

**RAIT INVESTMENT TRUST  
AMENDED AND RESTATED  
AUDIT COMMITTEE CHARTER**

As of January 29, 2004

**Purpose**

The Audit Committee is appointed by the Board of Trustees (“the Board”) of RAIT Investment Trust (“RAIT”) to assist Board oversight of (i) the integrity of the financial statements of RAIT, (ii) the compliance by RAIT with legal and regulatory requirements, (iii) the independent auditor’s qualifications and independence, and (iv) the performance of RAIT’s internal audit function and independent auditors.

The Audit Committee shall prepare the audit committee report required by the rules of the Securities and Exchange Commission to be included in RAIT’s annual proxy statement.

**Committee Membership**

The Audit Committee shall consist of no fewer than three members. The members of the Audit Committee shall meet the independence and experience requirements of the New York Stock Exchange or any other securities exchange or interdealer automated quotation system on which RAIT’s securities are traded (the “Relevant Trading Market”) applicable to a member of the Audit Committee and Rule 10A-3 under the Securities Exchange act of 1934, as amended. To the extent practicable, the Audit Committee should include at least one person who satisfies the definition of “audit committee financial expert” set out in Item 401(e) of Regulation S-K. No member of the Audit Committee may simultaneously serve on the audit committee of more than three public companies (including RAIT’s Audit Committee). The term “public company” shall mean an “issuer” as that term is defined in the Sarbanes-Oxley Act of 2002, and any issuer similarly regulated under the securities laws of any foreign jurisdiction.

**Committee Duties and Responsibilities**

The Audit Committee shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged by RAIT (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for RAIT, and each such registered public accounting firm shall report directly to the Audit Committee. The Audit Committee shall have the sole authority to appoint or replace the independent auditor (subject, if applicable, to shareholder ratification), and shall approve all audit engagement fees and terms and all significant non-audit engagements with the independent auditors. The Audit Committee shall have the sole authority to preapprove any auditing service or non-audit service (as defined in the Rule 2-01(c)(4) of Regulation S-X) performed by the independent auditor as required by Rule 2-01(c)(7) of Regulation S-X. The Audit Committee may delegate to one or more members of the Audit Committee the authority to

grant preapprovals required under such Section. Each decision of any member to whom authority is so delegated to preapprove an activity under such Section shall be presented to the full Audit Committee at its next scheduled meeting. The Audit Committee may form and delegate authority to subcommittees when appropriate. The Audit Committee shall consult with management but shall not delegate these responsibilities to management.

The Audit Committee shall establish procedures for (i) the receipt, retention and treatment of complaints received by RAIT regarding accounting, internal accounting controls, or auditing matters, (ii) the confidential, anonymous submission by employees of RAIT of concerns regarding questionable accounting or auditing matters and (iii) interested parties to communicate directly with the presiding trustee of meetings of the non-management trustees or with the non-management trustees as a group.

The Audit Committee shall have the authority to retain independent counsel and other advisors, as it determines necessary to carry out its duties. RAIT shall provide for appropriate funding, as determined by the Audit Committee, for payment of (i) compensation to any public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for RAIT, (ii) compensation to any advisors employed by the Audit Committee and (iii) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall meet as often as it determines, but not less frequently than quarterly. The Audit Committee may request any officer or employee of RAIT or RAIT's outside counsel or independent auditor to attend a meeting of the Committee or to meet with any members of, or advisors to, the Committee. The Audit Committee shall meet with management, the persons performing the internal audit function and the independent auditor in separate executive sessions periodically. The Audit Committee may also, to the extent it deems necessary or appropriate, meet with RAIT's investment bankers or financial analysts who follow RAIT.

The Audit Committee shall make regular reports to the Board. The Audit Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Audit Committee shall annually review the Audit Committee's own performance.

The Audit Committee, to the extent it deems necessary or appropriate, shall:

#### Financial Statement and Disclosure Matters

1. Review and discuss with management and the independent auditor the annual audited financial statements, including disclosures made in management's discussion and analysis, and recommend to the Board whether the audited financial statements should be included in RAIT's Form 10-K.
2. Review and discuss with management and the independent auditor RAIT's quarterly financial statements prior to the filing of its Form 10-Q, including disclosures made in management's discussion and analysis and including the results of the independent auditors' reviews of the quarterly financial statements.

3. Review and discuss with management and/or the independent auditor (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in RAIT's selection or application of accounting principles, and major issues as to the adequacy of RAIT's internal controls and any special audit steps adopted in light of material control deficiencies, (ii) analyses prepared by management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on RAIT's financial statements.
4. Discuss with management RAIT's earnings press releases, including the use of "pro forma" or "adjusted" non-GAAP information, as well as financial information and earnings guidance provided to analysts and rating agencies. This discussion may be done generally (i.e., discussion of the types of information to be disclosed and the type of presentation to be made). The Audit Committee need not discuss in advance each earnings release or each instance in which RAIT may provide earnings guidance.
5. Discuss with management and the independent auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on RAIT's financial statements.
6. Discuss with management RAIT's major financial risk exposures and the steps management has taken to monitor and control such exposures, including RAIT's risk assessment and risk management policies. The Audit Committee must discuss guidelines and policies to govern the process by which risk assessment and management is undertaken.
7. Discuss with the independent auditor the matters required to be discussed by Statement on Auditing Standards No. 61 relating to the conduct of the audit. Review with the independent auditor any audit problems or difficulties and management's response. In particular, discuss:
  - (a) The adoption of, or changes to, RAIT's significant auditing and accounting principles and practices as suggested by the independent auditor, internal auditors or management.
  - (b) The management letter provided by the independent auditor and RAIT's response to that letter.
  - (c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.
8. Review the experience and qualifications of the senior members of the independent auditor team.

9. Obtain and review a report from the independent auditor at least annually regarding (a) the auditor's internal quality-control procedures, (b) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (c) any steps taken to deal with any such issues, and (d) all relationships between the independent auditor and RAIT (to assess the auditor's independence). Evaluate the qualifications, performance and independence of the independent auditor, including considering whether the auditor's quality controls are adequate and the provision of non-audit services is compatible with maintaining the auditor's independence, and taking into account the opinions of management and the internal auditor. This evaluation should include the review and evaluation of the lead partner of the independent auditor. The Audit Committee shall present its conclusions to the Board and, if so determined by the Audit Committee, recommend that the Board take additional action to satisfy itself of the qualifications, performance and independence of the auditor.
10. In addition to assuring the regular rotation of the lead audit partner as required by Rule 2-01(c)(6) of Regulation S-X, consider whether, in order to assure continuing auditor independence, it is appropriate to adopt a policy of rotating the independent auditing firm itself on a regular basis.
11. Set clear hiring policies for RAIT's hiring of employees or former employees of RAIT's independent auditor.
12. Discuss with the national office of the independent auditor issues on which they were consulted by RAIT's audit team and matters of audit quality and consistency.
13. Meet with the independent auditor prior to the audit to discuss the planning and staffing of the audit.

#### Oversight of RAIT's Internal Audit Function

14. Review RAIT's internal audit function to insure it is an appropriate control process for reviewing and approving RAIT's internal transactions and accounting, including any outsourcing of some or all of this function.
15. Review the significant reports to management prepared by the internal auditing department and management's responses.
16. Discuss with the independent auditor the internal audit function, budget and staffing and any recommended changes in the planned scope of the internal audit.

#### Compliance Oversight Responsibilities

17. Obtain from the independent auditor assurance that Section 10A of the Securities Exchange Act of 1934 has not been implicated.

18. Obtain reports from management, RAIT's senior internal auditing executive, the independent auditor and legal advisors that RAIT and its subsidiary entities are in conformity with applicable legal requirements and RAIT's Code of Business Conduct and Ethics. Review reports and disclosures of insider and affiliated party transactions. Advise the Board with respect to RAIT's policies and procedures regarding compliance with applicable laws and regulations and with RAIT's Code of Business Conduct and Ethics.
19. Discuss with management and the independent auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding RAIT's financial statements or accounting policies.
20. Discuss with RAIT's counsel legal matters that may have a material impact on the financial statements or RAIT's compliance policies.

#### **Limitation of Audit Committee's Role**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that RAIT's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the independent auditor.