

# *In re R&G Financial Corporation Securities Litigation*

**COURT:** United States District Court for the Southern District of New York  
**CASE NUMBER:** 05-cv-4186  
**CLASS PERIOD:** 04/21/2005 - 04/25/2005  
**CASE LEADERS:** Max W. Berger

Securities fraud class action filed against R&G Financial Corporation ("R&G"), Puerto Rico's second largest mortgage bank, its senior executives, and Pricewaterhouse Coopers, R&G's outside auditors, on behalf of a class of persons and entities who purchased or acquired the publicly-traded securities of R&G between January 21, 2003 and November 2, 2007 (the "Class").

By Order dated July 26, 2005, the Honorable John E. Sprizzo (the "Court") appointed the General Retirement System of the City of Detroit as Co-Lead Plaintiff and BLB&G as Co-Lead Counsel for the Class.

On February 20, 2007 Lead Plaintiffs filed an Amended Complaint. The Amended Complaint asserted claims against R&G and certain of its former officers, under Section 10(b) and Rule 10b-5 of the Exchange Act and Section 20(a) of the Exchange Act, against defendant PwC under Section 10(b) and Rule 10b-5 of the Exchange Act and against three members of the Audit Committee of R&G's board of directors under Section 20(a) of the Exchange Act. The Amended Complaint alleged, among other things, that R&G's valuation methodology, accounting treatment and/or financial reporting of (i) mortgage loan transfers that were initially recorded as sales but subsequently recharacterized as secured borrowings (the "Recharacterized Mortgage Loan Transfers"), and (ii) the retained interests initially recognized in connection with the Recharacterized Mortgage Loan Transfers, violated GAAP, and that R&G's misclassification of the Recharacterized Mortgage Loan Transfers constituted a fraudulent misrepresentation designed to artificially inflate R&G's earnings and stock price. The Amended Complaint also alleged that PwC's 2002, 2003 and 2004 auditor's reports were materially false and misleading.

## **BLB&G and Lead Plaintiffs Obtain \$51 Million in Settlements in this Action**

BLB&G as Co-Lead Counsel in this Action on behalf of Lead Plaintiffs, City of Philadelphia Board of Pensions and Retirement and General Retirement System of the City of Detroit, reached settlement agreements with defendants R&G Financial Corporation and certain of its former officers and directors (together the "R&G Defendants"), and its auditor, PricewaterhouseCoopers LLP ("PwC") for \$51 million in cash (the "Settlement"). The Settlement resolves all claims against all defendants and is comprised of a \$39 million payment from the R&G Defendants and a \$12 million payment from PwC. By Order dated May 28, 2008, the Court preliminary approved the terms of the Settlement.

On August 29, 2008, the plan of allocation for the Settlement was amended to include both purchasers of R&G Common stock and purchasers of R&G's Noncumulative Perpetual Monthly Income Preferred Stock -- Series A, B, C and D, which as publicly-traded securities of R&G, are part of the Class and Settlement.

A settlement fairness hearing was held on September 16, 2008 before the Honorable John E. Sprizzo, at the United States District Court for the Southern District of New York. On October 8, 2008 the Settlement was approved by the Court.

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

## Case Documents

- Amended Plan of Allocation
- February 20, 2007 - Consolidated Amended Class Action Complaint
- Notice of Pendency and Proposed Settlement