

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

In re:

RAIT FUNDING, LLC,  
a Delaware limited liability company, *et al.*<sup>1</sup>  
  
Debtors.

Chapter 11

Case No. 19-11915 (BLS)  
(Jointly Administered)

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**GLOBAL NOTES AND STATEMENT OF LIMITATIONS, METHODOLOGY AND  
DISCLAIMER REGARDING THE DEBTORS' SCHEDULES OF ASSETS AND  
LIABILITIES AND STATEMENTS OF FINANCIAL AFFAIRS**

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The above-captioned debtors and debtors in possession (each, a “Debtor,” and collectively, the “Debtors”) are filing their respective Schedules of Assets and Liabilities (collectively, the “Schedules”) and Statements of Financial Affairs (collectively, the “Statements,” and together with the Schedules, collectively, the “Schedules and Statements”) in the United States Bankruptcy Court for the District of Delaware (the “Court”). The Debtors, which were assisted by their professional advisors, prepared the Schedules and Statements in accordance with section 521 of title 11 of the United States Code, 11 U.S.C. §§ 101 *et seq.* (the “Bankruptcy Code”), and Rule 1007 of the Federal Rules of Bankruptcy Procedure (the “Bankruptcy Rules”).

These Global Notes and Statement of Limitations, Methodology and Disclaimer regarding the Schedules and Statements (collectively, the “Global Notes”) pertain to, are incorporated by reference in, and comprise an integral part of, all of the Schedules and Statements. These Global Notes should be referred to as part of, and reviewed in connection with, any review of the Schedules and Statements.

The Schedules and Statements have been prepared based on information provided by the Debtors’ management and are unaudited and subject to potential adjustment. In preparing the Schedules and Statements, the Debtors relied on financial data derived from their books and records that was available at the time of preparation. The Debtors have used commercially reasonable efforts to ensure the accuracy and completeness of such financial information; however, subsequent information or discovery may result in material changes to the Schedules and Statements and inadvertent errors, omissions or inaccuracies may exist. The Debtors and their estates reserve all rights to amend or supplement their Schedules and Statements.

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<sup>1</sup> The Debtors in these chapter 11 cases, along with the last four digits of each Debtor’s federal tax identification number (if applicable), are as follows: RAIT Funding, LLC, a Delaware limited liability company (9983); RAIT Financial Trust, a Maryland real estate investment trust (9819); RAIT General, Inc., a Maryland corporation (9987); RAIT Limited, Inc., a Maryland corporation (9773); Taberna Realty Finance Trust, a Maryland real estate investment trust (3577); RAIT JV TRS, LLC, a Delaware limited liability company (3190); and RAIT JV TRS Sub, LLC, a Delaware limited liability company (4870). The mailing address for all Debtors is Two Logan Square, 100 N. 18th Street, 23rd Floor, Philadelphia, Pennsylvania 19103 (Attn: John J. Reyle).

**Reservation of Rights.** Nothing contained in the Schedules and Statements or these Global Notes shall constitute a waiver of any of the Debtors' rights or an admission with respect to their chapter 11 cases, including, but not limited to, any issues involving objections to claims, setoff or recoupment, substantive consolidation, equitable subordination, defenses, characterization or re-characterization of contracts, leases and claims, assumption or rejection of contracts and leases and/or causes of action arising under the Bankruptcy Code or any other applicable laws to recover assets or avoid transfers.

**Description of the Cases and "As of" Information Date.** On August 30, 2019 (the "Petition Date"), each of the Debtors filed a voluntary petition for relief with the Court under chapter 11 of the Bankruptcy Code. The Debtors are operating their business and managing their properties as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code. On September 4, 2019, the Court entered an order [Docket No. 25] jointly administering the Debtors' chapter 11 cases pursuant to Bankruptcy Rule 1015(b). Unless otherwise indicated herein or in the Schedules and Statements, all financial information for the Debtors in the Schedules and Statements and these Global Notes is provided as of the Petition Date or as close thereto as reasonably practicable under the circumstances.

**Basis of Presentation.** The Schedules and Statements do not purport to represent financial statements prepared in accordance with Generally Accepted Accounting Principles ("GAAP"), nor are they intended to fully reconcile to any financial statements prepared by the Debtors. Therefore, combining the assets and liabilities set forth in the Schedules and Statements could result in amounts that could be substantially different from any financial information regarding the Debtors prepared on a consolidated basis under GAAP.

**Recharacterization.** Notwithstanding the Debtors' reasonable efforts to properly characterize, classify, categorize, or designate certain claims, assets, executory contracts, unexpired leases, and other items reported in the Schedules and Statements, the Debtors may nevertheless seek to recharacterize, reclassify, recategorize, redesignate, add, or delete items included in the Schedules and Statements, and the Debtors and their estates reserve all rights in this regard.

**Accounts Payable and Disbursement Systems.** The Debtors maintain a centralized cash management system (the "Cash Management System"). The Debtors maintain the Cash Management System to collect, concentrate, and disburse funds generated from their operations. A more complete description of the Debtors' Cash Management System is set forth in the *Debtors' Motion for an Order, Pursuant to Sections 105(a), 345, 363, 1107(a) and 1108 of the Bankruptcy Code, Bankruptcy Rule 2015, and Local Rule 2015-2, (I) Authorizing and Approving Continued Use of Cash Management System, (II) Authorizing Use of Prepetition Bank Accounts and Business Forms, (III) Authorizing Payments of Prepetition Costs and Fees Associated with Customer Credit and Debit Card Transactions, (IV) Waiving the Requirements of Section 345(b) on an Interim Basis, (V) Granting Administrative Expense Status to Post-Petition Intercompany Claims, and (VI) Granting Certain Related Relief* [Docket No. 4] (the "Cash Management Motion") filed on September 2, 2019.

**Insiders.** For purposes of the Schedules and Statements, the Debtors define "insiders" pursuant to section 101(31) of the Bankruptcy Code as (a) current or former directors, officers or persons in control of a Debtor, (b) relatives of current or former directors, officers, or persons in control

of a Debtor, (c) a partnership in which a Debtor is a general partner or (d) an affiliate of a Debtor. Except as otherwise disclosed herein or in the Statements, payments to insiders listed in (a) through (d) above are set forth on Statement 4. Persons listed as “insiders” have been included for informational purposes only, and such listing is not intended to be, nor should it be construed as, a legal characterization of such person as an insider, and does not act as an admission of any fact, claim, right or defense, and all such rights, claims, and defenses with respect thereto are hereby expressly reserved. Further, the Debtors and their estates do not take any position with respect to: (a) such person’s influence over the control of the Debtors; (b) the management responsibilities or functions of such individual; (c) the decision-making or corporate authority of such individual; or (d) whether such individual could successfully argue that he or she is not an “insider” under applicable law, including, without limitation, the federal securities laws, or with respect to any theories of liability or for any other purpose.

**Summary of Significant Reporting Policies.** The following is a summary of certain significant reporting policies:

- a. **Current Market Value.** In some instances, current market valuations are neither maintained by, nor readily available to, the Debtors. It would be prohibitively expensive and unduly burdensome to obtain current market valuations of the Debtors’ property interests that are not maintained or readily available. Accordingly, unless otherwise indicated herein or in the Schedules and Statements, the Schedules and Statements only reflect estimated current market values as of June 30, 2019 to the extent they are available. In other instances, the Schedules and Statements reflect net book values or par values of the Debtors’ assets as of the Petition Date (unless another date is indicated herein or in the Schedules and Statements), which may not reflect the net realizable value. The Debtors’ cash balances are as of the Petition Date. Book values for all non-cash assets and liabilities are as of July 31, 2019.
- b. **First Day Orders.** Pursuant to various “first day” orders and any supplements or amendments to such orders entered by the Court (each, a “First Day Order,” and collectively, the “First Day Orders”), the Debtors and their estates are authorized to pay certain pre-petition claims, including certain claims relating to employee wages and benefits. Except to the extent that these parties have claims in excess of the authority granted to the Debtors under the First Day Orders, the Debtors may have not included certain claims of this nature in the Schedules and Statements, to the extent that such claims were paid under the First Day Orders.
- c. **Setoffs.** To the extent the Debtors have incurred or effectuated any ordinary course setoffs with third parties (including, without limitation, customers and vendors) prior to the Petition Date, or are subject to the occurrence of, or maintain the right to effectuate, ordinary course setoffs on account of activities occurring prior to the Petition Date, such setoffs are excluded from the Debtors’ Schedules and Statements. The Debtors and their estates reserve all of their rights with respect to any such setoffs.
- d. **Credits and Adjustments.** Claims of creditors are listed in the amounts entered on the Debtors’ books and records and may not reflect credits, allowances, or other adjustments

due from such creditors to the Debtors. The Debtors and their estates reserve all of their rights with regard to such credits, allowances, and other adjustments, including, without limitation, the right to assert claims objections, setoffs and recoupments with respect to the same.

- e. **Entity Classification Issues.** The Debtors have endeavored in good faith to identify the assets owned by each Debtor, the liabilities owed by each Debtor, and the Debtor that is a counterparty to executory contracts and unexpired leases. While the Schedules reflect the results of this effort, several factors may impact the ability of the Debtors to precisely assign assets, liabilities, and executory contracts and unexpired leases to particular Debtor entities, including, but not limited to: (a) certain assets and executory contracts and unexpired leases may be primarily used by a Debtor other than the entity which holds title to such assets or is a party to such executory contract and unexpired lease according to the Debtors' books and records; (b) the Debtor entity that owns or holds title to certain assets or is a party to certain executory contracts and unexpired leases may not be ascertainable given the consolidated manner in which the Debtors have operated their business; (c) certain liabilities may have been nominally incurred by one Debtor, yet such liabilities may have actually been incurred by, or the invoices related to such liabilities may have been issued to or in the name of, another Debtor; and (d) certain creditors of the Debtors may have treated one or more of the Debtors as a consolidated entity rather than as differentiated entities. In addition, the Debtors note that financial statements have historically only been produced by the Debtors on a consolidated basis, and certain accounting processes and general ledger activity have occurred to support preparation of these consolidated financial statements, and not stand-alone financial statements for each Debtor. There are no inter- or intra-company payables to or receivables to or from any of the Debtors.
- f. **Executory Contracts and Unexpired Leases.** The Debtors have not set forth executory contracts and unexpired leases as assets in the Schedules and Statements, even though these contracts and leases may have some value to the Debtors' estates. Rather, the Debtors' executory contracts and unexpired leases have been set forth solely on Schedule G. The Debtors' rejection of executory contracts and unexpired leases may result in the assertion of rejection damages claims; however, the Schedules and Statements do not reflect any claims for rejection damages. The Debtors and their estates reserve any and all rights with respect to the assertion of any such claims.

**Unknown or Undetermined Amounts.** Where a description of an amount is left blank or listed as "unknown" or "undetermined," such response is not intended to reflect upon the materiality of such amount.

**Liabilities.** At the time of the filing of the Schedules and Statements, the Debtors are continuing to reconcile certain accounts payable liabilities. The Debtors have sought to allocate liabilities between the prepetition and post-petition periods based on the information available at the time of the filing of the Schedules and Statements. As additional information becomes available and further research is conducted, the allocation of liabilities between the prepetition and post-petition periods may change. Accordingly, the Debtors and their estates reserve all rights to amend, supplement, or otherwise modify the Schedules and Statements as is necessary or appropriate.

The liabilities listed on the Schedules do not reflect any analysis of any claims under section 503(b)(9) of the Bankruptcy Code. Accordingly, the Debtors and their estates reserve all rights to dispute or challenge the validity of any claims asserted under section 503(b)(9) of the Bankruptcy Code or the characterization of the structure of any transaction, document, or instrument related to any such claim.

**Estimates.** To timely close the books and records of the Debtors and to prepare such information on a legal entity basis, the Debtors were required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and reported revenue and expenses. The Debtors and their estates reserve all rights to amend the reported amounts of assets, liabilities, revenue, and expenses to reflect changes in those estimates and assumptions.

**Classifications.** Listing a claim (a) on Schedule D as “secured,” (b) on Schedule E/F as “unsecured priority,” or “unsecured non-priority,” or (c) listing a contract or lease on Schedule G as “executory” or “unexpired,” does not constitute an admission by the Debtors and their estates of the legal rights of any claimant, or a waiver of the rights of the Debtors and their estates to recharacterize or reclassify any claim or contract.

**Claims Description.** Any failure to designate a claim on a given Debtor’s Schedules as “disputed,” “contingent,” or “unliquidated” does not constitute an admission by the Debtor and its estate that such amount is not “disputed,” “contingent,” or “unliquidated.” The Debtors and their estates reserve all rights to dispute, or to assert any offsets or defenses to, any claim reflected on their Schedules on any grounds, including, without limitation, amount, liability, validity, priority, or classification, or to otherwise subsequently designate any claim as “disputed,” “contingent,” or “unliquidated.” Listing a claim on the Schedules does not constitute an admission of liability by the Debtors and their estates, and the Debtors and their estates reserve all rights to amend the Schedules.

### **NOTES FOR SCHEDULES**

**Schedule A/B – Assets – Real and Personal Property.** Despite their commercially reasonable efforts to identify all known assets, the Debtors may not have listed all of their respective causes of action or potential causes of action against third parties as assets in their respective Schedules and Statements, including, but not limited to, causes of action arising under the Bankruptcy Code or any other applicable laws to recover assets or avoid transfers. The Debtors and their estates reserve all of their rights with respect to any claims and causes of action that they may have, and neither these Global Notes nor the Schedules and Statements shall be deemed a waiver of any such claims and causes of actions, or in any way waive, prejudice, impair, or otherwise affect the assertion of such claims and causes of action.

- **Schedule A/B, Part 10:** Patents, trademarks, and other intellectual property is listed on Schedule A/B, Part 10 as an unknown or undetermined amount on account of the fact that the fair market value of such ownership is dependent on numerous variables and factors and may differ significantly from the net book value.

- **Schedule A/B 7:** Since the deposit provided for under that certain *Interim Order, Pursuant To Sections 105(a) and 366 of the Bankruptcy Code, (i) Prohibiting Utility Companies From Altering, Refusing, or Discontinuing Utility Services, (ii) Deeming Utility Companies Adequately Assured of Future Payment, (iii) Establishing Procedures for Determining Additional Adequate Assurance of Payment, and (iv) Setting a Final Hearing Related Thereto* [Docket No. 29] did not exist as of the Petition Date, the Debtors have not accounted for it on Schedule A/B.
- **Schedule A/B 15:** Ownership interests in businesses, partnerships, and joint ventures (including any subsidiaries) have been listed in Schedule A/B 15 as unknown or undetermined. As the Debtors have historically only produced financial statements on a consolidated basis, certain accounting processes and general ledger activity have not occurred that would enable stand-alone financial statements for each Debtor to be prepared, and accordingly, appropriate values for the Debtors' interests in business, partnerships, and joint ventures (including any subsidiaries) that are part of the consolidated group. The fair market value of such ownership is dependent on numerous variables and factors and may differ significantly from the listed net book value.
- **Schedule A/B 39-41:** Office furniture, office fixtures and office equipment have been listed on Schedule A/B 39-41 as having a current value of 10% of the depreciated basis or net book value amount. The Debtors believe the net book value of these assets are not reflective of the current market value, however, the Debtors have not received any independent third-party valuation, appraisal, quotes or bids related to these assets. Further, it would be burdensome and an inefficient use of estate resources to solicit an appraisal or valuation of these assets. The actual market value, if appraised by a third party or sold to a buyer, may be materially higher or lower than the value estimated at 10% of the depreciated basis or net book value amount.
- **Schedule A/B 72:** Certain debtors have tax attributes (e.g., net operating losses, capital loss carryforwards) listed as assets. Federal and State tax laws impose substantial restrictions on the utilization of net operating loss and capital loss carryforwards in the event of an "ownership change" for tax purposes, as defined in Section 382 of the Internal Revenue Code. As ownership changes under Section 382 of the Internal Revenue Code have occurred in the recent past at RAIT Financial Trust, the utilization of these tax attributes is severely limited. Accordingly, the related value that may be associated with these tax attributes is severely limited or unknown.
- **Schedule A/B 8 and 73:** The Debtors maintain, among others, insurance programs for directors and officers, errors and omissions, fiduciary, cyber, fidelity/crime, employment practices, and workers compensation. Schedule 8 lists the prepaid amounts which represents the remaining amount to be amortized over the life of the policy. Schedule 73 does not list any values as those policies are listed in Schedule 8, if applicable. A determination as to the surrender or refund value of each of the insurance policies has not been made.

**Schedule D – Creditors Who Have Claims Secured by Property.** Except as otherwise agreed pursuant to a stipulation, agreed order, or general order entered by the Court that is or becomes final, the Debtors and their estates reserve all rights to dispute or challenge the validity, perfection, or immunity from avoidance of any lien purported to be granted or perfected in any specific asset to a creditor listed on Schedule D of any of the Debtors. Moreover, although the Debtors may have scheduled claims of various creditors as secured claims for informational purposes, the estimated current valuation of the Debtors' assets in which such creditors may have a lien is based on numerous assumptions, many of which are unobservable, and, as such, may differ significantly from values determined by others. Except as otherwise agreed pursuant to a stipulation, agreed order, or general order entered by the Court that is or becomes final, the Debtors and their estates reserve all rights to dispute or challenge the secured nature of any such claim or the characterization of the structure of any transaction, document or instrument related to any such claim. The descriptions provided in Schedule D are intended only to be a summary.

The Debtors have not included on Schedule D all parties that may believe their claims are secured through setoff rights, deposits posted by, or on behalf of, the Debtors, inchoate statutory lien rights, or real property lessors, utility companies and other parties which may hold security deposits.

By listing a party on Schedule D based on a UCC-1 filing, the Debtors and their estates are not conceding that such party actually holds a perfected, unavoidable security interest in the asset that is the subject of such filing, and reserve all rights as set forth in these Global Notes.

Certain of the amounts listed for parties on Schedule D may not be reflective of any accrued and unpaid interest, prepayment premiums, and other similar fees or expenses that such parties may be entitled to.

**Schedule E/F – Creditors Who Have Unsecured Claims.**

**Part 1.**

The Debtors have not listed on Part 1 of Schedule E/F any tax and priority employee wage and benefit claims for which the Debtors have been granted authority to pay pursuant to a First Day Order. The Debtors believe that such claims have been, or will be, satisfied in the ordinary course of business during these chapter 11 cases pursuant to the authority granted in the relevant First Day Orders. The Debtors and their estates reserve all rights to dispute or challenge whether creditors listed on Part 1 of Schedule E/F are entitled to priority claims.

At the time of the filing of the Schedules and Statements, the Debtors are not able to determine the priority amount, if any, for certain employee claims for wages, bonuses, commissions, severance and the like. Accordingly, creditors should file proofs of claim in these chapter 11 cases to the extent that they believe any of these amounts are entitled to priority.

**Part 2.**

Certain creditors listed on Part 2 of Schedule E/F may owe amounts to the Debtors; as such, the Debtors and their estates may have valid setoff and recoupment rights with respect to such amounts, which rights are not reflected on Part 2 of Schedule E/F. Also, the amounts listed on Part 2 of Schedule E/F reflect known prepetition claims as of the Petition Date. Such amounts do not reflect any rights of setoff or recoupment that may be asserted by any creditors listed on Part 2 of Schedule E/F, and the Debtors and their estates reserve all rights to challenge any setoff and recoupment rights that may be asserted against them. The Debtors and their estates reserve all rights to dispute or challenge the validity, perfection or immunity from avoidance of any lien purported to be perfected by a creditor listed on Part 2 of Schedule E/F.

As noted above, certain claims listed on Part 2 of Schedule E/F may be entitled to priority under section 503(b)(9) of the Bankruptcy Code, and the Debtors and their estates reserve all rights with respect to any such claims.

Part 2 of Schedule E/F contains claims regarding on-going, pending or threatened litigation involving the Debtors, and the amounts for any such potential claims are unknown or undetermined, contingent, unliquidated, and/or disputed. Additionally, the Debtors have listed pending and on-going lawsuits and administrative proceedings on Statement 7. The Debtors may have threatened litigation related matters that are not listed on Statement 7.

The Debtors have used commercially reasonable efforts to include all creditors on Part 2 of Schedule E/F; however, the Debtors believe that there are instances in which vendors have yet to provide invoices, or proper invoices, for prepetition goods or services. While the Debtors maintain general accruals to account for these liabilities in accordance with GAAP, these amounts are estimates and not tracked on a vendor-by-vendor basis, and as such have not been included on Part 2 of Schedule E/F.

The Debtors may not have listed on Part 2 of Schedule E/F, among others, certain unsecured employee wage or benefit claims for which the Debtors have been granted authority to pay pursuant to a First Day Order. The Debtors believe that such claims have been, or will be, satisfied in the ordinary course of business during these chapter 11 cases pursuant to the authority granted in the relevant First Day Orders. The Debtors and their estates reserve their rights to dispute or challenge whether creditors listed on Schedule E/F are entitled to priority claims.

**Schedule G – Executory Contracts and Unexpired Leases.** Although commercially reasonable efforts have been made to ensure the accuracy of Schedule G regarding executory contracts and unexpired leases, inadvertent errors, omissions, or over-inclusion may have occurred in preparing Schedule G. Given the voluminous number of contracts, leases and other agreements to which the Debtors are a party, and the Debtors may need to amend Schedule G at a later date to add contracts, leases, and agreements. In the ordinary course of business, the Debtors enter into various agreements with their customers and vendors. The Debtors may have entered into various other types of agreements in the ordinary course of their business, such as indemnity agreements, supplemental agreements, letter agreements, and confidentiality agreements which may not be set forth in Schedule G. Omission of a contract, lease or other agreement from Schedule G does not constitute an admission that such omitted contract, lease, or



agreement is not an executory contract or unexpired lease. Schedule G may be amended at any time to add any omitted executory contracts, unexpired leases, and other agreements to which the Debtors are a party, including, without limitation, to add any executory contracts, unexpired leases, and other agreements that the Debtors, due to the voluminous number of such contracts, leases, and agreements, were unable to list on Schedule G at this time. Likewise, the listing of an agreement on Schedule G does not constitute an admission that such agreement is an executory contract or unexpired lease, or that such agreement was in effect or unexpired on the Petition Date or is valid or enforceable. The agreements listed on Schedule G may have expired, or may have been modified, amended, or supplemented from time to time by various amendments, restatements, waivers, estoppel certificates, letters and other documents, instruments and agreements which may not be listed on Schedule G.

Any and all rights, claims and causes of action of the Debtors and their estates with respect to the agreements listed on Schedule G are hereby reserved and preserved. The Debtors and their estates hereby reserve all of their rights to: (a) dispute the validity, status, or enforceability of any agreements set forth on Schedule G; (b) dispute or challenge the characterization of the structure of any transaction, document or instrument related to a creditor's claim, including, but not limited to, the agreements listed on Schedule G; and (c) amend or supplement Schedule G, as necessary, including, without limitation, to modify which Debtor entity is a counterparty to the agreement.

### **NOTES FOR STATEMENTS**

**Statement 3.** Statement 3 includes any disbursement or other transfer made by that particular Debtor, except for those made to insiders, which are reflected on Statements 4 and 30.

As previously set forth herein and in more detail in the Cash Management Motion, the Debtors maintain a centralized cash management system. As a result, during the year preceding the Petition Date, certain payments may have been made to creditors of each of the Debtors by one or more of the other Debtors, and some of these payments may have been for the benefit of another Debtor or a non-Debtor. Statement 3 includes any disbursement or other transfer made by that particular Debtor, except for those made to insiders, which are reflected on Statements 4 and 30.

The amounts listed in Statement 3 reflect the Debtors' disbursements based on check or wire detail; thus, to the extent a disbursement was made to pay for multiple invoices, only one entry has been listed. Amounts paid by check or wire are included based on the date of issuance.

**Statement 4 and 30.** Statements 4 and 30 includes any disbursement or other transfer made by that particular Debtor to insiders. To ascertain information relating to all payments that were made to insiders, Statements 4 and 30 for all of the Debtors should be consulted.

The amounts listed in Statement 4 and 30 reflect the Debtors' disbursements based on check or wire detail; thus, to the extent a disbursement was made to pay for multiple invoices, only one entry has been listed. Amounts paid by check or wire are included based on the date of issuance.

Payments to Ballard Spahr included in Statement 4 represent compensation for Justin Klein who serves as a trustee for the Debtors.

**Statement 7.** The Debtors and their estates reserve all rights, claims and defenses with respect to any and all listed lawsuits and administrative proceedings (or potential lawsuits and administrative proceedings). The listing of any such lawsuits and proceedings shall not constitute an admission by the Debtors and their estates of any liabilities or that the actions or proceedings were correctly filed against the Debtors. The Debtors and their estates reserve all rights to assert that the Debtors are not an appropriate party to such actions or proceedings. The Debtors may not have included on Statement 7 certain parties that may have asserted informal workers' compensation claims or similar claims that were resolved or otherwise addressed without formal litigation or an administrative hearing or similar proceeding having been commenced.

**Statement 11.** RAIT Financial Trust made payments on behalf of all of the Debtors to various professionals retained by the Debtors for restructuring services. The payments listed in Statement 11 are generally only for restructuring-related services. The Debtors may have made other payments to the listed professionals for non-bankruptcy related services, but these payments are not listed in Statement 11.

The amounts listed in Statement 11 reflect the Debtors' disbursements based on check or wire detail; thus, to the extent a disbursement was made to pay for multiple invoices, only one entry has been listed. Amounts paid by check or wire are included based on the date of issuance.

**Statement 13.** From time to time, the Debtors have engaged in transactions outside the ordinary course of business. Such transactions disclosed in Statement 13 that have been entered into within the past two years are as follows:

- **RAIT Financial Trust Transactions:**
  - Transactions with ARS VI Investor I, LLC ("Almanac")<sup>2</sup>
    - In October 2017, Almanac exercised its put option on the warrants and common share appreciation rights, or SARs, of RAIT Financial Trust that it acquired in conjunction with a Securities Purchase Agreement entered into with RAIT Financial Trust, and certain of its subsidiaries, in October 2012. The exercise of these warrants and SARs required RAIT FT to pay Almanac \$20,500,000.

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<sup>2</sup> Although not disclosed in Statement 13, the other transaction that occurred with Almanac within the previous two years occurred in March 2018 whereby 194,530 preferred units of RAIT Asset Holdings IV LLC and RAIT Financial Trust's corresponding Series D preferred shares were redeemed and cancelled at par for a purchase price of \$4,863,250 as one of the assets held by RAIT Asset Holdings IV LLC was monetized, which required the redemption of the corresponding amount of preferred units of RAIT Asset Holdings IV LLC and corresponding Series D preferred shares of RAIT Financial Trust. It is noted that dividends paid to Almanac (as well as other shareholders of RAIT Financial Trust's preferred shares) are not disclosed on Statement 13.

- In June 2018, RAIT Financial Trust, and certain of its subsidiaries, entered into a Redemption and Exchange Agreement with Almanac whereby the remaining 2,939,190 preferred units of RAIT Asset Holdings IV LLC and RAIT Financial Trust's corresponding Series D preferred shares were redeemed and cancelled for: i) \$56,765,261 of cash received by RAIT Asset Holdings IV LLC from the sale of its interests in RAIT FL5 & RAIT FL6 and defined available cash held by RAIT IV; and ii) \$16,714,489 of liquidation preference of RAIT Financial Trust's Series A preferred shares, Series B preferred shares and Series C preferred shares (which had a then-current fair value of \$4,365,193). In addition, the Redemption and Exchange Agreement required RAIT Financial Trust to pay Almanac a conversion fee of \$417,862.
- In September 2017, RAIT Financial Trust entered into a settlement agreement and general release with its former chief financial officer, who was previously employed by RAIT Financial Trust as its 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 the former chief financial officer's employment retroactive to August 20, 2017, was to provide for a complete and final settlement of all existing and potential disputes between RAIT Financial Trust and the former chief financial officer, including, but not limited to, all disputes related to the former chief financial officer's previous employment and the termination of such employment. In October 2017, RAIT Financial Trust paid \$575,000 related to this settlement agreement (\$542,500 to the former chief financial officer, and \$32,500 to his attorney).
- In December 2018, RAIT Financial Trust entered into a settlement agreement and general release with its former chief executive officer, who was previously employed by RAIT Financial Trust as its Chief Executive Officer and President pursuant to an employment agreement and whose employment 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 and separation from RAIT Financial Trust. In December 2018, RAIT Financial Trust paid \$1,825,000 related to this settlement agreement (\$1,605,000 to the former chief executive officer, and \$220,000 to his attorney).
- In March 2019, RAIT Financial Trust agreed to reimburse the Stalking Horse Bidder for certain diligence-related expenses as part of the term sheet that was executed in March 2019. From March 2019 through April 2019, RAIT Financial Trust paid Stroock & Stroock & Lavan approximately \$518,000 pursuant to this arrangement.
- In August 2019, RAIT Financial Trust agreed to reimburse the Stalking Horse Bidder for certain diligence-related expenses. In August 2019, RAIT Financial

Trust paid Jaffe Raitt Heuer & Weiss approximately \$182,000 and Situs approximately \$84,000 pursuant to this arrangement.

- Taberna Realty Finance Trust Transactions:
  - In December 2018, Taberna Realty Finance Trust agreed to exchange \$5,000,000 of RAIT Financial Trust's 6.875% Convertible Senior Notes due 2027 that it held for Class F, G and H notes of RAIT CRE CDO I, Ltd that were held by a subsidiary of RAIT Financial Trust. This exchange was conducted by Taberna as part of its efforts to be able to continue to qualify as a REIT (it is noted that the governing documents related to Taberna's \$18.7 million junior subordinated note require Taberna to use reasonable best efforts to continue qualifying as a REIT). As the \$5m note asset produced bad income for the 75% gross income test and as Taberna's real estate assets that produce good income for the 75% gross income test were declining (and were projected to continue to decline), it was determined that the best course of action would be for Taberna to exchange the \$5m note with other assets of RAIT Financial Trust consistent with the terms of the governing documents of the Taberna junior subordinated note. After several discussions involving tax advisors, it was determined that the only practical exchange would involve a subsidiary of RAIT Financial Trust transferring certain of its owned interests in CDO 1<sup>3</sup> for the \$5 million unsecured RAIT note. It was determined that the Class F, Class G, and Class H notes that RAIT owned would be exchanged. In the fourth quarter of 2018, Taberna and a subsidiary of RAIT completed the collateral exchange, receiving all necessary approvals from all parties involved with the Taberna junior subordinated note (as the \$5 million unsecured RAIT note was collateral for the Taberna junior subordinated note).

**Statement 21.** Assets of certain subsidiaries of RAIT Financial Trust are held in a custodial account at Wilmington Trust that is owned and controlled by RAIT Financial Trust. The assets of this custodial account are generally separated into "sub-accounts", however the "sub-accounts" do not represent separate ownership arrangements and, as such, are for tracking purposes only.

**Statement 25.** From time to time, the Debtors have started certain businesses and have exited certain of those businesses. Such businesses disclosed in Statement 25 where a Debtor has or has had an interest in the past 6 years are as follows:

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<sup>3</sup> Exchanging other assets was considered and evaluated, however was not practical or possible due to either: i) risk retention rules (FL7 & FL8); ii) other tax implications (e.g., FL7 & FL8 require 100% of the securities considered to be equity for tax purposes to be held by the same REIT); iii) uncertainty over sustained periodic income; and/or iv) additional approvals and modifications that would need to be sought (e.g., real estate assets financed through CDO 1 or third-party loans).

- RAIT Financial Trust:<sup>4</sup>
  - RAIT Financial Trust owns RAIT General, Inc. and RAIT Limited, Inc., who are the general partner and limited partner of RAIT Partnership, L.P. RAIT Partnership is a commercial real estate lender, collateral manager, servicer, and asset manager. RAIT Partnership has not been operating as a lender since February 2018.
- RAIT General, Inc. and RAIT Limited, Inc.
  - As noted above, these entities are the general partner and limited partner of RAIT Partnership, L.P. RAIT Partnership is a commercial real estate lender, collateral manager, servicer, and asset manager. RAIT Partnership has not been operating as a lender since February 2018.
- RAIT JV TRS, LLC:
  - RAIT JV TRS, LLC owns RAIT JV TRS Sub, LLC, which is a holding company for all but one of our taxable REIT subsidiaries.
- RAIT JV TRS Sub, LLC:
  - RAIT JV TRS Sub, LLC owns RAIT Funding, LLC (fka Taberna Funding, LLC) which was a commercial real estate lender. RAIT Funding, LLC has not originated a loan since 2015.
  - RAIT JV TRS Sub, LLC owned Urban Retail Properties which is a retail property management company. Urban Retail Properties was sold in August 2018.
  - RAIT JV TRS Sub, LLC owned Jupiter Communities (RAIT Residential), which is a multifamily property management company. The business of RAIT Residential was sold in December 2016.
  - RAIT JV TRS Sub, LLC owned Independence Realty Advisors, which was the advisor to Independence Realty Trust, a public REIT. Independence Realty Advisors was sold in December 2016.
- RAIT Funding, LLC:

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<sup>4</sup> It is noted that RAIT Financial Trust directly, or indirectly, controls all of its subsidiaries, including the other Debtors. The businesses of the other Debtors that are listed in Statement 25 have not been duplicated in Statement 25 for RAIT Financial Trust.

- RAIT Funding, LLC owned Global Insurance Advisors, which provides insurance brokerage services to tenants of multifamily properties. The business of Global Insurance Advisors was sold in December 2016.
- Taberna Realty Finance Trust:
  - Taberna Realty Finance Trust owns Taberna Capital Management, which was a collateral manager for collateralized debt obligations. Taberna transferred the last of its collateral management contracts in December 2014.
  - Taberna Realty Finance Trust owns Taberna Equity Funding, which currently owns equity interests in certain securitizations primarily collateralized by trust preferred securities formed between 2005 and 2007. Taberna Equity Funding also previously held debt securities of similar securitizations.
  - Taberna Realty Finance Trust owns Taberna Realty Holdings Trust, which acquired and securitized residential mortgages from 2005 to 2007.

**Statement 26(d).** From time to time, the Debtors provided financial statements in the ordinary course of business to certain parties for business, statutory, credit, financing, and other reasons. Recipients have included financial institutions, investment banks, debtholders and their legal and financial advisors. Due to the confidentiality requirements of related non-disclosure agreements that were entered into as part of the Debtors' strategic alternatives review process that began in the fall of 2017, and the number of parties that have received such statements as part of that process, such parties are not listed in response to this question.

**Fill in this information to identify the case:**

Debtor RAIT JV TRS Sub, LLC

United States Bankruptcy Court for the: District of Delaware

Case number 19-11921  
(if known)

☐ Check if this is an amended filing

**Official Form 207**

**Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy**

04/19

The debtor must answer every question. If more space is needed, attach a separate sheet to this form. On the top of any additional pages, write the debtor's name and case number (if known).

**Part 1: Income**

**1. Gross revenue from business**

☒ None

**2. Non-business revenue**

Include revenue regardless of whether that revenue is taxable. *Non-business income* may include interest, dividends, money collected from lawsuits, and royalties. List each source and the gross revenue for each separately. Do not include revenue listed in line 1.

☒ None

**Part 2: List Certain Transfers Made Before Filing for Bankruptcy**

**3. Certain payments or transfers to creditors within 90 days before filing this case**

List payments or transfers—including expense reimbursements—to any creditor, other than regular employee compensation, within 90 days before filing this case unless the aggregate value of all property transferred to that creditor is less than \$6,825. (This amount may be adjusted on 4/1/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.)

☐ None

SEE ATTACHED EXHIBIT 3

**4. Payments or other transfers of property made within 1 year before filing this case that benefited any insider**

List payments or transfers, including expense reimbursements, made within 1 year before filing this case on debts owed to an insider or guaranteed or cosigned by an insider unless the aggregate value of all property transferred to or for the benefit of the insider is less than \$6,825. (This amount may be adjusted on 4/1/22 and every 3 years after that with respect to cases filed on or after the date of adjustment.) Do not include any payments listed in line 3. *Insiders* include officers, directors, and anyone in control of a corporate debtor and their relatives; general partners of a partnership debtor and their relatives; affiliates of the debtor and insiders of such affiliates; and any managing agent of the debtor. 11 U.S.C. § 101(31).

☒ None

**5. Repossessions, foreclosures, and returns**

List all property of the debtor that was obtained by a creditor within 1 year before filing this case, including property repossessed by a creditor, sold at a foreclosure sale, transferred by a deed in lieu of foreclosure, or returned to the seller. Do not include property listed in line 6.

☒ None

**6. Setoffs**

List any creditor, including a bank or financial institution, that within 90 days before filing this case set off or otherwise took anything from an account of the debtor without permission or refused to make a payment at the debtor's direction from an account of the debtor because the debtor owed a debt.

☒ None

**Part 3: Legal Actions or Assignments**

**7. Legal actions, administrative proceedings, court actions, executions, attachments, or governmental audits**

List the legal actions, proceedings, investigations, arbitrations, mediations, and audits by federal or state agencies in which the debtor was involved in any capacity—within 1 year before filing this case.

☒ None

**8. Assignments and receivership**

List any property in the hands of an assignee for the benefit of creditors during the 120 days before filing this case and any property in the hands of a receiver, custodian, or other court-appointed officer within 1 year before filing this case.

☒ None

**Part 4: Certain Gifts and Charitable Contributions****9. List all gifts or charitable contributions the debtor gave to a recipient within 2 years before filing this case unless the aggregate value of the gifts to that recipient is less than \$1,000**

☒ None

**Part 5: Certain Losses****10. All losses from fire, theft, or other casualty within 1 year before filing this case.**

☒ None

**Part 6: Certain Payments or Transfers****11. Payments related to bankruptcy**

List any payments of money or other transfers of property made by the debtor or person acting on behalf of the debtor within 1 year before the filing of this case to another person or entity, including attorneys, that the debtor consulted about debt consolidation or restructuring, seeking bankruptcy relief, or filing a bankruptcy case.

☒ None

**12. Self-settled trusts of which the debtor is a beneficiary**

List any payments or transfers of property made by the debtor or a person acting on behalf of the debtor within 10 years before the filing of this case to a self-settled trust or similar device.

Do not include transfers already listed on this statement.

☒ None

**13. Transfers not already listed on this statement**

List any transfers of money or other property—by sale, trade, or any other means—made by the debtor or a person acting on behalf of the debtor within 2 years before the filing of this case to another person, other than property transferred in the ordinary course of business or financial affairs.

Include both outright transfers and transfers made as security. Do not include gifts or transfers previously listed on this statement.

☒ None

**Part 7: Previous Locations****14. Previous addresses**

List all previous addresses used by the debtor within 3 years before filing this case and the dates the addresses were used.

☒ Does not apply

**Part 8: Health Care Bankruptcies****15. Health Care bankruptcies**

Is the debtor primarily engaged in offering services and facilities for:

- diagnosing or treating injury, deformity, or disease, or
- providing any surgical, psychiatric, drug treatment, or obstetric care?

☒ No. Go to Part 9.

**Part 9: Personal Identifiable Information****16. Does the debtor collect and retain personally identifiable information of customers?**

☒ No.

☐ Yes. State the nature of the information collected and retained.



**17. Within 6 years before filing this case, have any employees of the debtor been participants in any ERISA, 401(k), 403(b), or other pension or profit-sharing plan made available by the debtor as an employee benefit?**

- ☒ No. Go to Part 10.  
☐ Yes. Does the debtor serve as plan administrator?  
☒ No. Go to Part 10.  
☐ Yes. Fill in below:

**Part 10: Certain Financial Accounts, Safe Deposit Boxes, and Storage Units**

**18. Closed financial accounts**

Within 1 year before filing this case, were any financial accounts or instruments held in the debtor's name, or for the debtor's benefit, closed, sold, moved, or transferred?  
 Include checking, savings, money market, or other financial accounts; certificates of deposit; and shares in banks, credit unions, brokerage houses, cooperatives, associations, and other financial institutions.

- ☒ None

**19. Safe deposit boxes**

List any safe deposit box or other depository for securities, cash, or other valuables the debtor now has or did have within 1 year before filing this case.

- ☒ None

**20. Off-premises storage**

List any property kept in storage units or warehouses within 1 year before filing this case. Do not include facilities that are in a part of a building in which the debtor does business.

- ☒ None

**Part 11: Property the Debtor Holds or Controls That the Debtor Does Not Own**

**21. Property held for another**

List any property that the debtor holds or controls that another entity owns. Include any property borrowed from, being stored for, or held in trust. Do not list leased or rented property.

- ☒ None

**Part 12: Details About Environmental Information**

For the purpose of Part 12, the following definitions apply:

- *Environmental law* means any statute or governmental regulation that concerns pollution, contamination, or hazardous material, regardless of the medium affected (air, land, water, or any other medium).
- *Site* means any location, facility, or property, including disposal sites, that the debtor now owns, operates, or utilizes or that the debtor formerly owned, operated, or utilized.
- *Hazardous material* means anything that an environmental law defines as hazardous or toxic, or describes as a pollutant, contaminant, or a similarly harmful substance.

**Report all notices, releases, and proceedings known, regardless of when they occurred.**

**22. Has the debtor been a party in any judicial or administrative proceeding under any environmental law?** Include settlements and orders.

- ☒ No  
☐ Yes. Provide details below.

**23. Has any governmental unit otherwise notified the debtor that the debtor may be liable or potentially liable under or in violation of an environmental law?**

- ☒ No  
☐ Yes. Provide details below.

**24. Has the debtor notified any governmental unit of any release of hazardous material?**

- ☒ No  
☐ Yes. Provide details below.

**Part 13: Details About the Debtor's Business or Connections to Any Business**

**25. Other businesses in which the debtor has or has had an interest**

List any business for which the debtor was an owner, partner, member, or otherwise a person in control within 6 years before filing this case. Include this information even if already listed in the Schedules.

☐ None

Business name and address	Describe the nature of the business	Employer Identification number Do not include Social Security number or ITIN.
INDEPENDENCE REALTY ADVISORS TWO LOGAN SQUARE 100 N. 18TH STREET, 23RD FLOOR PHILADELPHIA, PA 19103	ADVISOR TO PUBLIC EQUITY REIT (IRT)	26-4546526 <b>Date business existed</b> From: 4/2011 To: 12/20/2016
JUPITER COMMUNITIES (RAIT RESIDENTIAL) 401 N. MICHIGAN AVENUE SUITE 1300 CHICAGO, IL 60611	MULTIFAMILY PROPERTY MANAGER	26-4708987 <b>Date business existed</b> From: 5/2009 To: 12/20/2016
RAIT FUNDING, LLC F/K/A TABERNA FUNDING LLC TWO LOGAN SQUARE 100 N. 18TH STREET, 23RD FLOOR PHILADELPHIA, PA 19103	LENDER	33-1119983 <b>Date business existed</b> From: 12/2006 To: CURRENT
URBAN RETAIL PROPERTIES 111 E. WACKER DRIVE SUITE 2400 CHICAGO, IL 60601	RETAIL PROPERTY MANAGER	26-0877324 <b>Date business existed</b> From: 11/2013 To: 8/1/2018

**26. Books, records, and financial statements**

26a. List all accountants and bookkeepers who maintained the debtor's books and records within 2 years before filing this case.

☐ None

Name and address	Dates of service
BOB GALLAGHER TWO LOGAN SQUARE 100 N. 18TH STREET 23RD FLOOR PHILADELPHIA, PA 19103	From 5/2017 To CURRENT
DIANE HONTZ TWO LOGAN SQUARE 100 N. 18TH STREET 23RD FLOOR PHILADELPHIA, PA 19103	From 10/2017 To CURRENT

26b. List all firms or individuals who have audited, compiled, or reviewed debtor's books of account and records or prepared a financial statement within 2 years before filing this case.

☒ None

26c. List all firms or individuals who were in possession of the debtor's books of account and records when this case is filed.

☐ None

Name and address	If any books of account and records are unavailable, explain why
BOB GALLAGHER TWO LOGAN SQUARE 100 N. 18TH STREET 23RD FLOOR PHILADELPHIA, PA 19103	
DIANE HONTZ TWO LOGAN SQUARE 100 N. 18TH STREET 23RD FLOOR PHILADELPHIA, PA 19103	

26d. List all financial institutions, creditors, and other parties, including mercantile and trade agencies, to whom the debtor issued a financial statement within 2 years before filing this case.

☒ None

**27. Inventories**

Have any inventories of the debtor's property been taken within 2 years before filing this case?

☒ None

**28. List the debtor's officers, directors, managing members, general partners, members in control, controlling shareholders, or other people in control of the debtor at the time of the filing of this case.**

☐ None

Name	Address	Position and nature of any interest	% of interest, if any
RAIT JV TRS, LLC	TWO LOGAN SQUARE 100 N. 18TH STREET 23RD FLOOR PHILADELPHIA, PA 19103	PARENT	100%

**29. Within 1 year before the filing of this case, did the debtor have officers, directors, managing members, general partners, members in control of the debtor, or shareholders in control of the debtor who no longer hold these positions?**

☒ None

**30. Payments, distributions, or withdrawals credited or given to insiders**

Within 1 year before filing this case, did the debtor provide an insider with value in any form, including salary, other compensation, draws, bonuses, loans, credits on loans, stock redemptions, and options exercised?

☒ None

**31. Within 6 years before filing this case, has the debtor been a member of any consolidated group for tax purposes?**

☒ None

**32. Within 6 years before filing this case, has the debtor as an employer been responsible for contributing to a pension fund?**

☒ None

**Part 14: Signature and Declaration**

**WARNING** -- Bankruptcy fraud is a serious crime. Making a false statement, concealing property, or obtaining money or property by fraud in connection with a bankruptcy case can result in fines up to \$500,000 or imprisonment for up to 20 years, or both. 18 U.S.C. §§ 152, 1341, 1519, and 3571.

I have examined the information in this *Statement of Financial Affairs* and any attachments and have a reasonable belief that the information is true and correct.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on 9/27/2019.

**x**/s/ Alfred Dilmore

Signature of individual signing on behalf of the debtor

Alfred Dilmore

Printed Name

Chief Financial Officer

Position or relationship to debtor

**Are additional pages to *Statement of Financial Affairs for Non-Individuals Filing for Bankruptcy* (Official Form 207) attached?**

- ☐ No  
☒ Yes

## Statement of Financial Affairs - Exhibit 3

RAIT JV TRS Sub, LLC 19-11921

Claimant	Check/Wire Date	Check/Wire Amount	Reasons for Payment
FLORIDA DEPARTMENT OF REVENUE	06/07/2019	\$9,968.62	TAX
5050 W TENNESSEE STREET	07/12/2019	\$150.00	TAX
TALLAHASSEE, FL 32399-0135		<b>\$10,118.62</b>	
<b>Grand Total: 1</b>		<b>\$10,118.62</b>	