during the related Interest Period at the CREFC® Intellectual Property Royalty License Fee Rate on the Principal Balance of such Mortgage Loan as of the close of business on the Determination Date in such Interest Period; *provided* that such amounts shall be computed for the same period and on the same interest accrual basis respecting which any related interest payment due or deemed due on the related Mortgage Loan is computed and shall be prorated for partial periods.

"**CREFC® Intellectual Property Royalty License Fee Rate**" means, with respect to each Mortgage Loan, a rate equal to 0.0005% *per annum*.

"**Custodial Account**" means the Securities Account designated the "Custodial Account" and established in the name of the Indenture Trustee pursuant to Section 10.2(i) hereof.

"**Custodian**" has the meaning specified in Section 3.3(a) hereof.

"**DBRS**" means DBRS, Inc., or any successor thereto.

"**Default**" means any Indenture Event of Default or any occurrence that, with notice or lapse of time or both, would become an Indenture Event of Default.

"**Defaulted Interest Amount**" means the Class A Defaulted Interest Amount, Class A-S Defaulted Interest Amount, Class B Defaulted Interest Amount, Class C Defaulted Interest Amount, Class D Defaulted Interest Amount, Class E Defaulted Interest Amount, Class F Defaulted Interest Amount or Class G Defaulted Interest Amount, as applicable, in accordance with Section 5.1(a). For the avoidance of doubt, so long as a more senior Class of Principal Balance Notes is Outstanding, any interest payment due on the Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes or Class H Notes, as applicable, that is not paid as a result of the operation of the Priority of Payments on any Payment Date shall not be considered a "Defaulted Interest Amount."

"**Defaulted Mortgage Loan**" means, for purposes of this Indenture, any Mortgage Loan (or, in the case of a Mortgage Loan that is a Pari Passu Participation, the related Participated Whole Loan) as to which either (x) a payment default (after giving effect to any applicable grace, notice or cure period but without giving effect to any waiver) has occurred and is continuing for more than 60 days; or (y) there is known to the Special Servicer a material non-monetary event of default that has occurred and is continuing (after giving effect to any applicable grace, notice or cure period but without giving effect to any waiver) for more than 60 days after the Special Servicer obtained actual knowledge thereof and provided any required notices have been delivered to the related borrower.

"**Deferred Interest Amount**" means the Class C Deferred Interest Amount, the Class D Deferred Interest Amount, the Class E Deferred Interest Amount, the Class F Deferred Interest Amount and the Class G Deferred Interest Amount, as applicable.

"**Definitive Note**" has the meaning specified in Section 2.1(b) hereof.

"**Delayed Close Mortgage Loan**" means the Mortgage Loan identified on Schedule A attached hereto as The View at Lake Highlands.

"**Depositor Purchase and Sale Agreement**" means the Purchase and Sale Agreement, dated on or about the Closing Date, by and among RAIT 2017-FL8 Trust, as purchaser and RAIT 2017-FL8, LLC, as seller and any other Depositor Purchase and Sale Agreement entered into after the Closing Date if a purchase agreement is necessary to comply with this Indenture, which agreement is pledged to the Indenture Trustee pursuant to this Indenture.

"**Depository**" or "**DTC**" means The Depository Trust Company, a New York corporation, its nominees, and their respective successors.

"**Depository Participant**" means a broker, dealer, bank or other financial institution or other Person for whom from time to time the Depository effects book-entry transfers and pledges of Notes deposited with the Depository.

"**Determination Date**" means the 11th day of each month, commencing in December 2017, or if such date is not a Business Day, the next succeeding Business Day.

"**Directing Holder**" means the Majority Holder(s) (or the appointed representative of the Majority Holder(s)) of the most subordinate of (1) the Class E Notes, (2) the Class F Notes, (3) the Class G Notes and (4) the Class H Notes, in each case, as to which no Control Shift Event has occurred and is continuing. None of the Holders of the Senior Notes will be eligible to act as (or appoint a representative to act as) the Directing Holder at any time. The initial Directing Holder will be the Trust Depositor.

"**Distribution**" means, for purposes of this Indenture, any payment of principal, interest or fee or any dividend or premium payment made on, or any other distribution in respect of, the Intermediate Trust Certificate, an Eligible Investment or other Pledged Asset.

"**Dollar**" or "**$**" means a dollar or other equivalent unit in such coin or currency of the United States as at the time shall be legal tender for all debts, public and private.

"**Due Date**" means each date on which a Distribution is due on a Pledged Asset or a Mortgage Loan.

"**Due Period**" means, with respect to any Payment Date, the period that commences on the day after the second preceding Determination Date and ends on and includes the Determination Date immediately preceding such Payment Date, except that (a) the initial Due Period will commence on, and include, the Closing Date and (b) the final Due Period will end on, and include, the day preceding the Stated Maturity of the Notes. The "Payment Date" relating to any Due Period shall be the first Payment Date following the last day of such Due Period.

"**Early Unused Proceeds Release Date**" means, in the event the Seller has reasonably determined that a Delayed Close Mortgage Loan will not be originated or be available for acquisition by the Trust Depositor to be included as an asset of the Intermediate Trust on or prior to the Purchase Termination Date, such earlier date as is designated by the Seller (by providing written notice to the Issuer, the Trust Depositor and the Indenture Trustee) for such Delayed Close Mortgage Loan. An Early Unused Proceeds Release Date shall not be any day from and including the Determination Date to and including the Payment Date in any month.

"**EHRI**" means the Class H Notes, which are retained by the Trust Depositor on the Closing Date.

"**Eligible Investments**" include any Dollar-denominated investment that is one or more of the following (and may include investments for which the Indenture Trustee and/or its Affiliates or the Servicer and/or its Affiliates provides services or receives compensation):

(a) Cash;

(b) direct Registered obligations of, and Registered obligations the timely payment of principal and interest on which is fully and expressly guaranteed by, the United States or any agency or instrumentality of the United States the obligations of which are expressly backed by the full faith and credit of the United States;

(c) demand and time deposits in, certificates of deposit of, bankers' acceptances payable within 183 days of issuance issued by, or federal funds sold by any depository institution or trust company incorporated under the laws of the United States (including the Bank) or any state thereof and subject to supervision and examination by federal and/or state banking authorities so long as the commercial paper and/or the debt obligations of such depository institution or trust company (or, in the case of the principal depository institution in a holding company system, the commercial paper or debt obligations of such holding company) at the time of such investment or contractual commitment providing for such investment are rated (i) in the highest short-term debt rating category of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(d) unleveraged repurchase obligations with respect to (i) any security described in clause (b) above or (ii) any other Registered obligation issued or guaranteed by an agency or instrumentality of the United States (in each case without regard to the stated maturity of such security), in either case entered into with a U.S. federal or state depository institution or trust company (acting as principal) described in clause (c) above or entered into with a corporation (acting as principal) the short-term obligations of which are rated (i) in the highest short-term debt rating category of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(e) registered debt securities bearing interest or sold at a discount issued by any corporation incorporated under the laws of the United States or any state thereof that are rated (i) in the highest short-term debt rating category of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(f) commercial paper or other short-term obligations with a maturity of not more than 183 days from the date of issuance that are rated (i) in the highest short-term debt rating category of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's;

(g) registered reinvestment agreement issued or unconditionally guaranteed by any bank, or a Registered reinvestment agreement issued or unconditionally guaranteed by any insurance company or a Registered reinvestment agreement issued or unconditionally guaranteed by any other corporation or entity (if treated as debt by the obligor) that is rated (i) in the highest short-term debt rating category of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) and (ii) at least "Aa3/P-1" by Moody's; and

(h) interests in any money market fund, including the Wells Fargo Advantage Money Market Fund, or similar investment vehicle having at the time of investment therein (i) the highest short-term debt rating category of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) and (ii) a rating of at least "Aaa-mf" by Moody's; and, in each case (other than clause (a) or (h)), with a stated maturity or, in the case of clause (g), a withdrawal date (in each case giving effect to any applicable grace period) no later than the Business Day immediately preceding the Payment Date next following the Due Period in which the date of investment occurs; *provided* that Eligible Investments may not include (i) any mortgaged-backed security, (ii) any security that does not provide for payment or repayment of a stated principal amount in one or more installments, (iii) any security purchased at a price in excess of 100% of the par value thereof, (iv) any investment the income from or proceeds of disposition of which is or will be subject to reduction for or on account of any withholding or similar tax (other than pursuant to FATCA), (v) any security the acquisition (including the manner of acquisition), ownership, enforcement or disposition of which will subject the Issuer or the Intermediate Trust to net income tax in any jurisdiction, (vi) any floating rate security (other than the time deposits described in clause (c) above) whose interest rate is inversely or otherwise not proportionately related to an interest rate index or is calculated as other than the sum of an interest rate index *plus* or *minus* a spread, (vii) any security whose rating by S&P includes the subscript "r," "t," "p," "pi" or "q," (viii) any security that the Servicer determines (in accordance with the Servicing Agreement) to be subject to substantial non-credit-related risk, (ix) any interest-only securities or (x) any security the acquisition, ownership, enforcement and disposition of which will cause the Issuer or the Intermediate Trust to fail to be treated as an Issuer Parent Disregarded Entity; *provided further* that, if any of the rating requirements set forth in clauses (c), (d), (e), (f) or (g) above are not satisfied, such investment will qualify as an Eligible Investment upon satisfaction of the Rating Agency Condition with respect to the Rating Agencies. Eligible Investments may be obligations of, and may be purchased from, the Indenture Trustee and its Affiliates so long as (i) such Eligible Investments satisfy the minimum ratings requirements of DBRS (or, if not rated by DBRS, an equivalent rating by any two other NRSROs) set forth in clauses (c) – (h) above, and (ii) the Indenture Trustee has a capital and surplus of at least U.S. $200,000,000 and has a long - term unsecured credit rating of at least "Baa1" by Moody's, and may include obligations for which the Indenture Trustee or an Affiliate thereof receives compensation for providing services. Notwithstanding the foregoing, except in the case of clauses (e) and (h), such obligation shall have a predetermined fixed dollar amount of principal due at maturity that cannot vary or change.

"**Entitlement Holder**" has the meaning specified in Section 8-102(a)(7) of the UCC.

"**Entitlement Order**" has the meaning specified in Section 8-102(a)(8) of the UCC.

"**ERISA**" means the United States Employee Retirement Income Security Act of 1974, as amended.

"**E.U. Risk Retention Letter**" means that certain letter agreement between RAIT Partnership and the Trust Depositor, dated on or about the Closing Date

"**Euroclear**" means Euroclear Bank S.A./N.V., as operator of the Euroclear System.

"**Excepted Property**" means the Trust Certificate Account and all of the funds and other property from time to time deposited in or credited to the Trust Certificate Account.

"**Exchange Act**" means the United States Securities Exchange Act of 1934, as amended.

"**Exchange Date**" means any Business Day other than the first or last Business Day of the month, subject to approval by the Indenture Trustee.

"**Exit Fees**" means, with respect to any Mortgage Loan, any fee identified in the related Loan Documents as an "exit fee", "exit additional interest" or similarly defined term and paid by the related borrower in connection with a repayment of such Mortgage Loan (other than any prepayment premium), including any fee that is payable upon a prepayment if such fee would also be payable if the amount prepaid were paid on the scheduled maturity date of such Mortgage Loan.

"**Expense Account**" means the Securities Account designated the "Expense Account" and established in the name of the Indenture Trustee pursuant to Section 10.4 hereof.

"**Expense Year**" means each 12-month period commencing on the Business Day following the Payment Date in December each year (or in the case of the first Expense Year, the Closing Date) and ending on the Payment Date in December of the following year.

"**FATCA**" means Sections 1471 through 1474 of the Code and any regulations or official interpretations thereof.

"**Final Pool Principal Balance**" means, including the anticipated initial principal balance of the Delayed Close Mortgage Loan(s), $259,776,000.

"**Financial Asset**" has the meaning specified in Section 8-102(a)(9) of the UCC. "**Financing Statement**" means a financing statement relating to the Collateral naming the Issuer as debtor and the Indenture Trustee on behalf of the Secured Parties as secured party.

"**Fitch**" means Fitch Ratings, Inc., or any successor thereto.

"**Floor Rate**" means a specified fixed minimum interest rate set forth in the Loan Documents for a Mortgage Loan.

"**Future Funding Account Control Agreement**" means any account control agreement entered into in accordance with the terms of the Future Funding Agreement by and among RAIT Partnership, L.P., as pledgor, the Indenture Trustee, as secured party, and an account bank, as the same may be amended, supplemented or replaced from time to time.

"**Future Funding Agreement**" means the future funding agreement, dated as of the Closing Date, by and among RAIT 2017-FL8 A-2 Holdings, LLC, as obligor, RAIT Partnership, L.P., as Future Funding Indemnitor, and the Indenture Trustee, as trustee on behalf of the Noteholders, as the same may be amended, supplemented or replaced from time to time.

"**Future Funding Holder**" with regard to each Future Funding Participation, means RAIT 2017-FL8 A-2 Holdings, LLC, or a permitted affiliate thereof in accordance with the related Participation Agreement.

"**Future Funding Indemnitor**" means RAIT Partnership, L.P., and its successors in interest.

"**Future Funding Participation**" means, with respect to each Mortgage Loan that is a Pari Passu Participation, the future funding companion participation interest, which (unless it is acquired as a Related Funded Companion Participation after the Closing Date in accordance with the terms of this Agreement) is not included in the Underlying Mortgage Pool or beneficially owned by the Issuer or the Intermediate Trust.

"**Future Funding Reserve Account**" has the meaning specified in the Servicing Agreement.

"**Global Notes**" means the Regulation S Global Notes and the Rule 144A Global Notes.

"**Government Items**" means a security (other than a security issued by the Government National Mortgage Association) issued or guaranteed by the United States of America or an agency or instrumentality thereof representing a full faith and credit obligation of the United States of America and, with respect to each of the foregoing, that is maintained in book-entry form on the records of a Federal Reserve Bank.

"**Grant**" means to grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, grant and create a security interest in and right of set-off against, deposit, set over and confirm. A Grant of the Pledged Assets, or of any other security or instrument, shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including, without limitation, the immediate continuing right to claim, collect, receive and take receipt for principal, interest and fee payments in respect of the Pledged Assets or such other instruments, and all other Cash payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to exercise all rights and options, to bring Proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

"**Holder**" or "**Noteholder**" means, with respect to any Note, the Person in whose name such Note is registered in the Note Register and with respect to the Trust Certificate, the Person in whose name such Trust Certificate is registered in the register maintained under the Certificate Register.

"**IAI**" means an institution that is an "accredited investor" within the meaning of Rule 501(a)(1), (2), (3) or (7) under Regulation D under the Securities Act or an entity in which all of the equity owners are such "accredited investors."

"**Impaired Mortgage Loan**" means (1) any Defaulted Mortgage Loan or (2) any Mortgage Loan as to which a default is reasonably foreseeable, as determined by the Special Servicer in accordance with the Servicing Standard.

"**Indenture**" means this instrument and, if from time to time supplemented or amended by one or more indentures supplemental hereto entered into pursuant to the applicable provisions hereof, as so supplemented or amended.

"**Indenture Accounts**" means the Note Payment Account, the Permitted Funded Companion Participation Acquisition Account, the Unused Proceeds Account and the Custodial Account.

"**Indenture Event of Default**" has the meaning specified in Section 5.1 hereof.

"**Indenture Trustee**" means Wells Fargo Bank, National Association, a national banking association, solely in its capacity as trustee hereunder, unless a successor Person shall have become the Indenture Trustee pursuant to the applicable provisions of this Indenture, and thereafter Indenture Trustee shall mean such successor Person. Wells Fargo Bank, National Association, shall perform its duties hereunder through its Corporate Trust Services division.

"**Indenture Trustee Expenses**" means, with respect to any Payment Date, all expenses and indemnified amounts (other than fees) due or accrued with respect to such Payment Date that are payable by the Issuer to (i) the Indenture Trustee in its various capacities, including without limitation to (a) the Indenture Trustee pursuant to Section 6.7 hereof or any co-trustee appointed pursuant to Section 6.12 hereof, and (b) the Note Registrar pursuant to Section 2.4(a) hereof, (ii) the Custodian hereunder and pursuant to the Account Control Agreement, (iii) the Paying Agent, (iv) the Calculation Agent, (v) the Transfer Agent, (vi) the Backup Advancing Agent and (vii) the Intermediate Trust Trustee.

"**Indenture Trustee Fee**" means, a fee equal to $48,000 *per annum*, which will be payable in monthly installments on each Payment Date in accordance with the Priority of Payments, to Wells Fargo Bank, National Association, in its capacities (or any successor to it in such capacities) as (i) Note Registrar, Indenture Trustee, Rule 17g-5 Information Provider and Backup Advancing Agent under the Indenture and (ii) Custodian hereunder and under the Account Control Agreement. The Indenture Trustee will pay to the Owner Trustee the Owner Trustee Fee and to the Intermediate Trust Trustee the Intermediate Trust Trustee Fee, each out of the Indenture Trustee Fee.

"**Indenture Trustee Fee Rate**" means, with respect to each Payment Date, the annualized rate at which the Indenture Trustee Fee would need to accrue on the Aggregate Principal Balance of the Mortgage Loans as of the first day of the related Mortgage Loan Accrual Period, on the same basis as interest accrues on the Mortgage Loans, in order to yield the Indenture Trustee Fee for such Payment Date.

"**Independent**" means, as to any Person, any other Person (including, in the case of an accountant, or lawyer, a firm of accountants or lawyers and any member thereof or an investment bank and any member thereof) who (i) does not have and is not committed to acquire any material direct or any material indirect financial interest in such Person or in any Affiliate of such Person, (ii) is not connected with such Person as an Officer, employee, promoter, underwriter, voting trustee, partner, director or Person performing similar functions and (iii) if required to deliver an opinion or certificate to the Indenture Trustee pursuant to this Indenture, states in such opinion or certificate that the signer has read this definition and that the signer is Independent within the meaning hereof. "Independent" when used with respect to any accountant may include an accountant who performs agreed upon procedures on the books of such Person if in addition to satisfying the criteria set forth above the accountant is independent with respect to such Person under Interpretation 101-11 of Rule 101 of the Rules of Conduct of the Code of Professional Conduct of the American Institute of Certified Public Accountants.

"**Inquiry**" has the meaning set forth in Section 10.15 hereof.

"**Instrument**" has the meaning specified in Section 9-102(a)(47) of the UCC.

"**Interest Advance**" has the meaning specified in Section 10.12(a) hereof.

"**Interest Collection Account**" means the Securities Account designated the "Interest Collection Account" and established in the name of the Indenture Trustee pursuant to Section 10.2(a) hereof.

"**Interest Distribution Amount**" means, with respect to any Payment Date for any Class of Notes (other than the Class H Notes), the sum of (a) the aggregate amount of interest accrued at the annual rate at which interest accrues on the Aggregate Outstanding Amount of the Principal Balance Notes of such Class during the applicable Interest Period (after giving effect to any redemption of the Notes of such Class or other payment of principal of the Notes of such Class on any preceding Payment Date) *plus* (b) any Defaulted Interest Amount in respect of the Notes of such Class and accrued interest thereon.

"**Interest Period**" means: (i) with respect to the first Payment Date, the period that commences on and includes the Closing Date and ends on and includes December 14, 2017; and (ii) with respect to each other Payment Date, the period that commences on the 15th day of the calendar month preceding the calendar month in which the related Payment Date occurs and ends on and includes the 14th day of the calendar month in which the related Payment Date occurs.

"**Interest Proceeds**" means, with respect to any Payment Date, (A) the sum (without duplication) of (1) all cash payments of interest (including any amount representing the accreted portion of a discount from the face amount of an Eligible Investment) and other distributions received by the Issuer (including by means of distribution from the Intermediate Trust) during the related Due Period in respect of (a) all Mortgage Loans other than Defaulted Mortgage Loans (net of the Servicing Fee, Special Servicing Fee, the Operating Advisor Fees, the amount of any Nonrecoverable Property Protection Advances and all other amounts retained by, or payable to, the Servicer, the Special Servicer or the Operating Advisor in accordance with the terms of the Servicing Agreement) and (b) Eligible Investments, in each case, excluding any accrued interest

included in Principal Proceeds pursuant to clause (A)(3) or (4) of the definition of Principal Proceeds, (2) all make whole premiums, prepayment premiums or any interest amount paid in excess of the stated interest amount of a Mortgage Loan received during the related Due Period, (3) all amendment and waiver fees, late payment fees, commitment fees and other fees (but excluding Exit Fees and Scheduled Extension Fees, which are being retained by the Seller) and commissions received by the Issuer (including by means of distribution from the Intermediate Trust) during such Due Period in connection with such Mortgage Loans and Eligible Investments (other than, in each such case, fees and commissions received in connection with the restructuring of a Mortgage Loan and, for the avoidance of doubt, any origination fees paid by a related borrower), (4) funds remaining on deposit in the Expense Account upon redemption of the Notes in whole, in accordance with Section 10.4 hereof, (5) with respect to any Defaulted Mortgage Loan sold by or at the direction of the Issuer during the related Due Period, the excess, if any, of the amount received by the Issuer (including by means of distribution from the Intermediate Trust) in connection with such sale and the par amount of such Defaulted Mortgage Loan, (6) all payments of principal on Eligible Investments purchased with proceeds of items (A)(1), (2) and (3) of this definition, (7) Interest Advances, if any, advanced by the Advancing Agent or the Backup Advancing Agent with respect to such Payment Date, (8) any excess proceeds received in respect of a Mortgage Loan after the principal amount of such Mortgage Loan has been reduced to zero, but only if, so long as no Control Shift Event with respect to the Class E Notes has occurred and is continuing, the Directing Holder instructs the Issuer to treat such amounts as "Interest Proceeds", and (9) any payments similar to the foregoing received with respect to any Mortgage Loan held by a Permitted Subsidiary, *provided* that Interest Proceeds will in no event include any payment or proceeds specifically defined as "Principal Proceeds" in the definition thereof, *minus* (B) the aggregate amount of any Nonrecoverable Interest Advances that were previously reimbursed to the Advancing Agent or the Backup Advancing Agent out of any of the items listed above.

For the avoidance of doubt, "Interest Proceeds" shall not include the Servicing Fee, Special Servicing Fee, the amount of any Nonrecoverable Property Protection Advances and any other amounts retained by, or payable to, the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement and shall not include any Exit Fees or any Scheduled Extension Fees.

"**Interest Proceeds Waterfall**" has the meaning specified in Section 11.1(a)(i) hereof.

"**Interest Shortfall**" has the meaning specified in Section 10.12(a) hereof.

"**Intermediate Trust**" means RAIT 2017-FL8 Intermediate Trust, a newly formed common law trust created and existing under the laws of the State of New York, and any successor Intermediate Trust under the Intermediate Trust Agreement.

"**Intermediate Trust Administration Agreement**" means the Intermediate Trust Administration Agreement, dated as of November 29, 2017, between the Intermediate Trust, the Trust Depositor and the Intermediate Trust Trustee, as amended from time to time.

"**Intermediate Trust Administrator**" means RAIT Partnership, L.P., or any successor thereto in such capacity.

"**Intermediate Trust Agreement**" means the Trust Agreement, dated as of November 29, 2017, between the Trust Depositor and the Intermediate Trust Trustee, as amended from time to time.

"**Intermediate Trust Certificate**" means a certificate evidencing 100% of the ownership interest in the Intermediate Trust, substantially in the form of Exhibit A to the Intermediate Trust Agreement.

"**Intermediate Trust Trustee**" means Wells Fargo Bank, National Association, not in its individual capacity but solely as intermediate trust trustee under the Intermediate Trust Agreement, and any successor Intermediate Trust Trustee thereunder.

"**Intermediate Trust Trustee Fee**" means the annual fee (in an amount previously agreed to between the Intermediate Trust Trustee and the Trust Depositor) payable in equal monthly installments on each Payment Date, in accordance with the Priority of Payments, to Wells Fargo Bank, National Association, in its capacity as Intermediate Trust Trustee. The Intermediate Trust Trustee Fee shall be paid by the Indenture Trustee from the Indenture Trustee Fee.

"**Intervening ALRS**" has the meaning specified in Section 3.3 hereof.

"**Intervening Assignments of Mortgage**" has the meaning specified in Section 3.3 hereof.

"**Intervening UCC-3s**" has the meaning specified in Section 3.3 hereof.

"**Investment Company Act**" means the United States Investment Company Act of 1940, as amended, and the rules thereunder.

"**Investor Certification**" means a certificate, substantially in the form of Exhibit G-1 or Exhibit G-2 hereto, representing that such person executing the certificate is a Noteholder or a beneficial owner of a Note, a holder of the Trust Certificate or a prospective purchaser of a Note and that either (a) such person is not an agent of, or an investment advisor to, any borrower or property manager or any affiliate of any borrower or property manager, in which case such person will have access to all the reports and information made available to Noteholders or the holder of the Trust Certificate hereunder, or (b) such person is an agent or affiliate of, or an investment advisor to, any borrower or property manager, in which case such person will only receive access to the Monthly Report. The Investor Certification may be submitted electronically by means of the Indenture Trustee's website.

"**Investor Registry**" means the Investor Registry described in Section 10.15 hereof.

"**Investor Q&A Forum**" means the Investor Q&A Forum described in Section 10.15 hereof.

"**Issuer**" means RAIT 2017-FL8 Trust, a newly formed statutory trust created and existing under the laws of the State of Delaware, unless a successor Person shall have become the Issuer pursuant to the applicable provisions of this Indenture, and thereafter "Issuer" shall mean such successor Person.

"**Issuer Order**" and "**Issuer Request**" mean, respectively, a written order or a written request (which may be in the form of a standing order or request), in each case dated and signed in the name of the Issuer by an Authorized Officer of the Issuer or by an Authorized Officer of the Servicer or the Trust Administrator (on behalf of the Issuer) where permitted pursuant to this Indenture or the Servicing Agreement, as the context may require or permit. An order or request provided in an email or other electronic means acceptable to the Indenture Trustee by an Authorized Officer of the Issuer shall constitute an Issuer Order except, in each case, to the extent the Indenture Trustee requests otherwise in writing.

"**Issuer Parent**" means the REIT that, for U.S. federal income tax purposes, directly or indirectly owns (or is deemed to own) 100% of the stock of the Issuer within the meaning of Section 856(i)(2) of the Code, as evidenced by an Opinion of Counsel. The initial Issuer Parent is RAIT Financial.

"**Issuer Parent Disregarded Entity**" means any Qualified REIT Subsidiary or other entity which is is disregarded as an entity separate from the Issuer Parent within the meaning of Treasury Regulations Section 301.7701-3(b)(1)(ii) or the grantor trust provision of the Code.

"**Junior Notes**" means the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes authorized by, and authenticated and delivered under this Indenture.

"**Last Endorsee**" means, with respect to any Mortgage Loan, the Intermediate Trust.

"**LIBOR**" has the meaning specified in Schedule B hereto.

"**LIBOR Business Day**" has the meaning specified in Schedule B hereto.

"**LIBOR Determination Date**" has the meaning specified in Schedule B hereto.

"**LIBOR Spread**" has the meaning specified in Schedule B hereto.

"**Loan Document**" means, with respect to any Mortgage Loan, the note, loan agreement, participation agreement or other agreements pursuant to which such Mortgage Loan has been issued or created and each other agreement that governs the terms of or secures the obligations represented by such Mortgage Loan or of which holders of such Mortgage Loan are the beneficiaries.

"**Loss Value Payment**" means a cash payment made to the Issuer by the Seller in connection with a breach of representation or warranty with respect to any Mortgage Loan pursuant to the Seller Purchase and Sale Agreement in an amount that the Servicer on behalf of the Issuer or the Intermediate Trust, subject to the consent of the Majority Holders of each Class of Notes (excluding any Note held by the Seller or any of its affiliates), determines is sufficient to compensate the Issuer or the Intermediate Trust for such breach of representation or warranty, which Loss Value Payment will be deemed to cure such breach of representation or warranty.

"**Majority Holder**", "**Majority Holders**" or "**Majority Holder(s)**" means, with respect to any Class or Classes of Notes, the Holder(s) of more than 50% of the Aggregate Outstanding Amount of such Class or Classes of Notes at such time.

"**Maturity**" means, with respect to any Note, the date on which all Outstanding unpaid principal of such Note becomes due and payable as therein or herein provided, whether at the Stated Maturity or by declaration of acceleration, call for redemption or otherwise.

"**Modified Mortgage Loan**" means a Mortgage Loan that has (or, in the case of a Mortgage Loan that is a Pari Passu Participation that relates to a Participated Whole Loan that has) been modified by the Special Servicer pursuant to the Servicing Agreement in a manner that:

(a) except as expressly contemplated by the related Loan Documents, reduces or delays in a material and adverse manner the amount or timing of any payment of principal or interest due thereon (other than, or in addition to, bringing current monthly payments with respect to such Mortgage Loan or Participated Whole Loan, as applicable);

(b) except as expressly contemplated by the related Loan Documents, results in a release of the lien of the mortgage on any material portion of the related Mortgaged Property without a corresponding principal prepayment in an amount not less than the fair market value (as is), as determined by an Appraisal delivered to the Special Servicer (at the expense of the related borrower and upon which the Special Servicer may conclusively rely), of the property to be released; or

(c) in the reasonable good faith judgment of the Special Servicer, otherwise materially impairs the value of the security for such Mortgage Loan or related Participated Whole Loan, as applicable, or reduces the likelihood of timely payment of amounts due thereon.

"**Monthly Report**" has the meaning specified in Section 10.7(a) hereof.

"**Moody's**" means Moody's Investors Service, Inc., or any successor thereto.

"**Mortgage Loan**" means (a) any commercial mortgage loan secured by a first-lien mortgage on one or more commercial or multifamily real properties, and (b) any Pari Passu Participation, in each case, owned by the Intermediate Trust (including any Delayed Close Mortgage Loan and/or Related Funded Companion Participation if deposited into the Intermediate Trust).

"**Mortgage Loan Accrual Period**" means the interest accrual period specified in the related Loan Documents.

"**Mortgage Loan File**" has **the** meaning set forth in Section 3.3(d) hereof.

"**Mount Houston Square Release Payment**" means the sum of $1,889,400, which will be deposited in the Note Payment Account on the Closing Date in the event that the borrower in respect of the Mortgage Asset identified on Annex A to as Mount Houston Square makes a prepayment prior to the Closing Date in connection with a permitted release of certain parcels (the Dairy Queen and Luby's Cafeteria pad sites).

"**Net Outstanding Portfolio Balance**" means, as of any date of determination, the sum (without duplication) of (i) the Aggregate Principal Balance on such date of determination of the Mortgage Loans (other than Mortgage Loans as to which an Appraisal Reduction Event has occurred) and with respect to each Mortgage Loan as to which an Appraisal Reduction Event has occurred, the Calculation Amount on such date of determination of such Mortgage Loan; (ii) the aggregate Balance of all Principal Proceeds held as cash and Eligible Investments, including those held in the Unused Proceeds Account and the Permitted Funded Companion Participation Acquisition Account; and (iii) the Aggregate Principal Balance of all Cash and other Eligible Investments contributed to the Issuer by the holder of the Trust Certificate and Granted to the Indenture Trustee.

"**No Downgrade Confirmation**" means written confirmation from each Rating Agency that the proposed action, or failure to act or other specified event will not in and of itself result in the downgrade, withdrawal or qualification of the then-current rating assigned to the Rated Notes by such Rating Agency. For the purposes of this definition, any confirmation, waiver, request, acknowledgment or approval which is required to be in writing may be in the form of electronic mail.

"**Non-Permitted Holder**" has the meaning specified in Section 2.4(r).

"**Nonrecoverable Interest Advance**" means any Interest Advance previously made or proposed to be made which subsequent payments or collections with respect to the Mortgage Loans, in the judgment of the Advancing Agent or the Backup Advancing Agent, as applicable, may be insufficient to fully reimburse such Interest Advance, plus interest thereon, within a reasonable period of time, at the Reimbursement Rate. Any determination of recoverability by the Advancing Agent or the Backup Advancing Agent, as applicable, shall be subject to the standard set forth in Section 10.12 hereof.

"**Nonrecoverable Property Protection Advances**" has the meaning specified in the Servicing Agreement.

"**Note Interest Rate**" means, with respect to the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes and Class G Notes for any Interest Period, the annual rate at which interest accrues on the Notes of such Class for such Interest Period, as specified in Section 2.2 hereof.

"**Note Payment Account**" means the Securities Account designated the "Note Payment Account" and established in the name of the Indenture Trustee pursuant to Section 10.3 hereof.

"**Note Register**" and "**Note Registrar**" have the respective meanings specified in Section 2.4(a) hereof.

"**Notes**" means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes authorized by, and authenticated and delivered under, this Indenture.

"**NRSRO**" means any nationally recognized statistical rating organization, including the Rating Agencies.

"**NRSRO Certification**" means a certification substantially in the form of Exhibit E executed by an NRSRO in favor of the Issuer and the Rule 17g-5 Information Provider that states that such NRSRO is a Rating Agency or has provided the Issuer with the appropriate certifications under Exchange Act Rule 17g-5(a)(3)(iii)(B) and that such NRSRO has access to the Rule 17g-5 Website.

"**Offering**" means the offering of the Notes under the Offering Circular.

"**Offering Circular**" means the final Offering Circular, dated November 21, 2017, prepared and delivered in connection with the offer and sale of the Senior Notes, as amended or supplemented.

"**Officer**" means with respect to any corporation or limited liability company, any director, managing member, the chairman of the board of directors, the president, any vice president, the secretary, an assistant secretary, the treasurer or an assistant treasurer of such entity and with respect to any bank or trust company acting as trustee of an express trust or as custodian, any Trust Officer.

"**Officer's Certificate**" means, with respect to the Servicer, the Special Servicer, the Seller, the Trust Administrator or the Intermediate Trust Administrator, any certificate executed by an Officer thereof, and with respect to the Issuer or the Intermediate Trust, any certificate executed by an Officer of the Trust Administrator or the Intermediate Trust Administrator or as otherwise permitted under the terms of the Trust Agreement and the Intermediate Trust Agreement, as applicable.

"**Operating Advisor**" means the Operating Advisor appointed pursuant to the Servicing Agreement.

"**Operating Advisor Fees**" has the meaning specified in the Servicing Agreement. "**Opinion of Counsel**" means a written opinion addressed to the Indenture Trustee and the Rating Agencies in form and substance reasonably satisfactory to the Indenture Trustee and the Rating Agencies, of an outside third party counsel of national reputation admitted to practice before the highest court of any state of the United States or the District of Columbia, which attorney may, except as otherwise expressly provided in this Indenture, be counsel for the Issuer, and which counsel shall be reasonably satisfactory to the Indenture Trustee. Whenever an Opinion of Counsel is required hereunder, such Opinion of Counsel may rely on opinions of other counsel who are so admitted and so satisfactory which opinions of other counsel shall accompany such Opinion of Counsel and shall either be addressed to the Indenture Trustee and the Rating Agencies or shall state that the Indenture Trustee and the Rating Agencies shall be entitled to rely thereon.

"**Optional Redemption**" has the meaning specified in Section 9.1(b) hereof.

"**Outstanding**" means, with respect to the Notes or a particular Class of the Notes, as of any date of determination, all of (x) the Notes or (y) the Notes of such Class, as the case may be, theretofore authenticated and delivered under this Indenture as of such date except:

(i) Notes theretofore canceled by a Note Registrar or delivered to a Note Registrar for cancellation;

(ii) Notes or portions thereof for whose payment or redemption funds in the necessary amount have been theretofore irrevocably deposited with the Indenture Trustee or the Paying Agent in trust for the Holders of such Notes; *provided* that, if such Notes or portions thereof are to be redeemed, notice of such redemption has been duly given pursuant to this Indenture or provision therefor satisfactory to the Indenture Trustee has been made;

(iii) Notes issued in exchange for, or in lieu of, other Notes which have been authenticated and delivered pursuant to this Indenture, unless proof satisfactory to the Indenture Trustee is presented that any such Notes are held by a holder in due course; and

(iv) Notes alleged to have been mutilated, destroyed, lost or stolen for which replacement Notes have been issued as provided in Section 2.5 hereof; and *provided*, in each case, that in determining whether the Holders of the requisite Aggregate Outstanding Amount of any Notes or Class of Notes have given any request, demand, authorization, direction, notice, consent or waiver hereunder, (1) Notes beneficially owned by the Issuer shall be disregarded and deemed not to be Outstanding and (2) in relation to any assignment or termination of any of the express rights of the Servicer or the Special Servicer under the Servicing Agreement, this Indenture (including the exercise of any right to remove the Servicer or Special Servicer or terminate the Servicing Agreement, and any right to select a replacement Servicer or Special Servicer when the Servicer or the Special Servicer, as the case may be, has been removed for "cause"), or any amendment or other modification of the Servicing Agreement or this Indenture that increases the rights or decreases the obligations of the Servicer or the Special Servicer, Notes that are held, owned or controlled by the Servicer or the Special Servicer or any of their respective Affiliates, or by accounts managed by them shall be disregarded and deemed not to be Outstanding; *provided* that, except as otherwise provided in the Servicing Agreement, the Servicer and the Special Servicer and any of their respective Affiliates will be entitled to vote Notes owned or controlled by them, or by accounts managed by them (and for which the Servicer or such Affiliate has discretionary authority), with respect to all other matters; except that, in determining whether the Indenture Trustee shall be protected in relying upon any such request, demand, authorization, direction, notice, consent or waiver, only Notes that a Trust Officer of the Indenture Trustee actually knows to be beneficially owned in the manner indicated in clause (2) above shall be so disregarded. Notes owned in the manner indicated in clause (2) above that have been pledged in good faith may be regarded as Outstanding if the pledgee establishes to the satisfaction of the Indenture Trustee, the pledgee's right so to act with respect to such Notes and that the pledgee is not the Issuer, the Servicer, the Special Servicer or an obligor upon the Notes or any Affiliate of the Servicer, the Special Servicer or such obligor or an account for which the Servicer, the Special Servicer or an Affiliate of the Servicer or the Special Servicer, as the case may be, acts as investment adviser (and for which the Servicer, the Special Servicer or such Affiliate has discretionary authority).

"**Owner Trustee**" means Wells Fargo Delaware Trust Company, N.A., not in its individual capacity but solely as owner trustee under the Trust Agreement, and any successor owner trustee thereunder.

"**Owner Trustee Fee**" means the annual fee (in an amount previously agreed to between the Owner Trustee and the Trust Depositor) payable in equal monthly installments on each Payment Date, in accordance with the Priority of Payments, to Wells Fargo Delaware Trust Company, N.A., in its capacity as Owner Trustee. The Owner Trustee Fee shall be paid by the Indenture Trustee from the Indenture Trustee Fee.

"**Pari Passu Participation**" means any fully funded *pari passu* participation interest in a Participated Whole Loan, that is included in the Underlying Mortgage Pool (and, accordingly, the Intermediate Trust) and is beneficially owned by the Issuer, as identified on the Mortgage Loan Schedule. The Mortgage Loans identified on Schedule A as (i) The View at Lake Highlands and (ii) Kearny & Clay and are (or, in the case of any such Mortgage Loans that are Delayed Close Mortgage Loans, are expected to be) Pari Passu Participations.

"**Participated Whole Loan**" means a whole mortgage loan that has been participated into (i) a Pari Passu Participation, which will be held by the Intermediate Trust and thereby will be included in the Underlying Mortgage Pool, and (ii) one or more Future Funding Participations, which (unless later acquired, in whole or in part, as a Related Funded Companion Participation) will not be included in the Underlying Mortgage Pool or be owned by the Intermediate Trust or beneficially owned by the Issuer.

"**Participated Whole Loan Collection Account**" has the meaning specified in the Servicing Agreement.

"**Participation Agreement**" means with respect to each Participated Whole Loan, the participation agreement that governs the rights and obligations of the holders of (x) the related Pari Passu Participation and (y) the Companion Participation.

"**Paying Agent**" means Wells Fargo Bank, National Association, or any other Person authorized by the Issuer to pay the principal of, and interest on, Notes on behalf of the Issuer as specified in Section 7.2 hereof. With respect to the Trust Certificate, any paying agent appointed pursuant to Section 3.09 of the Trust Agreement, which initially shall be Wells Fargo Bank, National Association.

"**Payment Date**" means, the 4th Business Day following each Determination Date, commencing in December 2017. The first Payment Date is anticipated to be December 15, 2017.

"**Permitted Funded Companion Participation Acquisition Account**" means the account established by the Indenture Trustee pursuant to Section 10.16 hereof.

"**Permitted Funded Companion Participation Acquisition Period**" means the period beginning on the Closing Date and ending on the Payment Date in December 2019.

"**Permitted Principal Proceeds**" means amounts received in respect of principal on a Mortgage Loan that (i) are received as a result of an optional prepayment made by the related borrower or a principal repayment made by the related borrower on or prior to the related Mortgage Loan maturity date and (ii) are received during the Permitted Funded Companion Participation Acquisition Period.

"**Permitted Subsidiary**" means any one or more wholly-owned, single purpose entities established exclusively for the purpose of taking title to any mortgage, real property or Sensitive Asset in connection, in each case, with the exercise of remedies or otherwise.

"**Person**" means any individual, corporation (including a business trust), partnership, limited liability company, joint venture, estate, association, joint-stock company, trust (including any beneficiary thereof), unincorporated association or government or any agency or political subdivision thereof.

"**Placement Agents**" means, collectively, Barclays Capital Inc., Citigroup Global Markets Inc. and UBS Securities LLC.

"**Placement Agreement**" means the agreement, dated as of November 17, 2017, among the Issuer and the Placement Agents, relating to the placement of the Notes.

"**Plan Asset Regulation**" means the plan asset regulations of the U.S. Department of Labor, 29 C.F.R. Section 2510.3-101(f).

"**Plan Fiduciary**" has the meaning specified in Section 2.4(s) hereof.

"**Pledged Assets**" means on any date of determination, (a) the Intermediate Trust Certificate, interests in any Permitted Subsidiaries and Eligible Investments that have been Granted to the Indenture Trustee and (b) all non-Cash proceeds thereof, in each case, to the extent not released from the lien of this Indenture pursuant hereto.

"**Prime Rate**" means the rate of interest published in The Wall Street Journal from time to time as the "Prime Rate." If more than one "Prime Rate" is published in The Wall Street Journal for a day, the average of such "Prime Rates" shall be used, and such average shall be rounded up to the nearest 1/100th of one percent (0.01%). If The Wall Street Journal ceases to publish the "Prime Rate," the Servicer shall select an equivalent publication that publishes such "Prime Rate," and if such "Prime Rates" are no longer generally published or are limited, regulated or administered by a governmental or quasigovernmental body, then the Servicer shall select a comparable interest rate index.

"**Prime Rate Spread**" means, with respect to any Class of Notes (other than the Class H Notes) and each Interest Period relating to a Payment Date, the difference (expressed as the number of basis points) between (a) LIBOR for such Class of Notes on the date LIBOR was last applicable to such Class of Notes plus the LIBOR Spread on such Class and (b) the Prime Rate on such date.

"**Principal Balance**" or "**par**" means, with respect to any Mortgage Loan or Eligible Investment, as of any date of determination, the outstanding principal amount of such Mortgage Loan or the Balance of such Eligible Investment, as the case may be.

"**Principal Balance Notes**" means the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes, Class G Notes and Class H Notes.

"**Principal Collection Account**" means the Securities Account designated the "Principal Collection Account" and established in the name of the Indenture Trustee pursuant to Section 10.2(c) hereof.

"**Principal Proceeds**" means, with respect to any Payment Date, (A) the sum (without duplication) of: (1) all principal payments (including prepayments and other unscheduled principal payments by the borrower) received during the related Due Period on (a) Eligible Investments (other than Eligible Investments purchased with Interest Proceeds, Eligible Investments in the Expense Account, Eligible Investments in the Permitted Funded Companion Participation Acquisition Account and any amount representing the accreted portion of a discount from the face

amount of an Eligible Investment) and (b) Mortgage Loans as a result of (i) a maturity, scheduled amortization or mandatory prepayment on a Mortgage Loan, (ii) optional prepayments made at the option of the borrower thereof, (iii) recoveries on Defaulted Mortgage Loans or (iv) any other principal payments with respect to Mortgage Loans (not included in Sale Proceeds), (2) all fees and commissions received during such Due Period in connection with Eligible Investments and the restructuring of a Mortgage Loan or default of such Eligible Investments and any origination fees paid by a related borrower, (3) any interest received during such Due Period on such Mortgage Loans or Eligible Investments to the extent such interest constitutes proceeds from accrued interest purchased with Principal Proceeds other than accrued interest purchased by the Issuer on or prior to the Closing Date, (4) Sale Proceeds received during such Due Period in respect of sales (excluding accrued interest included in Sale Proceeds (unless such accrued interest was purchased with Principal Proceeds) that are designated by the Servicer as Interest Proceeds in accordance with clause (A)(1) of the definition of Interest Proceeds), (5) all cash payments of interest received during such Due Period on Defaulted Mortgage Loans, (6) funds transferred to the Note Payment Account from the Permitted Funded Companion Participation Acquisition Account pursuant to Section 10.16, (7) all funds transferred to the Note Payment Account from the Unused Proceeds Account pursuant to Section 10.5(d) and (e), excluding any interest proceeds from Eligible Investments in the Unused Proceeds Account, (8) all amounts received during such Due Period in respect of Defaulted Mortgage Loans (other than any amounts included in the definition of "Interest Proceeds" pursuant to item (5) of the definition thereof), (9) any payments similar to the foregoing, received with respect to any Mortgage Loan or REO Property held by a Permitted Subsidiary, (10) any Loss Value Payments received by the Issuer or the Intermediate Trust from the Seller, (11) cash and Eligible Investments contributed to the Issuer by the Holder of the Trust Certificate pursuant to the terms of this Indenture during the related Due Period, (12) in connection with the Payment Date in December 2017, the Mount Houston Square Release Payment; and (13) all other payments received in connection with the Mortgage Loans and Eligible Investments that are not included in Interest Proceeds; *minus* (B) the aggregate amount of (i) any Nonrecoverable Interest Advances that were previously reimbursed to the Advancing Agent or the Backup Advancing Agent out of any of the items listed above and (ii) the portion of the amounts described in clause (A)(1) above that represent Permitted Principal Proceeds and were deposited by the Issuer into the Permitted Funded Companion Participation Acquisition Account for the acquisition of Related Funded Companion Participations by the Intermediate Trust.

For the avoidance of doubt, "Principal Proceeds" shall not include any amounts received in respect of principal that were retained by, or payable to, the Servicer or the Special Servicer in accordance with the terms of the Servicing Agreement and will not include any Exit Fees or any Scheduled Extension Fees.

References to "Principal Proceeds" on deposit in the Unused Proceeds Account mean all amounts on deposit therein other than interest proceeds from Eligible Investments.

"**Principal Proceeds Waterfall**" has the meaning specified in Section 11.1(a)(ii) hereof.

"**Priority of Payments**" has the meaning specified in Section 11.1(a) hereof.

"**Privileged Person**" includes RAIT Partnership or its affiliates and designees, the Placement Agents, the Servicer, the Special Servicer, the Operating Advisor, the Directing Holder, any NRSRO that provides the Indenture Trustee with an NRSRO Certification, the Indenture Trustee, the Paying Agent, the Advancing Agent and any person who provides the Indenture Trustee with an Investor Certification, which Investor Certification may be submitted electronically by means of the Indenture Trustee's website.

"**Proceeding**" means any suit in equity, action at law or other judicial or administrative proceeding.

"**Proceeds Availability Period**" has the meaning specified in Section 10.16(d) hereof.

"**Property Protection Advances**" has the meaning specified in the Servicing Agreement.

"**Purchase and Sale Agreements**" means any Seller Purchase and Sale Agreements and any Depositor Purchase and Sale Agreements in relation to this transaction.

"**Purchase Termination Date**" means the date that is 90 days after the Closing Date.

"**Q&A Respondent**" means the Q&A Respondent described in Section 10.15 hereof.

"**Qualified Buyer**" means, with respect to a Mortgage Loan, (i) one or more entities whose (A) long-term unsecured debt obligations (other than such obligations whose rating is based on the credit of a person other than such institution) have a credit rating (or are guaranteed by an entity with such a credit rating) from the Rating Agencies at least equal to the rating of the most senior Class of Senior Notes then outstanding or (B) whose (1) short-term unsecured debt obligations have a credit rating of (a) at least "R-1 (middle)" by DBRS (if rated by DBRS or, if not rated by DBRS, an equivalent rating such as that listed above by at least two NRSROs (which may include S&P and/or Fitch)) and (b) at least "P-1" by Moody's and (2) long-term unsecured debt obligations have a credit rating of at least "A2" by Moody's, (ii) one or more purchasers that otherwise satisfies the Rating Agency Condition or (iii) one or more purchasers (a "**Cash Purchaser**") that have agreed to pay or have entered into a binding arrangement to pay the full purchase price of the related Mortgage Loan in cash.

"**Qualified Institutional Buyer**" or "**QIB**" has the meaning given in Rule 144A under the Securities Act.

"**Qualified REIT Subsidiary**" means a corporation that, for U.S. federal income tax purposes, is wholly owned by a real estate investment trust under Section 856(i)(2) of the Code.

"**RAIT Financial Trust**" or "**RAIT Financial**" means RAIT Financial Trust, a Maryland real estate investment trust.

"**RAIT Partnership, L.P.**" or "**RAIT Partnership**" means RAIT Partnership, L.P., a Delaware limited partnership.

"**Rated Notes**" means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes. the Class E Notes and the Class F Notes.

"**Rating Agencies**" means, collectively, DBRS and Moody's, and any successor thereto, or, if at any time DBRS, Moody's or any such successor ceases to provide rating services with respect to the Notes, any other nationally recognized investment rating agency selected by the Issuer and reasonably satisfactory to the Majority Holders of the Principal Balance Notes voting as a single Class.

"**Rating Agency Condition**" means a condition that is satisfied with respect to each Rating Agency if:

(a) the party required to satisfy the Rating Agency Condition (the "**Requesting Party**") has made a written request to each such Rating Agency for a No Downgrade Confirmation; and

(b) any one of the following has occurred with respect to each such Rating Agency:

(i) a No Downgrade Confirmation has been received from such Rating Agency; or

(ii) (A) within 10 Business Days of such request being sent to such Rating Agency, the Rating Agency has not replied to such request or has responded in a manner that indicates that such Rating Agency is neither reviewing such request nor waiving the requirement for confirmation;

(B) the Requesting Party has confirmed that such Rating Agency has received the confirmation request;

(C) the Requesting Party promptly requests the No Downgrade Confirmation a second time; and

(D) there is no response to either confirmation request within five (5) Business Days of such second request.

"**Rating Agency Expenses**" means, with respect to any Payment Date, all amounts due or accrued with respect to such Payment Date and payable by the Issuer to the Rating Agencies for fees and expenses in connection with any rating (or rating confirmation) of the Notes.

"**Rating Agency Inquiry**" has the meaning specified in Section 14.14 hereof.

"**Rating Agency Q&A Forum and Servicer Document Request Tool**" has the meaning specified in Section 14.14 hereof.

"**Record Date**" means the date on which the Holders of Notes entitled to receive a payment in respect of principal or interest on the succeeding Payment Date or Redemption Date are determined, such date as to any Payment Date or Redemption Date being the last day of the most recently ended calendar month (whether or not a Business Day) prior to such Payment Date or Redemption Date.

"**Redemption Date**" means any date set for a redemption of Notes pursuant to Section 9.1 hereof or, if such date is not a Business Day, the next following Business Day.

"**Redemption Date Statement**" has the meaning specified in Section 10.7(c) hereof.

"**Redemption Price**" means, with respect to (1)(i) in the case of any Class of the Class A Notes, Class A-S Notes, Class B Notes, Class C Notes, Class D Notes, Class E Notes, Class F Notes or Class G Notes, the Aggregate Outstanding Amount of such Class of Notes being redeemed *plus* (ii) accrued interest thereon (including any Defaulted Interest Amount and accrued, unpaid and uncapitalized interest on any Defaulted Interest Amount) and (2) in the case of the Class H Notes, an amount equal to the sum of all net proceeds from the sale of Mortgage Loans and cash, if any, remaining after the redemption of the Notes (other than the Class H Notes) and payment of all other fees and expenses of the Issuer, the Indenture Trustee, the Intermediate Trust Trustee, the Paying Agent, the Note Registrar or the Backup Advancing Agent. However, in the case of an Optional Redemption, if the holder of the Class H Notes also owns 100% of each other Class of Junior Notes then outstanding, in lieu of paying the Redemption Price for one or more of such Classes, such holder may elect to exchange such Notes for the Intermediate Trust Certificate (which shall be immediately exchanged for all of the remaining Mortgage Loans and the other assets of the Intermediate Trust), and in such event, delivery of such Mortgage Loans and other assets of the Intermediate Trust shall constitute payment of the Redemption Price for each of the applicable Classes.

"**Reference** Banks" has the meaning specified in Schedule B hereto.

"**Registered**" means in registered form for U.S. federal tax purposes and issued after July 18, 1984; *provided* that a certificate of interest in a trust that is treated as a grantor trust for U.S. federal tax purposes shall not be treated as Registered unless each of the obligations or securities held by the trust were issued after that date.

"**Registered** Form" has the meaning specified in Section 8-102(a)(13) of the UCC.

"**Registered Securities**" has the meaning specified in Section 3.3(a)(iii) hereof.

"**Regulation S**" means Regulation S under the Securities Act.

"**Regulation S Global Note**" has the meaning specified in Section 2.1(a) hereof.

"**Regulatory Agencies**" means the Office of the Comptroller of the Currency; the Board of Governors of the Federal Reserve System; the Federal Deposit Insurance Corporation; the Federal Housing Finance Agency; the Securities and Exchange Commission; and the Department of Housing and Urban Development.

"**Reimbursement Interest**" means interest accrued on the amount of any Interest Advance made by the Advancing Agent or the Backup Advancing Agent, for so long as it is outstanding, at the Reimbursement Rate.

"**Reimbursement Rate**" means a *per annum* rate equal to the "prime rate" as published in the "Money Rates" section of T*he Wall Street Journal*, as such "prime rate" may change from time to time.

"**REIT**" means a "real estate investment trust" as defined in Section 856(a) of the Code.

"**Related** Funded **Companion Participation**" means the funded portion of any Future Funding Participation.

"**Relevant Persons**" has the meaning specified in Section 2.7 hereof.

"**Remittance Date**" has the meaning specified in the Servicing Agreement.

"**Repurchase Price**" means, with respect to any Mortgage Loan, an amount equal to the sum of the following (in each case, without duplication) as of the date of such repurchase: (i) the then outstanding principal balance of such Mortgage Loan, discounted based on the percentage amount of any discount that was applied when such Mortgage Loan was purchased by the Intermediate Trust, plus (ii) accrued and unpaid interest on such Mortgage Loan, plus (iii) any unreimbursed advances on the Mortgage Loan, plus (iv) accrued and unpaid interest on Property Protection Advances and Interest Advances with respect to such Mortgage Loan, plus (v) any reasonable costs and expenses (including, but not limited to, the cost of any enforcement action incurred by the Issuer, the Intermediate Trust or the Indenture Trustee in connection with any such repurchase). For purposes of calculating the interest on Interest Advances made with respect to any individual Mortgage Loan for such purpose, the Servicer or Special Servicer, as applicable, will be required to deem a portion of the aggregate amount of Interest Advances outstanding at any point in time as having been allocated to each of the Mortgage Loans that generated an Interest Shortfall, pro rata, based on the amounts of the respective amounts of related unpaid interest payments.

"**Repurchase Request**" has the meaning specified in Section 7.17 hereof.

"**Retained Securities**" means, collectively, the Junior Notes and the Trust Certificate.

"**Rule 17g-5**" means Rule 17g-5 under the Exchange Act.

"**Rule 17g-5** Information" has the meaning specified in Section 14.14 hereof.

"**Rule 17g-5 Information Provider**" means the Indenture Trustee acting in such capacity under this Agreement.

"**Rule 17g-5 Website**" means the Rule 17g-5 Information Provider's internet website, which shall initially be located within the Indenture Trustee's website (https://www.ctslink.com), under the "NRSRO" tab on the page relating to this transaction.

"**Rule 144A**" means Rule 144A under the Securities Act.

"**Rule 144A Global Note**" has the meaning set forth in Section 2.1(b) hereof.

"**Rule 144A Information**" means such information as is specified pursuant to Rule 144A(d)(4) under the Securities Act (or any successor provision thereto).

"**S&P**" means S&P Global Ratings, a Standard & Poor's Financial Services LLC business, and any successor thereto.

"**Sale**" has the meaning specified in Section 5.17(a) hereof.

"**Sale Proceeds**" means all proceeds received as a result of the sale of the Intermediate Trust Certificate or the Underlying Mortgage Pool, as applicable, and Eligible Investments pursuant to Section 12.1(a), 12.1(b) or 12.1(c) hereof or otherwise which shall be calculated net of any reasonable out-of-pocket expenses of the Issuer, the Intermediate Trust, the Intermediate Trust Trustee, the Servicer or the Indenture Trustee in connection with any such sale.

"**Schedule of Mortgage Loans**" means the list of Mortgage Loans that is attached hereto as Schedule A, which Schedule shall include the principal balance and stated maturity of each Mortgage Loan.

"**Scheduled Extension Fees**" means, with respect to a Mortgage Loan, any fees payable in connection with a scheduled extension of the maturity date of such Mortgage Loan.

"**Secured Parties**" has the meaning specified in the Preliminary Statement of this Indenture.

"**Securities Account**" has the meaning specified in Section 8-501(a) of the UCC.

"**Securities Act**" means the United States Securities Act of 1933, as amended.

"**Securities Intermediary**" has the meaning specified in Section 8-102(a)(14) of the UCC.

"**Security Entitlement**" has the meaning specified in Section 8-102(a)(17) of the UCC.

"**Segregated Liquidity**" has the meaning specified in the Servicing Agreement. "**Seller**" means RAIT Partnership, L.P.

"**Seller Purchase and Sale Agreement**" means the Seller Purchase and Sale Agreement, dated on or about the Closing Date, by and among RAIT Partnership, L.P., as seller and RAIT 2017-FL8, LLC, as purchaser and any other Seller Purchase and Sale Agreement entered into after the Closing Date if a purchase agreement is necessary to comply with this Indenture, which agreement is assigned to the Issuer and pledged to the Indenture Trustee pursuant to this Indenture.

"**Senior Notes**" means the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes and the Class D Notes authorized by, and authenticated and delivered under this Indenture.

"**Sensitive Asset**" means (i) a Mortgage Loan, or a portion thereof, or (ii) a real property or other interest (including, without limitation, an interest in real property) resulting from the conversion, exchange, other modification or exercise of remedies with respect to a Mortgage Loan or portion thereof, in either case, which the Servicer has determined pursuant to the Servicing Agreement, which may be based on an Opinion of Counsel, could give rise to material liability of the Issuer or the Intermediate Trust (including liability for taxes) if held directly by the Issuer or the Intermediate Trust.

"**Servicer**" means RAIT Partnership, solely in its capacity as Servicer under the Servicing Agreement, unless a successor Person shall have become the Servicer pursuant to the applicable provisions of the Servicing Agreement, and thereafter, the Servicer shall mean such successor Person.

"**Servicing Agreement**" means the servicing agreement, dated as of the Closing Date, among the Issuer, the Servicer, the Special Servicer, the Operating Advisor and the Indenture Trustee.

"**Servicing Fee**" means, with respect to each Due Period, the sum of the aggregate amount of all servicing fees payable to the Servicer pursuant to the Servicing Agreement.

"**Servicing Fee Rate**" has the meaning specified in the Servicing Agreement. "**Servicing Standard**" has the meaning specified in the Servicing Agreement.

"**Similar Law**" means any federal, state or local law that is similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code.

"**Special Servicer**" means RAIT Partnership, solely in its capacity as Special Servicer under the Servicing Agreement unless a successor Person shall have become the Special Servicer pursuant to the applicable provisions of the Servicing Agreement, and thereafter, the Special Servicer shall mean such successor Person.

"**Special Servicing Fee**" means, with respect to each Due Period, the sum of the aggregate amount of all special servicing fees payable to the Special Servicer pursuant to the Servicing Agreement.

"**Specially Serviced Mortgage Loan**" has the meaning specified in the Servicing Agreement.

"**Specified Person**" has the meaning specified in Section 2.5 hereof.

"**Stated Maturity**" means, with respect to any Note, the Payment Date in December 2037, or, in each case, if such date is not a Business Day, the next following Business Day.

"**Subordinate Interests**" mean the Class A Subordinate Interests, the Class A-S Subordinate Interests, the Class B Subordinate Interests, the Class C Subordinate Interests, the Class D Subordinate Interests, the Class E Subordinate Interests, the Class F Subordinate Interests, the Class G Subordinate Interests and/or the Class H Subordinate Interests, as the context may require.

"**Subsequent Transfer Certificate**" means a certificate substantially in the form of Exhibit K or Exhibit L hereto, and as described in Section 12.4 hereof.

"**Successor Benchmark Rate Event**" has the meaning specified in Schedule B hereto.

"**Targeted Credit Enhancement Level**" means, with respect to each Class of

Notes, the percentage set forth in the table below for such class:

Class	Targeted Credit Enhancement Level
Class A Notes	45.500%
Class A-S Notes	32.750%
Class B Notes	27.750%
Class C Notes	23.125%
Class D Notes	17.000%
Class E Notes	13.000%
Class F Notes	9.000%
Class G Notes	5.500%
Class H Notes	0.000%

"**Tax Event**" means an event that occurs if any jurisdiction imposes net income, profits or a similar tax on the Issuer or the Intermediate Trust.

"**Tax Materiality Condition**" means a condition that will be satisfied during any 12-month period if the aggregate amount of any net income, profits or similar tax imposed on the Issuer and the Intermediate Trust exceeds $1,000,000.

"**Tax Redemption**" has the meaning specified in Section 9.1(c) hereof.

"**Total Redemption Amount**" means the Redemption Prices of each of the Class A Notes, the Class A-S Notes, the Class B Notes, the Class C Notes, the Class D Notes, the Class E Notes, the Class F Notes, the Class G Notes and the Class H Notes, plus all Administrative Expenses of the Issuer described under clauses (1) through (3) of Section 11.1(a)(i) (without regard to any cap contained therein).

"**Transaction Documents**" means this Indenture, the Purchase and Sale Agreements, the Servicing Agreement, the Trust Agreement, the Intermediate Trust Agreement, the Trust Administration Agreement, the Intermediate Trust Administration Agreement, the Future Funding Agreement, the Participation Agreements, the Account Control Agreement and the Future Funding Account Control Agreement.

"**Transaction Parties**" has the meaning specified in Section 2.4(s) hereof. "**Transfer Agent**" means the Person or Persons, which may be the Issuer, authorized by the Issuer to exchange or register the transfer of Notes. Wells Fargo Bank, National Association shall be appointed as the initial Transfer Agent.

"**Trust Administration Agreement**" means the trust administration agreement, dated as of the Closing Date, between the Trust Administrator and the Issuer, as amended from time to time.

"**Trust Administrator**" means RAIT Partnership, or any successor thereto in such capacity.

"**Trust Agreement**" means the Amended and Restated Trust Agreement, dated as of November 29, 2017, between the Trust Depositor, the Owner Trustee and the Indenture Trustee, as amended from time to time.

"**Trust Certificate**" means a certificate evidencing 100% of the ownership interest in the Issuer, substantially in the form of Exhibit A to the Trust Agreement.

"**Trust Certificate Account**" has the meaning given to such term in the Trust Agreement.

"**Trust Depositor**" means RAIT 2017-FL8, LLC, not in its individual capacity but solely as trust depositor under the Purchase and Sale Agreements, and any successor Trust Depositor thereunder.

"**Trust Officer**" means, when used with respect to the Indenture Trustee, any officer within Wells Fargo Bank, National Association's Corporate Trust Office (or any successor group of the Indenture Trustee) authorized to act for and on behalf of the Indenture Trustee, including any vice president, assistant vice president or other officer of the Indenture Trustee customarily performing functions similar to those performed by the persons who at the time shall be such Officers, respectively, or to whom any corporate trust matter is referred because of such person's knowledge of and familiarity with the particular subject and having direct responsibility for the administration of this Indenture.

"**UCC**" means the Uniform Commercial Code as in effect in the State of New York.

"**Uncertificated Security**" has the meaning specified in Section 8-102(a)(18) of the UCC.

"**Underlying Mortgage Pool**" means the pool of Mortgage Loans owned by the Intermediate Trust.

"**United States**" and "**U.S.**" mean the United States of America, including the States thereof and the District of Columbia.

"**Unregistered Securities**" has the meaning specified in Section 5.17(c) hereof. "**Unused Proceeds Account**" means the trust account established pursuant to Section 10.5(a) hereof.

"**Unused Proceeds Principal Amortization Priority**" means, in the case of any special amortization of the Notes from the Unused Proceeds Principal Amortization Amount, the following priority of distribution: (a) first, to pay principal on the Notes (other than the most junior Class of Notes then Outstanding), in sequential order, in the amount necessary to cause the Credit Enhancement Level for each Class (after taking into account any other payments of principal scheduled to be made on such Class of Notes on such Payment Date) to equal the Targeted Credit Enhancement Level for such Class, and (b) second, to pay any remaining amounts as principal to the most junior Class of Notes then Outstanding.

"**Unused Proceeds Principal Amortization Amount**" means, with respect to any Delayed Close Mortgage Loan, any Principal Proceeds remaining in the Unused Proceeds Account allocable to such Delayed Close Mortgage Loan for distribution on the first Payment Date after the Unused Proceeds Release Date for such Delayed Close Mortgage Loan.

"**Unused Proceeds Release Date**" means, with respect to a Delayed Close Mortgage Loan, the earlier of (i) the Purchase Termination Date and (ii) the Early Unused Proceeds Release Date for such Delayed Close Mortgage Loan, if applicable.

"**Updated Appraisal**" means an appraisal (or a letter update for an existing appraisal which is less than two years old) of the Mortgaged Property from an independent Member of the Appraisal Institute appraiser.

"**USA PATRIOT Act**" means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Pub. L. No. 107-56 (2001).

"**U.S. Person**" has the meaning given in Regulation S under the Securities Act.

"**Voting Rights**" means, at all times during the term of this Agreement and the Servicing Agreement, 100% of the voting rights for the Principal Balance Notes that are allocated among the Holders of the respective Classes of Principal Balance Notes in proportion with the Aggregate Outstanding Amounts of the various Classes of the Principal Balance Notes.

Section 1.2 Assumptions and Calculations. (a) All calculations required to be made and all reports which are to be prepared pursuant to this Indenture with respect to the Pledged Assets or the Underlying Mortgage Pool, shall be made on the basis of the settlement date for the acquisition, purchase, sale, disposition, liquidation or other transfer of an asset.

(b) All calculations of interest hereunder that are made with respect to the Notes shall be made on the basis of the actual number of days in the Interest Period divided by 360.

(c) Unless otherwise specified, test calculations that evaluate to a percentage will be rounded to the nearest ten-thousandth, and test calculations that evaluate to a number or decimal will be rounded to the nearest one hundredth.

Section 1.3 Rules of Construction. Unless the context otherwise clearly requires:

(i) the definitions of terms herein shall apply equally to the singular and plural forms of the terms defined;

(ii) whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms;

(iii) the words "include," "includes" and "including" shall be deemed to be followed by the phrase "without limitation;"

(iv) the word "will" shall be construed to have the same meaning and effect as the word "shall;"

(v) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise