

In re RAIT Financial Trust Securities Litigation

COURT: United States District Court for the Eastern District of Pennsylvania
CASE NUMBER: 07-cv-3148
CLASS PERIOD: 06/08/2006 - 08/03/2007
CASE LEADERS: John Rizio-Hamilton

On October 25, 2007, the Honorable Legrome D. Davis appointed BLB&G client Brahman Capital Corp. as Lead Plaintiff and BLB&G as Lead Counsel for the Class. On January 4, 2008, BLB&G filed a Consolidated Class Action Complaint on behalf of those who purchased or acquired stock in RAIT Financial Trust, formerly known as RAIT Investment Trust, between June 8, 2006 and August 3, 2007, inclusive.

This action arises from the sudden and precipitous drop in the price of RAIT Financial Trust's stock due to its concealment of a portfolio of high-risk investments in subprime-related companies. While the subprime lending and related markets collapsed, RAIT consistently assured investors that it had "de minimis" exposure to the meltdown, when in fact it had several hundred million dollars of such exposure. Moreover, during the time of this concealment, RAIT engaged in three offerings through which it raised more than \$855 million from unsuspecting investors. RAIT finally disclosed its exposure just 18 business days after its last public offering, when one of its borrowers defaulted and RAIT could no longer hide the extent of its impaired investments. RAIT's disclosure shocked the market so severely that RAIT's stock plunged more than 36 percent in a span of days.

Brahman Capital Corp., on behalf of the Class, alleges that RAIT's failure to disclose its exposure to the subprime-related companies artificially inflated the price of its stock at all relevant times, misled investors during three offering periods, and ultimately caused the swift and steep decline in the price of RAIT securities that investors had acquired. On March 10, 2008, Defendants moved to dismiss the Complaint. On May 15, 2008, Lead Plaintiff filed its opposition to Defendants' motions.

On December 22, 2008, the Honorable Legrome D. Davis issued an Opinion and Order that largely denied Defendants' motions to dismiss. In April 2009, the parties engaged in mediation and agreed to a settlement of \$32 million in cash. Lead Plaintiff then engaged in extensive confirmatory discovery, reviewing over 1.1 million pages of documents produced by Defendants. On September 4, 2009, the Court granted preliminary approval of the settlement, and on December 14, 2009, the Court granted final approval.

The claims administration process has concluded and the net settlement fund has been fully disbursed. This matter is closed.

Case Documents

- Notice of Pendency and Proposed Settlement
- September 4, 2009 - Order Preliminarily Approving Settlement and Setting Settlement Hearing
- December 22, 2008 - Opinion and Order on Motion to Dismiss
- December 10, 2008 - Lead Plaintiff's Response to Defendants' Second Supplemental Brief
- June 30, 2008 - Lead Plaintiff's Response to the RAIT Defendants' Supplemental Brief

- January 4, 2008 - Consolidated Class Action Complaint
- May 15, 2008 - Memorandum In Opposition To Defendants' Motion To Dismiss