

RAIT PARTNERSHIP, LP

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This brochure provides information about the qualifications and business practices of RAIT Partnership, LP. If you have any questions about the content of this brochure, please contact us at 215-243-9000 or cplummer@raitft.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

Additional information about RAIT Partnership, LP also is available on the SEC's website at www.adviserinfo.sec.gov.

MATERIAL CHANGES

This brochure, dated March 31, 2011, represents a new disclosure document that RAIT Partnership, LP is providing to our clients for the first time pursuant to SEC rules that were amended on July 28, 2010. This brochure differs in structure from the Form ADV, Part II, and Schedule F disclosures that we previously provided to our clients. This brochure also contains certain new information that our previous disclosure documents were not required to include. Since this is the first time RAIT Partnership, LP is required to provide this brochure to you, a summary of material changes is not required. In the future, we will summarize material changes that are made to this brochure since our last annual update.

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RAIT Partnership, LP (“we” or “us” or “our” or “RAIT Partnership”) is an investment adviser that is registered with the SEC under the Investment Advisers Act of 1940 (“Advisers Act”). This registration does not imply a certain level of skill or training. This brochure explains the collateral management services we provide to issuers of Collateralized Debt Obligations (collectively, the “advisory business”), and provides important information about us.

ADVISORY BUSINESS

RAIT Partnership was established in 1997 and serves as an investment adviser to and collateral manager for issuers of Collateralized Debt Obligations (“CDOs”). Our principal business involves providing asset management services to CDO issuers through recommendations regarding the structuring of the CDO’s portfolio of collateral securities as well as ongoing reviews of the portfolio pursuant to the CDO’s indenture and collateral management agreement. This section of the brochure describes our advisory business, including:

- Our ownership structure;
- The types of advisory services we provide; and
- The amount of assets that we manage.

A. Ownership Structure

RAIT Partnership is organized as a Delaware limited partnership. We are an indirect wholly owned subsidiary of RAIT Financial Trust, which is publicly owned and traded on the New York Stock Exchange (Ticker Symbol: RAS). RAIT General, Inc., which is organized as a Maryland corporation, is our sole General Partner and owns 1% of our outstanding ownership interests. RAIT Limited, Inc. is our sole limited partner and is organized as a Maryland corporation. RAIT Limited, Inc. owns approximately 99% of our outstanding ownership interests.

B. Advisory Services

RAIT Partnership’s advisory business exclusively consists of providing collateral management services to issuers of Collateralized Debt Obligations (CDOs). A CDO is generally a structured product that issues debt obligations to borrow money and secures or collateralizes the debt obligations with a portfolio of securities. A CDO’s value and payments are derived from the portfolio of underlying securities (i.e., the collateral or “portfolio”). RAIT Partnership recommends securities to collateralize the debt obligations of a CDO and provides an ongoing review of the CDO’s underlying portfolio of securities. The following is an explanation of the advisory services that we provide.

RAIT Partnership selects all collateral securities to be acquired by the CDO. We supervise and direct: (i) the investment of all proceeds received from the issuance of debt obligations by the CDO’s issuer; and (ii) the reinvestment of sale proceeds from collateral assets. Our collateral management services involve facilitating the acquisition and settlement of collateral assets. We also exercise any rights or remedies with respect to collateral assets. Collateral assets for the CDOs we advise may include loans, Real Estate Investment Trust (REIT) debt securities, and other preferred equity securities.

We strive to tailor our advisory services to the individual needs of each CDO issuer. We generally permit CDO issuers to impose reasonable restrictions on investment of the portfolio in certain securities or types of securities. We will consider a restriction reasonable if, in our judgment, the restriction does not impair, in any material or other significant manner, our ability to manage a CDO’s portfolio in accordance with the investment strategy and guidelines for that CDO. We review all investment guidelines and discuss them with the relevant CDO issuer. We also provide our advisory services consistent with:

- the terms of the relevant collateral management agreement(s) applicable to the management of a CDO’s portfolio;
- information provided to us regarding a CDO’s indenture agreement;

- reasonable investment restrictions imposed by the Trustee of a CDO or the CDO's indenture agreement; and/or
- our knowledge of restrictions imposed under applicable law on the management of a CDO's portfolio.

C. Assets Under Management

As of December 31, 2010, RAIT Partnership had \$1.1 billion in assets under management, all of which were managed on a discretionary basis.

FEES AND COMPENSATION

A. Collecting Our Advisory Fees

RAIT Partnership is open to discussing with any CDO issuer the manner in which they would like to be charged and pay our fees.

Our fees are negotiable and generally payable monthly in arrears. Fees are billed directly to the issuer of a CDO and are not deducted from the collateral assets managed on behalf of a CDO. Occasionally our clients seek to pay their fees via a retainer, and we may accommodate such requests in our sole discretion. In such cases, the issuer of a CDO may terminate the collateral management agreement before its termination date and receive refunds of unearned retainers or prepayments of fees based on the time and expenses incurred by RAIT Partnership through the termination of the collateral management agreement, or as otherwise determined and/or specified in the relevant transaction documents.

Because our fees are negotiable, the actual fee an issuer pays with respect to a CDO or group of CDOs may be different than the fees other CDOs pay. CDO issuers should refer to their relevant collateral management agreement with us and/or other transaction documentation, for the specific level of fees payable by the issuer. After we enter into a collateral management agreement or other agreement with the issuer of a CDO, we will only modify our fees as permitted under that agreement and applicable law.

B. Other Third Party Non-Advisory Fees and Expenses You May Incur

As with other investment accounts, the CDOs to which we provide advisory services will incur fees and expenses, other than our advisory fees, when RAIT Partnership manages the collateral assets. Examples of these other costs and expenses may include: custodian fees; administrative fees; sales charges; interest charges; and other investment advisory fees.

A CDO will not incur brokerage fees in connection with our collateral asset management services because all transactions will be executed through riskless principal transactions. Thus, the CDOs we manage do not incur brokerage commissions on the acquisition or disposition of their collateral assets. Additionally, RAIT Partnership executes all of the transactions for CDOs with our affiliated broker dealer, which does not charge brokerage fees to the CDO. All placement and trading services performed by this affiliated broker will not result in any fees to the relevant CDO, and therefore RAIT Partnership will pay any fees associated with such transactions. Please refer to the "Brokerage Practices" section below for a more detailed discussion of RAIT Partnership's brokerage practices.

C. Obtaining a Refund for Fees Paid in Advance

As described in more detail above, RAIT Partnership's fees may be payable monthly in arrears, or through a retainer or prepayment arrangement. If paid in advance, our fees would be refunded on a pro-rated basis in the event of the early termination of the CDO's collateral management agreement. Typically, refunds of prepaid advisory fees are pro-rated based on the number of days remaining in the applicable billing period when the CDO's collateral management agreement is terminated. However, any

refunding would take place pursuant to the relevant written agreement. Clients should refer to their agreement(s) with us and other relevant transaction documentation for a complete understanding of when and how refunds are determined. If there are any questions regarding refunds, please contact us at the telephone number provided on the cover page to this brochure.

D. Sales Compensation

Neither RAIT Partnership nor any of our employees accepts compensation for the sale of securities or other investment products.

PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

RAIT Partnership does not charge any performance-based fees (i.e. fees based on a share of capital gains or capital appreciation of the collateral assets). For more detailed information on how our fees are calculated, please refer to the applicable collateral management agreement.

“Side-by-side management” refers to our simultaneous management of the portfolios of different CDOs. For example, RAIT Partnership, as a collateral manager to CDO issuers, purchases collateral securities for each CDO based on our customary standards, policies and procedures, as well as each CDO’s collateral management agreement, indenture, and other relevant transaction documents. There are instances where the purchase or sale of a particular collateral asset would be suitable or appropriate for more than one CDO client and RAIT Partnership must determine the most equitable manner in which to allocate such investment opportunity among eligible CDOs. Additionally, we may make investment recommendations and decisions for CDOs that may be the same as or different from those made with respect to another CDO’s portfolio. Such side-by-side management gives rise to a variety of potential and actual conflicts of interest for RAIT Partnership, our employees and our supervised persons. Note that we manage our accounts consistent with applicable law, and we follow procedures that are reasonably designed to treat each CDO issuer fairly and to prevent any CDO or group of CDOs from being systematically favored or disadvantaged. For example, RAIT Partnership has Trade Allocation Policies which have been designed and implemented to ensure that all CDOs are treated fairly and equally, and to prevent these conflicts from influencing the allocation of investment opportunities among CDOs. Please see “Brokerage Practices” below for an explanation of our Trade Allocation Policies.

TYPES OF CLIENTS

RAIT Partnership provides advisory services exclusively to CDO issuers. RAIT Partnership requires each issuer to enter into a collateral management agreement prior to providing advisory services. RAIT Partnership does not require its clients to establish or maintain a minimum account balance; however, we may decline to accept a potential CDO issuer for any reason and in our sole discretion.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

RAIT Partnership invests CDO portfolios in fixed income securities, including loans (e.g. mortgage backed-securities and other interests in pools of mortgages), REIT debt securities, and preferred equity securities in compliance with the guidelines and investment restrictions set forth in the CDO’s collateral management agreement, indenture, and other relevant transaction documents. Our security selection process involves a credit-focused analysis of the issuing entity and the risks posed by the relevant security.

The loans in which we invest a CDO’s portfolio generally consist of commercial mortgage loans or interests in commercial mortgage loans or mezzanine loans. Commercial mortgage loans are generally secured directly or indirectly by commercial property and may entail risks of loss, delinquency and foreclosure that are greater than similar risks associated with loans made on the security of single family residential property. Mezzanine loans represent loans secured by, among other things, one or more direct

or indirect ownership interests in an entity that owns, operates or controls, directly or through subsidiaries or affiliates, one or more commercial properties.

REIT debt securities are generally unsecured and may be subordinated to other obligations of the obligor. Obligors of REIT debt securities generally are permitted to invest solely in real estate or real estate related assets.

Preferred equity securities are securities providing for regular payments of dividends or other distributions, representing equity interests in an entity that is a borrower under a mortgage loan secured by commercial properties. Preferred equity securities are generally senior with respect to the payments of dividends and other distributions, redemption rights and rights upon liquidation to such entity's common equity.

Fixed income securities carry certain risks, such as liquidity risk, default risk, credit risk, call risk, interest rate risk and prepayment risk. Brief descriptions of these risks can be found below. Additional information regarding these risks, as well as more detailed descriptions of the types of securities and investments in which a CDO, to which we provide advisory services, may invest can be found in the relevant CDO's offering circular which is made available to each CDO investor upon request.

Liquidity risk represents the risk that trading opportunities are more limited for fixed-income securities that have received credit-ratings below investment-grade or that are not widely held.

Default risk results because some, if not all, of the CDO's underlying investments have credit profiles below investment grade. Accordingly, such investments may experience higher default rates than comparable securities with higher credit ratings.

Credit risk is the possibility that an issuer will default on a security by failing to pay interest or principal when due. As noted above, non-investment grade securities generally have a higher default risk than investment-grade securities. If an issuer defaults, the CDO will lose money. Many fixed-income securities generally compensate for greater credit risk by paying a higher interest rate. The difference between the yield of a security and the yield of a U.S. Treasury security or other appropriate benchmark with a comparable maturity (the spread) measures the additional interest paid for the risk.

Call risk consists of the possibility that an issuer may redeem a fixed-income security before maturity (a call) at a price below (or above) its current market price. An increase in the likelihood of a call may reduce the security's price. If a security held by the CDO is called, we may have to reinvest the proceeds in other fixed-income securities with lower interest rates, higher credit risks or other less favorable characteristics.

Prices of fixed-income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed-income securities fall. However, market factors, such as the demand for particular fixed-income securities, may cause the price of certain fixed-income securities to fall while the prices of other securities rise or remain unchanged.

Investment in certain fixed income securities, such as mortgage-backed securities, may present prepayment risks. Unlike traditional fixed-income securities, which pay a fixed rate of interest until maturity (when the entire principal amount is due), payments on mortgage-backed securities include both interest and a partial payment of principal. Partial payment of principal may be comprised of scheduled principal payments as well as unscheduled payments from the voluntary prepayment, refinancing, or foreclosure of the underlying loans. These unscheduled prepayments of principal create risks that can adversely affect a CDO holding mortgage-backed securities.

Investing in securities involves risk of loss that the issuer of the CDO should be prepared to bear. RAIT Partnership does not guarantee or represent that our investment program or advice will be successful or enhance returns. Our past results are not necessarily indicative of our future performance and our investment results may vary over time. We cannot assure issuers of CDOs that our investments of the CDO's portfolio will be profitable, and in fact, a CDO issuer could incur substantial losses.

DISCIPLINARY INFORMATION

We are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of RAIT Partnership or the integrity of our management. We have not been subject to any legal or disciplinary event that would require disclosure under applicable SEC rules.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

This section of our brochure describes the activities and relationships that RAIT Partnership and our management engage in or have with other financial industry participants. RAIT Partnership provides advisory services and collateral management as described above in “Advisory Business.”

A. Affiliated Broker-Dealers and Investment Advisers

RAIT Partnership is affiliated through common ownership by RAIT Financial Trust, with RAIT Securities, LLC, a dually registered broker-dealer and investment adviser (“RAIT Securities”), Taberna Capital Management, LLC, a registered investment adviser (“Taberna”) and Independence Realty Securities, LLC, a registered broker-dealer (“Independence Realty”). These registrations do not imply a certain level of skill or training.

RAIT Securities provides brokerage services to individuals, banks, investment companies, pension and profit sharing plans, trusts, estates and charitable organizations, and provides investment advice to institutional clients. RAIT Securities’ employees are registered representatives of RAIT Securities and are salaried employees. Like RAIT Partnership, Taberna provides investment advisory and collateral management services exclusively to issuers of CDOs. Independence Realty serves as the distributor for Empire American Holdings’ REITs and limited partnerships and is part of the Empire American Holdings LLC group of companies which was recently purchased by RAIT Financial Trust. Empire American Holdings is one of the largest private property holders in the United States.

RAIT Partnership and our commonly controlled affiliates share investment research and information, but each entity also obtains and uses independent research and information in the performance of its respective advisory business. The individuals who formulate and render investment advice on behalf of RAIT Securities are independent of RAIT Partnership and Taberna and the individuals formulating advice on behalf of RAIT Partnership and Taberna are independent of RAIT Securities. RAIT Partnership and Taberna share officers. Although RAIT Securities generally has a separate set of officers, RAIT Securities has an advisory board which includes certain individuals serving as officers to RAIT Partnership and Taberna. RAIT Partnership’s relationships with RAIT Securities and Taberna may create certain conflicts of interest. However, as established in our Code of Ethics, the primary duty and responsibility of RAIT Partnership and its employees is to our clients, CDO issuers, and their best interests. Additionally, RAIT Partnership has broker selection policies in place requiring that our selection of a broker-dealer be consistent with our duties of best execution, and subject to any additional restrictions in the collateral management agreement or other regulatory proscriptions. Please see “Brokerage Practices” for additional information on RAIT Partnership’s broker selection process.

B. Other Relationships

RAIT Partnership, and our affiliates, may have economic interests (including equity ownership interests) in the issuers of the CDOs to which we provide advisory services. Such ownership interests may put our interest at odds with the interests of the CDO investors, and could incentivize us to take actions that could negatively impact CDO investors including approving, or causing the CDO issuer to approve, making more speculative investments in collateral assets than the CDO issuer would otherwise make in the absence of such economic interests.

We, and our affiliates also may have equity and other investments in, and may be lenders to, and may have other ongoing relationships with, the obligors of the collateral assets in which a CDO invests, or the underlying commercial mortgage loans of a CDO's portfolio. In addition, RAIT Partnership and/or our affiliates may invest in securities (or make loans) that are senior to, or have interests different from or adverse to, the CDO's collateral assets. In particular, we may purchase collateral assets with respect to which one or more of our affiliates hold equity ownership interests. Additionally, we and/or our affiliates may have economic interests in or other relationships with, obligors (or their service managers) of collateral assets that are different than those of the CDO's issuer. In particular, we and/or our affiliates, may make or hold an investment in an issuer's securities that may be *pari passu*, senior or junior in ranking to an investment in such issuer's securities made or held by the CDO or in which partners, security holders, officers, directors, agents or employees of such persons serve on boards of directors or otherwise have ongoing relationships. Each of such ownership interests and other relationships, including the possible ownership by RAIT Partnership and/or our affiliates of securities of different ranking and with different rights than those held in the CDO portfolio, may result in securities laws restrictions on transactions in such securities by the CDO issuer and otherwise create conflicts of interest for the CDO issuer. In such instances, RAIT Partnership and/or our affiliates may in their discretion make investment decisions that may be the same as or different from those made with respect to the CDO's portfolio.

Generally neither the relevant indenture nor collateral management agreement prevent us, or our affiliates, from rendering services of any kind (and receiving fees for such services) to the obligor of any CDO collateral asset, the Trustee of the CDO, the CDO's investors, or any other entity. Our affiliates may serve as collateral manager, general partner, or portfolio manager of other investment vehicles which issue securities and are organized to invest in assets which may include or are similar to a CDO's collateral assets. Our affiliates may, from time to time, seek to purchase and/or dispose of any security for any investment entity for which it serves in one of the foregoing capacities while simultaneously consulting with us in connection with any possible disposition of a CDO's collateral assets. In connection with such sales, we may allocate the relevant sales of collateral assets among such entities while consulting with the CDO's issuer regarding the disposition of collateral assets in its discretion.

RAIT Partnership and our affiliates may have our partners, security holders, officers, directors and agents or employees serve on boards of directors or have other ongoing relationships with issuers of securities in which a CDO invests. RAIT Partnership and our affiliates may, in our discretion, make investment decisions that may be the same as or different from those made with respect to the relevant CDO's investments. For example, we may make investments on behalf of a CDO in securities or other assets that we have declined to invest in for our own account or the accounts of other CDOs. As disclosed in the relevant collateral management agreement, in making such investments, we, nor any of our affiliates, have any duty to act in a way that is favorable to the CDO issuer or the CDO's investors. We also do not have any duty to offer any investment to the CDO issuer or to inform the CDO issuer of any investment opportunity before offering such investment to, or making any investment on behalf of us, our affiliates, or other accounts or CDOs managed by us or our affiliates. The collateral management agreement does not prevent us or any of our affiliates from rendering services of any kind to the issuers in whose obligations or securities the CDO may invest.

RAIT Partnership and/or our affiliates may engage in principal transactions with the issuer of the CDO provided we obtain prior consent of an advisory committee which may contain one or more members with which we are affiliated, and at least one member independent from us. The affirmative consent of the independent member will be required in order to engage in such direct trades.

Under a collateral management agreement, we may have the right to effect client cross-transactions between the CDO issuer and another account advised by us or our affiliate. We may also, with the prior consent of the CDO issuer, enter into agency cross-transactions where we, or one of our affiliates, acts as broker for the CDO issuer and for the other party to the transaction, to the extent permitted by applicable law. In connection with such agency cross-transactions, if one of our affiliates acts as a broker, such affiliate may have the right to receive commissions from one or both parties in the transaction and may be entitled to seek to obtain favorable commissions.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

RAIT Partnership has established a Code of Ethics. The primary duty and responsibility of RAIT Partnership and its employees is to CDO issuers and their best interests. We are dedicated to building and maintaining a reputation synonymous with the highest standards of integrity, conduct and professional execution in pursuit of these goals. Any conduct which could compromise these objectives or has an appearance of impropriety will be considered a severe transgression of an employee's duties and obligations to RAIT Partnership. In order to prevent actual or any appearance of trading on inside information, all employees of RAIT Partnership interested in trading securities for their own accounts (including accounts of their family members and affiliates) must also adhere to strict guidelines. Trading by employees is monitored on an ongoing basis and our Code of Ethics and related compliance procedures are designed to reasonably prevent conflicts of interest between our employees and our clients. RAIT Partnership will provide a copy of our Code of Ethics to any client or prospective client upon request.

Although the Code of Ethics permits investment personnel to trade in securities, including those that could be recommended as collateral assets, it does contain significant safeguards designed to protect CDO issuers from abuses in this area such as requirements to obtain prior approval for any personal securities transaction (including in a limited or non-public offering), without the prior approval of the Chief Compliance Officer ("CCO") or, in his or her absence, a designee of the CCO in the Compliance Department. RAIT Partnership and our affiliates may recommend securities in which we or a related party invest or have a material financial interest. Additionally, we may recommend securities to CDO issuers at or about the same time that we or a related party buy or sell the same securities for ourselves or for another client. These and related conflicts of interests are discussed above in "Other Financial Industry Activities and Affiliations – Other Relationships."

Among other policies, the Code of Ethics and related policies and procedures contain restrictions on insider trading, misuse of client information, serving on boards of directors of publicly traded companies by investment personnel, and receiving/giving gifts and entertainment.

BROKERAGE PRACTICES

A. Research and Other Soft Dollar Benefits

RAIT Partnership does not receive research or other products or services other than execution from a broker-dealer or third party (excluding RAIT Securities and Taberna as disclosed above in "Other Financial Industry Activities and Affiliations – Affiliated Broker-Dealers and Investment Advisers") in connection with securities transactions for the collateral assets.

B. Brokerage for Client Referrals and Directed Brokerage

RAIT Partnership does not direct securities transactions to any broker-dealer in exchange for client referrals. We primarily execute discretionary transactions on behalf of the CDOs through our affiliated broker-dealer, RAIT Securities. We obtain consent to use RAIT Securities for brokerage, and RAIT Securities receives no compensation for executing transactions for CDOs. All transactions for the CDOs are executed on a riskless principal transaction basis. By executing transactions through RAIT Securities, we may not be able to achieve the most favorable execution of collateral asset transactions, and it could cost more money if RAIT Securities does not obtain pricing as favorable as pricing that might be achieved by another broker dealer.

As disclosed above in "Other Financial Industry Activities and Affiliations – Other Relationships" we may enter into agency cross-transactions where we, or one of our affiliates, acts as broker for the CDO issuer and for the other party to the transaction, to the extent permitted by applicable law. In connection with such agency cross-transactions, if one of our affiliates acts as a broker, such affiliate shall have the right

to receive commissions from one or both parties in the transaction and shall be entitled to seek to obtain favorable commissions.

C. Trade Aggregation or Allocation Policy

RAIT Partnership, as a collateral manager to CDO issuers, purchases collateral for each CDO based on the applicable collateral management agreement and indenture, as well as any stated objectives, guidelines, credit quality and compliance criteria established for each CDO. Sales of collateral would in most cases be undertaken because of an adverse change in credit risk or to ensure satisfaction of indenture compliance criteria including overall rating and diversification standards. For these reasons RAIT Partnership does not generally engage in aggregated purchase or sale orders of securities for CDOs with a view toward allocating any such aggregated purchase or sale order among CDOs.

There are, however, instances where the purchase or sale of a particular item of collateral would be suitable or appropriate for more than one CDO and RAIT Partnership must determine the most equitable manner in which to allocate such investment opportunity among eligible CDOs. Our CCO has developed a form of Allocation Memorandum which must be completed and initialed by the managing director or other portfolio manager responsible for making an allocation decision in each instance in which a purchase or sale of collateral could be allocated. The Allocation Memorandum will be attached to or otherwise maintained with the order ticket(s) for the transaction in the records of RAIT Partnership.

RAIT Partnership periodically reviews the aggregate allocation of the CDOs transactions among broker/dealers and the aggregate amount of commissions paid. Upon request, we will provide the aggregate allocation information relating to such CDO's transactions. Compliance personnel review the Trade Allocation Policies annually with senior trading and investment management personnel. We will furnish a copy of the Trade Allocation Policies upon request.

REVIEW OF ACCOUNTS

A. Account Reviews

We review the collateral securities held by the CDOs on an ongoing basis, but at least quarterly. At least two portfolio managers at RAIT Partnership participate in each of these reviews. The parameters and instructions for such reviews are generally determined in accordance with the CDO's indenture and collateral management agreement. We review the CDO portfolio's performance to determine whether such securities continue to perform in accordance with their terms.

B. Reports to Clients

Pursuant to the terms of the relevant collateral management agreement, we will monitor a CDO's collateral assets on behalf of the issuer, and on an ongoing basis, will provide to the CDO issuer, trustee, or collateral administrator all information and data which is generated by or timely received by us and which is either required under the indenture to be delivered to the issuer, trustee or collateral administrator or is otherwise requested by such parties in order to prepare reports or other necessary certificates and documents. Our reporting obligations are generally set forth in the collateral management agreement with each CDO issuer.

In addition to the above reports, RAIT Partnership generally will provide our clients with reasonable, periodic access to our investment personnel through conference calls or other reasonably agreed upon means to discuss their accounts or RAIT Partnership's services and any questions regarding their accounts or our services.

CLIENT REFERRALS AND OTHER COMPENSATION

RAIT Partnership and its employees may not enter into any arrangements involving the payment of referral fees to any individual or entity without the express written authorization of the Chief Compliance Officer or his or her designee.

Any business related personal benefit (gift) in excess of \$100 which an employee or immediate family member gives or receives must be reported within three days to the CCO, who will consider whether a conflict of interest has or may have been created. Employees may not give gifts to clients in connection with referrals, the performance of a client's account, or as compensation to a dissatisfied client. Such gifts could be interpreted as payment for solicitation, settlement for a potential complaint, or performance based compensation.

RAIT Partnership does not currently accept economic benefits from non-clients for providing advisory services to our clients. Further, we currently do not compensate, directly or indirectly, anyone other than our supervised persons, for referring clients to us.

Please see "Other Financial Industry Activities and Affiliations" for additional disclosures regarding affiliated brokers.

CUSTODY

RAIT Partnership does not have "Custody" of client assets for purposes of Rule 206(4)-2 of the Advisers Act.

INVESTMENT DISCRETION

As described above in "Advisory Business" RAIT Partnership has discretionary authority with respect to its collateral management services provided to CDOs on behalf of their issuers. Before assuming this authority, CDO issuers must grant this discretionary authority to RAIT Partnership in writing via a contract, power of attorney and/or through an appointment to provide collateral management services to a CDO. Generally this is achieved through the collateral management agreement. In all cases RAIT Partnership works to tailor our services to the individual needs of each CDO issuer and therefore such discretion is to be exercised in a manner consistent with the relevant CDO.

While some restrictions and objectives are described in the CDO's indenture and collateral management agreement, CDO issuers must deliver any additional investment guidelines and restrictions to RAIT Partnership in writing, and we will adhere to such guidelines and restrictions when making investment decisions. Such guidelines may include reasonable restrictions on investment in certain securities or types of securities. We will consider a restriction reasonable if, in our judgment, the restriction does not impair, in any material or other significant manner, our ability to manage the collateral assets in accordance with the investment strategy and guidelines for that CDO. RAIT Partnership's investment discretion is exercised in a manner consistent with the stated investment objectives, policies, guidelines and restrictions/limitations for a particular CDO. Examples of restrictions or limitations include prohibitions on investing in securities issued by companies affiliated with the CDO issuer; prohibitions on investing in securities of RAIT Partnership or our affiliates; and prohibitions against engaging in certain investment-related techniques such as soft dollars.

VOTING CLIENT SECURITIES

RAIT Partnership has adopted a Proxy Voting Policy, related procedures and voting guidelines that are reasonably designed to (i) ensure that collateral asset securities are voted in the best interests of CDO issuers and (ii) address material conflicts of interest that may arise between the interests of a client and the interests of RAIT Partnership.

RAIT Partnership serves as collateral manager for CDOs and, in that capacity, invests primarily in debt or debt like instruments for CDOs. Such instruments are not typically the subject of proxies or securities voting matters. However, while not the subject of a proxy, there could be instances in which RAIT Partnership, having discretionary authority over CDO collateral assets, would be asked to vote the collateral securities on such matters as removing or amending applicable covenants set forth in an indenture or similar document governing the terms of that particular security. Therefore, these policies and procedures relate specifically to those limited instances in which RAIT Partnership may be in a position to be voting the collateral asset securities held by CDOs.

The Managing Director (the "Program Administrator") of RAIT Partnership is responsible for ensuring that all decisions with regard to voting of securities held by CDOs are made in accordance with these policies and procedures.

Conflicts of interest may arise between the interests of RAIT Partnership and the interests of the CDO issuer when voting such securities. A conflict of interest may exist, for example, if RAIT Partnership or any of our affiliates has a business relationship with either the company soliciting the proxy or a third party that has a material interest in the outcome of a proxy vote. We seek to avoid material conflicts of interest through our participation in the investment committee, which makes an objective and independent determination in a consistent manner across client accounts, based on internal and external research recommendations provided by a third party vendor, and without consideration of any client relationship factors.

The Program Administrator will maintain a written record of the actual votes cast or withheld the manner in which conflicts of interest, if any, have been resolved and all persons responsible for the voting determination. The Program Administrator will periodically, but no less than annually, review these securities voting policies and procedures and determine whether amendments are necessary, additional conflicts of interest should be addressed and whether further disclosure to clients should be made.

We will furnish a copy of our Proxy Voting Policy and any related procedures to each client upon request. Upon request, we will also disclose to a client the proxy voting history for our account after the shareholder meeting as concluded.

FINANCIAL INFORMATION

RAIT Partnership is required in this section to provide you with certain disclosures about our financial condition. We have no financial commitment that impairs our ability to meet contractual commitments to clients, and have not been the subject of bankruptcy proceedings.