

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

IN RE R&G FINANCIAL CORPORATION
SECURITIES LITIGATION

This Document relates to:
All Actions.

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ECF CASE

MASTER FILE NO.
05 Civ. 4186 (JES)

**NOTICE OF PENDENCY OF CLASS ACTION AND PROPOSED
SETTLEMENTS, SETTLEMENT HEARING AND MOTION
FOR ATTORNEY FEES AND REIMBURSEMENT OF LITIGATION EXPENSES**

NOTICE OF PENDENCY OF CLASS ACTION: If you purchased or otherwise acquired publicly traded securities of R&G Financial Corporation (“R&G” or the “Company”) between January 21, 2003 and November 2, 2007, inclusive, and were injured thereby, please be advised that your rights may be affected by a class action lawsuit pending in this Court (the “Action”).

A Federal Court authorized this Notice. This is not a solicitation from a lawyer.

NOTICE OF SETTLEMENTS: Please also be advised that the Court-appointed Lead Plaintiffs, City of Philadelphia Board of Pensions and Retirement and General Retirement System of the City of Detroit (“Lead Plaintiffs”), have reached two proposed settlements of the Action that will resolve all claims of Lead Plaintiffs and the Class (as defined in ¶1 below) against all defendants. One settlement will resolve the Class’s claims against R&G and certain of its present and/or former officers and directors (the “R&G Settlement”), and the other settlement will resolve all of the Class’s claims against PricewaterhouseCoopers LLP (“PwC”), R&G’s independent outside auditor (the “PwC Settlement” and together with the R&G Settlement, the “Settlements”), each as described below. This Notice explains important rights you may have, including your possible receipt of cash from the Settlements. Your legal rights will be affected whether or not you act. Also enclosed is a proof of claim and release form (the “Claim Form”) that you must complete and submit postmarked no later than September 26, 2008 to participate in the Settlements. Please read this Notice carefully!

1. **Statement of Plaintiff Recovery:** This Notice relates to two proposed settlements of a class action lawsuit filed against R&G; Victor J. Galán, Joseph R. Sandoval, Ramon Prats, Benigno R. Fernandez, Gilberto Rivera-Arreaga and Ileana M. Colon-Carlo (collectively, the “Individual Defendants”); and PwC. Subject to Court approval, Lead Plaintiffs, on behalf of all persons and entities who purchased or otherwise acquired publicly traded securities of R&G between January 21, 2003 and November 2, 2007, inclusive (the “Class Period”), and who, based on conduct asserted in the Action, were injured thereby (the “Class”), have agreed to settle all claims based on the purchase or acquisition of publicly traded securities of R&G that were or could have been asserted against (i) R&G and the Individual Defendants in the Action in exchange for a settlement payment of \$39,000,000 in cash, and (ii) PwC in the Action in exchange for a settlement payment of \$12,000,000 in cash. The combined amount of \$51,000,000 is referred to herein as the Settlement Fund. The Net Settlement Fund (the Settlement Fund plus all interest earned thereon less taxes, notice and administration costs and attorney fees and litigation expenses awarded to counsel representing Lead Plaintiffs) will be distributed in accordance with a plan of allocation (the “Plan of Allocation”) that is described in this Notice. Lead Plaintiffs’ damages expert estimates that approximately 58.7 million shares of R&G common stock may have been affected by the conduct at issue in the Action. Thus, assuming that the owners of all affected shares elect to participate, the average per share recovery from the Settlement Fund would be approximately \$0.87 per affected share, before the deduction of attorney fees, costs and expenses, as approved by the Court. The Settlements resolve the Class’s claims against all defendants.

2. **Reasons for the Settlements:** In light of the amount of the Settlements and the immediacy of recovery to the Class, Lead Plaintiffs believe that each of the proposed Settlements is fair, reasonable and adequate, and in the best interests of the Class. Lead Plaintiffs believe that the R&G Settlement and the PwC Settlement each provide a substantial benefit now, namely \$39,000,000 in cash and \$12,000,000 in cash, respectively, less the various deductions described in this Notice, as compared to the risk that all or some of the claims in the Action could have been dismissed in response to R&G’s, the Individual Defendants’ and PwC’s anticipated motions for summary judgment, or that a similar, smaller, or no recovery would be achieved after motions for summary judgment, a trial and/or appeals,

possibly years in the future, in which R&G, the Individual Defendants and PwC would have the opportunity to assert substantial defenses to the claims asserted against them. The benefit also must be compared to the risk that, even if Lead Plaintiffs and the Class successfully obtained a substantial judgment (after years of additional litigation and appeals), at least certain of the defendants may not be able to pay an amount significantly greater than the value of the Settlement Fund. R&G, the Individual Defendants and PwC deny the claims asserted against them in the Action or that they have engaged in any wrongdoing, violation of law or breach of duty, and the Settlements may not be construed as an admission of wrongdoing by R&G, the Individual Defendants or PwC. R&G, the Individual Defendants and PwC have agreed to the respective Settlements in order to eliminate the burden, expense and risk of continued litigation.

3. **Statement of Average Amount of Damages Per Share:** The parties do not agree on the average amount of damages per share that would be recoverable if Lead Plaintiffs were to prevail on the claims asserted against R&G, the Individual Defendants and PwC. R&G, the Individual Defendants and PwC deny that any shares were damaged as Lead Plaintiffs have alleged. In addition, R&G, the Individual Defendants and PwC were prepared to attempt to establish that the price of R&G's common stock was not inflated as the result of any allegedly false or misleading public statements by R&G, the Individual Defendants or PwC, and that the decline in the price of R&G's common stock alleged in the Action was not the result of the disclosure of information that allegedly had been wrongfully withheld by R&G, the Individual Defendants or PwC.

4. **Statement of Attorney fees and Expenses Sought:** Lead Counsel (as defined in paragraph 7 below) intends to apply for an award of attorney fees in an amount not to exceed 22.5% of the Settlement Fund net of Court-approved litigation expenses. In addition, Lead Counsel also intends to apply for reimbursement of litigation expenses paid or incurred in connection with the prosecution and resolution of the claims against R&G, the Individual Defendants and PwC, in an amount not to exceed \$425,000, which may include the reasonable costs and expenses (including lost wages) of Lead Plaintiffs directly related to the representation of the Class. If the Court (as defined in paragraph 6 below) approves Lead Counsel's fee and expense application, the average cost per affected share will be approximately \$0.20.

5. **Identification of Attorneys' Representatives:** Any questions regarding the Settlements should be directed to Lead Counsel: Steven B. Singer, Bernstein Litowitz Berger & Grossmann LLP, 1285 Avenue of the Americas, New York, NY 10019, (800) 380-8496, www.blbglaw.com, or Leonard Barrack, Barrack, Rodos & Bacine, 3300 Two Commerce Square, 2001 Market Street, Philadelphia, PA 19103, (215) 963-0600, www.barrack.com.

YOUR LEGAL RIGHTS AND OPTIONS IN THIS SETTLEMENT	
SUBMIT A CLAIM FORM POSTMARKED NO LATER THAN SEPTEMBER 26, 2008	The only way to get a payment.
EXCLUDE YOURSELF FROM THE CLASS POSTMARKED NO LATER THAN SEPTEMBER 2, 2008	Get no payment. This is the only option that allows you to ever be part of any other lawsuit against R&G, the Individual Defendants or PwC with respect to the claims in this case.
OBJECT NO LATER THAN SEPTEMBER 2, 2008	Write to the Court and explain why you do not like the Settlements.
GO TO THE HEARING ON SEPTEMBER 16, 2008 AT 3 P.M. AND FILE A NOTICE OF INTENTION TO APPEAR NO LATER THAN SEPTEMBER 2, 2008	Ask to speak in Court about the fairness of the Settlements.
DO NOTHING	Get no payment. Give up your rights.

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WHY DID I GET THIS NOTICE?

6. This Notice is being sent to you pursuant to Orders of the United States District Court for the Southern District of New York (the "Court") because you may have purchased or otherwise acquired R&G publicly traded securities during the Class Period. The Court has directed us to send you this Notice because, as a potential Class Member, you have a right to know about your options prior to the trial or settlement of this case. Additionally, you have the right to understand how a class action lawsuit may generally affect your legal rights. If the Court approves the Settlements, after any objections and appeals are resolved, the claims administrator selected by Lead Plaintiffs and approved by the Court will make payments pursuant to the Settlements.

7. In a class action lawsuit, the Court selects one or more people, known as class representatives, to sue on behalf of all people with similar claims, commonly known as the class or the class members. By Order dated July 26, 2005, the Court appointed City of Philadelphia Board of Pensions and Retirement and General Retirement System of the City of Detroit to serve as "Lead Plaintiffs" under a federal law relating to lawsuits such as this one, and approved the selection by Lead Plaintiffs of the law firms of Bernstein Litowitz Berger & Grossmann LLP and Barrack, Rodos & Bacine ("Lead Counsel") to serve as Lead Counsel in the Action. A class action is a type of lawsuit in which the claims of a number of individuals are resolved together, thus providing the class members with both consistency and efficiency. Once the class is certified, the Court must resolve all issues on behalf of the class members, except for those, if any, who choose to exclude themselves from the class. (For more information on excluding yourself from the Class, please read "What If I Do Not Want To Be A Part Of The Class And The Settlements? How Do I Exclude Myself?" located further below.)

8. The Court in charge of this case is the United States District Court for the Southern District of New York, and the case is known as *In re R&G Financial Corporation Securities Litigation*. The Judge presiding over this case is

the Honorable John E. Sprizzo, United States District Judge. The people who are suing are called plaintiffs, and those who are being sued are called defendants. In this case, the plaintiffs are referred to as Lead Plaintiffs, on behalf of themselves and the Class, and Defendants are R&G, the Individual Defendants and PwC.

9. This Notice explains the lawsuit, the Settlements, your legal rights, what benefits are available, who is eligible for them, and how to get them. The purpose of this Notice is to inform you of this case, that it is a class action, how you might be affected and how to exclude yourself from the Class if that is your preference. It also is being sent to inform you of the terms of the proposed Settlements, and of a hearing to be held by the Court to consider the fairness, reasonableness, and adequacy of the proposed Settlements, the fairness and reasonableness of the Plan of Allocation, and the application by Lead Counsel for attorney fees and reimbursement of litigation expenses, and interest thereon (the "Settlement Hearing").

10. The Settlement Hearing will be held on September 16, 2008 at 3:00 p.m., before the Honorable John E. Sprizzo, at the United States District Court for the Southern District of New York, 500 Pearl Street, New York, New York 10007 to determine:

- (i) whether this Action should be finally certified, for settlement purposes, as a class action under Rules 23(a) and (b) of the Federal Rules of Civil Procedure;
- (ii) whether each of the proposed R&G Settlement and the proposed PwC Settlement on the terms and conditions provided for in the Stipulation is fair, reasonable and adequate and should be approved by the Court;
- (iii) whether the claims against R&G, the Individual Defendants and PwC should be dismissed with prejudice as set forth in the Stipulation;
- (iv) whether the proposed Plan of Allocation for the proceeds of the Settlements is fair and reasonable, and should be approved by the Court; and
- (v) whether the application by Lead Counsel for an award of attorney fees and reimbursement of Litigation Expenses incurred should be approved.

11. This Notice does not express any opinion by the Court concerning the merits of any claim in the Action, and the Court still has to decide whether to approve the Settlements. If the Court approves the Settlements, payments will be made after appeals, if any, are resolved, and after the completion of all claims processing. Please be patient.

WHAT IS THIS CASE ABOUT? WHAT HAS HAPPENED SO FAR?

12. During the Class Period, R&G was a Puerto Rico-chartered, financial holding company that, through its wholly-owned subsidiaries, was engaged in banking, mortgage banking, broker-dealer and insurance activities, with operations in Puerto Rico and the continental United States. The Company was engaged in providing a full range of banking services in Puerto Rico and in the Orlando and Tampa/St. Petersburg, Florida markets.

13. On April 25, 2005, R&G issued a press release announcing that it would revise the methodology used in valuing residual interests retained in connection with its purported sales of mortgage loans to other financial institutions, and would restate its financial statements for the period January 1, 2003 to December 31, 2004.

14. On July 27, 2005, R&G announced that it would restate its interim and audited consolidated financial statements for the year ended December 31, 2002.

15. PwC served as R&G's independent outside auditor at all relevant times, and provided auditing and accounting services to the Company, which included the issuance of auditor's reports on R&G's financial statements for the fiscal years 2002, 2003 and 2004. PwC's auditor's reports were included in the Company's Annual Reports on Forms 10-K for the fiscal years 2002, 2003 and 2004.

16. Beginning on April 27, 2005, various actions were commenced in the United States District Court for the Southern District of New York and the United States District Court for the District of Puerto Rico (the "Securities Class Actions"). The complaints in those actions alleged, *inter alia*, that certain of the defendants violated Section 10(b) of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 thereunder, and Section 20(a) of the Exchange Act, and claimed that R&G had fraudulently misstated its financial statements by using an incorrect valuation methodology for certain securitization transactions.

17. On July 26, 2005, the Court entered an Order consolidating the Securities Class Actions into the Consolidated Action, appointing Lead Plaintiffs as lead plaintiffs in the Consolidated Action, and ordering that Lead Plaintiffs were to file an amended complaint.

18. On February 27, 2007, Lead Plaintiffs filed a Consolidated Amended Class Action Complaint (the “Amended Complaint”) which again asserted claims against R&G, individual defendants Galán, Sandoval and Prats under Section 10(b) and Rule 10b-5 of the Exchange Act, and against the Individual Defendants under Section 20(a) of the Exchange Act, and for the first time asserted claims against PwC under Section 10(b) and Rule 10b-5 and against defendants Fernandez, Rivera-Arreaga and Colon-Carlo (who are members of the Audit Committee of R&G’s board of directors) under Section 20(a). 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 unqualified auditor’s reports were materially false and misleading.

19. Lead Counsel conducted an extensive factual and legal investigation relating to the claims and the underlying events and transactions alleged in the Amended Complaint. Lead Counsel analyzed the evidence adduced during their investigation and researched the applicable law with respect to the claims of Lead Plaintiffs and the Class against R&G, the Individual Defendants and PwC and the potential defenses thereto.

20. On May 4, 2007, R&G, the Individual Defendants and PwC filed motions to dismiss the Amended Complaint, which were fully briefed by July 16, 2007. The Court entered orders denying the motions to dismiss on September, 7 and October 19, 2007.

21. On October 29 and 30, 2007, Lead Plaintiffs and R&G, through counsel, voluntarily mediated with assistance of retired United States District Court Judge Nicholas H. Politan in an effort to resolve the claims against R&G. No settlement was reached during those two days of mediation sessions.

22. On November 2, 2007, R&G issued the Company’s restatement of its financial statements for 2002, 2003 and 2004 and selected additional data as required by Item 301 of Regulation S-K and Industry Guide 3 as described in the Amended Annual Report on Form 10K/A filed by R&G (the “Restatement”). PwC issued an auditor’s report on the restated 2002, 2003 and 2004 financial statements.

23. In the weeks subsequent to the Restatement, Lead Plaintiffs and R&G conducted additional settlement negotiations through Judge Politan, pursuant to which Lead Plaintiffs reached an agreement in principle to settle the Consolidated Action as against R&G and to release the claims that the Class asserted against R&G and the Individual Defendants. The terms of the R&G Settlement are set forth in the Stipulation and Agreement of Settlement with (the “Stipulation”) on file in this case.

24. On March 27, 2008, Lead Plaintiffs and PwC, through counsel, voluntarily mediated with assistance of Judge Politan, pursuant to which the Lead Plaintiffs and PwC reached an agreement in principle to settle the Consolidated Action as against PwC. The terms of the PwC Settlement are set forth in the Stipulation on file in this case.

HOW DO I KNOW IF I AM PART OF THE CLASS AND THE SETTLEMENTS?

25. You are a Member of the Class if you purchased or otherwise acquired publicly traded securities of R&G between January 21, 2003 and November 2, 2007, inclusive, and based on conduct asserted in the Action, were injured thereby. Excluded from the Class are (a) the Defendants named in the Amended Complaint; (b) members of the immediate families of the Individual Defendants; (c) the subsidiaries and affiliates of the Defendants; (d) any person or entity who is a partner, officer, director, or controlling person of R&G (including any of its subsidiaries or affiliates) or of any Defendant; (e) any entity in which any Defendant has a controlling interest; (f) the Defendants’ directors’ and officers’ liability insurance carriers; and (g) the legal representatives, heirs, successors and assigns of any such excluded party. You also are excluded from the Class if you timely request exclusion from the Class pursuant to this Notice (see “What If I Do Not Want To Be a Part of The Class And The Settlements? How Do I Exclude Myself?” below). If you are a Class Member, you are subject to the Settlements whether or not you submit a Claim Form, unless you timely request to be excluded.

RECEIPT OF THIS NOTICE DOES NOT NECESSARILY MEAN THAT YOU ARE A CLASS MEMBER OR ARE ENTITLED TO RECEIVE PROCEEDS FROM THE SETTLEMENTS. IF YOU WISH TO PARTICIPATE IN THE SETTLEMENTS, YOU MUST SUBMIT THE ENCLOSED CLAIM FORM POSTMARKED NO LATER THAN SEPTEMBER 26, 2008.

WHAT RECOVERY DO THE SETTLEMENTS PROVIDE?

26. The Settlements provide for a recovery of \$51,000,000 in cash (*i.e.*, \$39,000,000 from the R&G Settlement and \$12,000,000 from the PwC Settlement), which has been deposited into an interest-bearing escrow account under the control of Lead Counsel. R&G has also agreed to enact certain corporate governance changes. Lead Counsel’s fees,

expenses and costs with interest thereon, to the extent allowed by the Court, as well as taxes, notification costs and administration costs, will be deducted from the Settlement Fund, and the balance will be distributed to the Class. The amount of any recovery will depend on a number of factors, including when and for what price Class Members purchased and/or sold their R&G publicly traded securities and the total number of such securities for which timely and valid Claim Forms are submitted by Class Members (“Authorized Claimants”) (see “How Much Will My Payment Be?” below).

27. Lead Plaintiffs’ damages expert estimates that approximately 58.7 million shares of the Company’s common stock were traded during the Class Period and may have been damaged by the conduct at issue in the Amended Complaint. Thus, assuming that the owners of all damaged shares elect to participate, the average per share recovery from the Settlement Fund would be approximately \$0.87 per affected share before deduction of attorney’s fees, costs and expenses as approved by the Court.

WHY ARE THERE SETTLEMENTS?

28. Under the proposed Settlements, the Court will not decide in favor of either Lead Plaintiffs, R&G, the Individual Defendants or PwC. By agreeing to the Settlements, Lead Plaintiffs, R&G, the Individual Defendants and PwC avoid the costs of further litigation and the risks of a trial, and the Class Members are compensated.

29. In light of the amount of the Settlements, and the immediacy of recovery to the Class, Lead Plaintiffs and Lead Counsel believe that each of the proposed Settlements is fair, reasonable and adequate, and in the best interests of Class Members. Lead Plaintiffs believe that the R&G Settlement and the PwC Settlement each provide a substantial benefit, namely \$39,000,000 in cash and \$12,000,000 in cash, respectively, less the various deductions described in this Notice, as compared to the risk that all or some of the claims in the Action could have been dismissed in response to R&G’s, the Individual Defendants’ or PwC’s anticipated motions for summary judgment, or the risk that a similar, smaller, or no recovery would be achieved after motions for summary judgment, a trial, and appeals, possibly years in the future, in which R&G, the Individual Defendants and PwC would have the opportunity to assert substantial defenses to the claims asserted against them. The benefit also must be compared to the risk that, even if Lead Plaintiffs and the Class successfully obtained a substantial judgment (after years of additional litigation and appeals), at least certain of the defendants may not be able to pay an amount significantly greater than the value of the Settlement Fund.

WHAT LED UP TO THE SETTLEMENTS?

30. The Settlements resulted from over 2½ years of litigation and extensive arm’s-length mediated negotiations among Lead Plaintiffs, Lead Counsel and counsel for R&G and PwC. Several settlement discussions took place, including discussions before an experienced mediator, which ultimately resulted in separate agreements to settle the claims asserted in this Action against (i) R&G and the Individual Defendants, and (ii) PwC.

WHY HAVE R&G AND PwC AGREED TO THE SETTLEMENTS?

31. R&G, the Individual Defendants and PwC deny that they have engaged in any wrongdoing, violated any law or breached any duty, and deny that the claims asserted against them in the Amended Complaint have any merit. R&G, the Individual Defendants and PwC believe that they have substantial defenses to all of those claims. However, R&G, the Individual Defendants and PwC consider it desirable, and in their respective best interests, that the claims against R&G, the Individual Defendants and PwC be dismissed on the terms set forth in the Stipulation to avoid further expense and protracted litigation, taking into account the uncertainty and risks inherent in any litigation. The Settlements are not evidence of, an admission of, or a concession by R&G, the Individual Defendants or PwC, or any of its partners or principals, of any fault or liability whatsoever, or any infirmity in any defenses they have asserted or intended to assert in the Action.

WHAT ARE THE LEAD PLAINTIFFS’ REASONS FOR THE SETTLEMENTS?

32. Lead Plaintiffs and Lead Counsel believe that the claims asserted against R&G, the Individual Defendants and PwC have merit. However, they recognize the expense and length of continued proceedings necessary to pursue their claims against R&G, the Individual Defendants and PwC through trial and appeals. Lead Plaintiffs and Lead Counsel also have taken into account the possibility that the claims asserted in the Amended Complaint might have been dismissed in response to R&G’s, the Individual Defendants’ and PwC’s anticipated motions for summary judgment, and have considered issues that would have been decided by a jury in the event of a trial of the Action, including whether R&G, the Individual Defendants and PwC acted with an intent to mislead investors, whether the alleged misrepresentations or omissions were material to investors, whether all of Class Members’ losses were caused by the alleged misrepresentations or omissions, and the amount of any damages. Lead Plaintiffs and Lead Counsel also have considered the uncertain outcome and trial risk in complex lawsuits like this one and that, even if they were

successful, at least certain defendants may not have been able to pay an amount significantly larger than the Settlement Fund. Lead Plaintiffs believe that a recovery now will provide an immediate benefit to Class Members, which is superior to the risk and delay of proceeding with the Action. Considering these issues, and balancing them against the certain and substantial benefits that the Class will receive as a result of the Settlements, Lead Plaintiffs and Lead Counsel determined that the R&G Settlement and PwC Settlement described herein are fair, reasonable and adequate, and that it is in the best interests of the Class to settle the claims against R&G, the Individual Defendants and PwC on the terms set forth in the Stipulation and this Notice.

WHAT MIGHT HAPPEN IF THERE WERE NO SETTLEMENTS?

33. If there were no Settlements and Lead Plaintiffs failed to establish any essential legal or factual element of their claims, neither Lead Plaintiffs nor the Class would recover anything from R&G, the Individual Defendants or PwC. Also, if R&G, the Individual Defendants and PwC were successful in proving any of their defenses, the Class likely would recover substantially less than the amount provided in the Settlements, or nothing at all.

HOW MUCH WILL MY PAYMENT BE?

THE PROPOSED PLAN OF ALLOCATION: GENERAL PROVISIONS

34. R&G has agreed to pay Thirty-Nine Million Dollars (\$39,000,000) in cash, and PwC has agreed to pay Twelve Million Dollars (\$12,000,000) in cash.

35. After approval of the Settlements by the Court and upon satisfaction of the other conditions to the Settlements, the Net Settlement Fund will be distributed to Authorized Claimants in accordance with the Plan of Allocation described below.

36. The Settlement Fund will be distributed as follows:

(i) To pay all federal, state and local taxes on any income earned by the Settlement Fund and to pay the reasonable costs incurred in connection with determining the amount of, and paying, taxes owed by the Settlement Fund (including reasonable expenses of tax attorneys and accountants);

(ii) To pay costs and expenses in connection with providing Notice to Class Members and administering the Settlements on behalf of Class Members;

(iii) To reimburse Lead Counsel for, and to pay, costs and expenses incurred by Lead Counsel in connection with, commencing and prosecuting the Action, with interest thereon, if and to the extent allowed by the Court;

(iv) To pay Lead Counsel's attorney fees, to the extent allowed by the Court; and

(v) Subject to Orders of the Court granting approval of the Settlements and the Plan of Allocation (or such other allocation plan as the Court may approve) becoming final (meaning that the time for appeal or appellate review of the Order granting final approval has expired, or if the Order is appealed, that appeal is either decided without causing a material change in the Orders or upheld on appeal and no longer subject to appellate review by further appeal or writ of certiorari) the balance of the Net Settlement Fund shall be distributed to Authorized Claimants in accordance with the Plan of Allocation.

37. There will be no distribution of the Net Settlement Fund until a plan of allocation is finally approved, and the time for any petition for rehearing, appeal or review, whether by certiorari or otherwise, has expired.

38. Neither R&G nor PwC is entitled to get back any portion of the Settlement Fund once the Court's Orders approving the Settlements become final. Moreover, R&G, the Individual Defendants and PwC have no liability, obligation or responsibility for the administration of the Settlements or disbursement of the Net Settlement Fund or the Plan of Allocation.

39. Approval of the Settlements is independent from approval of the Plan of Allocation. Any determination with respect to the Plan of Allocation will not affect the Settlements, if approved.

40. Only those Class Members who purchased or otherwise acquired R&G publicly traded securities during the Class Period **AND WERE INJURED AS A RESULT OF SUCH PURCHASES OR ACQUISITIONS**, will be eligible to share in the distribution of the Net Settlement Fund. Each person wishing to participate in the distribution must timely submit a valid Claim Form and all required documentation postmarked no later than September 26, 2008 to the address set forth in the Claim Form that accompanies this Notice. Unless otherwise ordered by the Court, any Class Member who fails to submit a Claim Form postmarked no later than September 26, 2008 shall be forever barred from receiving payments pursuant to the Settlements set forth in the Stipulation but will in all other respects be subject

to the provisions of the Stipulation, including the terms of any Judgment entered and releases given. This means that each Class Member releases the Settled Claims (as defined in paragraph 54 below) against the Released Parties (as defined in paragraph 55 below) and is enjoined and prohibited from filing, prosecuting, or pursuing any of the Settled Claims against any of the Released Parties regardless of whether or not such Class Member submits a Claim Form.

41. The Court has reserved jurisdiction to allow, disallow, or adjust on equitable grounds the Claim of any Class Member. The Court also reserves the right to modify the Plan of Allocation without further notice to Class Members. Payment pursuant to the Plan of Allocation approved by the Court shall be conclusive against all Authorized Claimants. No person shall have any claim against Lead Plaintiffs, Lead Counsel or the Claims Administrator or other agent designated by Lead Counsel based on the distributions made substantially in accordance with the Stipulation and the Settlements contained therein, the Plan of Allocation, or further orders of the Court.

THE PROPOSED PLAN OF ALLOCATION: CALCULATION OF LOSS AMOUNT

42. A "Loss Amount" will be calculated for each purchase or acquisition of R&G common stock that is listed in the Claim Form, and for which adequate documentation is provided. The calculation of the Loss Amount will depend upon several factors, including when the shares of R&G common stock were purchased or otherwise acquired and whether they were held until the conclusion of the Class Period or sold during the Class Period, and if so, when they were sold.

43. **Information Required on the Claim Form:** Each Claim Form must indicate each Authorized Claimant's position in R&G common stock as of the close of trading on January 20, 2003, the day before the first day of the Class Period, and the closing position in R&G common stock as of the close of trading on February 1, 2008, ninety days after the last day of the Class Period. Each Claim Form also must list *all* transactions in R&G common stock, including all purchases and sales, made during the Class Period.

BASIS FOR CALCULATION OF LOSS AMOUNT

44. The objective of the Plan of Allocation is to distribute the settlement proceeds equitably to those Class Members who suffered economic losses as a result of the alleged fraud, as opposed to losses caused by market, industry or other non-fraud related Company specific factors. The Plan of Allocation reflects Lead Plaintiffs' damages expert's analysis undertaken to that end, including a review of publicly available information regarding R&G and statistical comparisons of the price movements of R&G's common stock with the price performance of relevant market and industry indices during the Class Period.

45. Recognized Losses are based on the level of alleged artificial inflation in the price of R&G's common stock at the time of purchase. However, in order to have compensable damages under the federal securities laws, the disclosure of the allegedly misrepresented information must be the cause of the decline in the price of the securities. In this case, Lead Plaintiffs allege that R&G, the Individual Defendants and PwC made false statements and omitted material facts between January 21, 2003 and November 2, 2007 regarding the Company's growth and viability, which had the effect of artificially inflating R&G's stock price. R&G denies all such allegations.

46. In order to have recoverable damages, disclosure of the alleged misrepresentations about the Company's growth and viability must be the cause of the decline in the price of the security.

SPECIFIC LOSS AMOUNTS

47. Specific Loss Amounts will be calculated as follows:

A. For shares of R&G common stock purchased between January 21, 2003 and March 15, 2005 inclusive:

1. And sold between January 21, 2003 and March 15, 2005, the Recognized Loss shall be zero.

2. And sold between March 16, 2005 and April 25, 2005, the Recognized Loss shall be the lesser of \$0.885 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

3. And sold between April 26, 2005 and July 26, 2005, the Recognized Loss shall be the lesser of \$8.613 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

4. And sold between July 27, 2005 and October 25, 2005, the Recognized Loss shall be the lesser of \$10.047 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

5. And sold between October 26, 2005 and February 12, 2007, the Recognized Loss shall be the lesser of \$11.368 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

6. And sold between February 13, 2007 and November 2, 2007, the Recognized Loss shall be the lesser of \$13.408 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

7. And retained at the end of trading on February 1, 2008, the Recognized Loss shall be the lesser of \$13.523 per share, or the difference between the purchase price per share and \$0.986.¹

8. And sold between November 5, 2007 and February 1, 2008, the Recognized Loss shall be the lesser of (i) \$13.523 per share; (ii) the difference between the purchase price per share and the sales price per share for each share sold; or (iii) the difference between the purchase price per share and the average closing price of R&G common stock between November 5, 2007 and the date of sale.²

B. For shares of common stock purchased between March 16, 2005 and April 25, 2005 inclusive:

1. And sold between March 16, 2005 and April 25, 2005, the Recognized Loss shall be zero.

2. And sold between April 26, 2005 and July 26, 2005, the Recognized Loss shall be the lesser of \$7.728 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

3. And sold between July 27, 2005 and October 25, 2005, the Recognized Loss shall be the lesser of \$9.163 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

4. And sold between October 26, 2005 and February 12, 2007, the Recognized Loss shall be the lesser of \$10.483 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

5. And sold between February 13, 2007 and November 2, 2007, the Recognized Loss shall be the lesser of \$12.523 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

6. And retained at the end of trading on February 1, 2008, the Recognized Loss shall be the lesser of \$12.638 per share, or the difference between the purchase price per share and \$0.986.

7. And sold between November 5, 2007 and February 1, 2008, the Recognized Loss shall be the lesser of (i) \$12.638 per share; (ii) the difference between the purchase price per share and the sales price per share for each share sold; or (iii) the difference between the purchase price per share and the average closing price of R&G common stock between November 5, 2007 and the date of sale.

C. For shares of common stock purchased between April 26, 2005 and July 26, 2005:

1. And sold between April 26, 2005 and July 26, 2005, the Recognized Loss shall be zero.

2. And sold between July 27, 2005 and October 25, 2005, the Recognized Loss shall be the lesser of 50% of \$1.434 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

3. And sold between October 26, 2005 and February 12, 2007, the Recognized Loss shall be the lesser of 50% of \$2.755 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

¹ Pursuant to Section 21(D)(e)(1) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, the award of damages to the plaintiff shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the subject security and the mean trading price of that security during the 90-day period beginning on the date on which the information correcting the misstatement or omission that is the basis for the action is disseminated." \$0.986 was the mean (average) daily closing trading price of R&G Financial Corporation common stock during the 90-day period beginning on November 5, 2007 and ending on February 1, 2008.

² Pursuant to Section 21(D)(e)(2) of the Private Securities Litigation Reform Act of 1995, "in any private action arising under this title in which the plaintiff seeks to establish damages by reference to the market price of a security, if the plaintiff sells or repurchases the subject security prior to the expiration of the 90-day period described in paragraph (1), the plaintiff's damages shall not exceed the difference between the purchase or sale price paid or received, as appropriate, by the plaintiff for the security and the mean trading price of the security during the period beginning immediately after dissemination of information correcting the misstatement or omission and ending on the date on which the plaintiff sells or repurchases the security."

4. And sold between February 13, 2007 and November 2, 2007, the Recognized Loss shall be the lesser of 50% of \$4.795 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

5. And retained at the end of trading on February 1, 2008, the Recognized Loss shall be the lesser of 50% of \$4.910 per share, or the difference between the purchase price per share and \$0.986.

6. And sold between November 5, 2007 and February 1, 2008, the Recognized Loss shall be the lesser of (i) 50% of \$4.910 per share; (ii) the difference between the purchase price per share and the sales price per share for each share sold; or (iii) the difference between the purchase price per share and the average closing price of R&G common stock between November 5, 2007 and the date of sale.

D. For shares of common stock purchased between July 27, 2005 and October 25, 2005 inclusive:

1. And sold between July 27, 2005 and October 25, 2005, the Recognized Loss shall be zero.

2. And sold between October 26, 2005 and February 13, 2007, the Recognized Loss shall be the lesser of 25% of \$1.320 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

3. And sold between February 13, 2007 and November 2, 2007, the Recognized Loss shall be the lesser of 25% of \$3.361 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

4. And retained at the end of trading on February 1, 2008, the Recognized Loss shall be the lesser of 25% of \$3.476 per share, or the difference between the purchase price per share and \$0.986.

5. And sold between November 5, 2007 and February 1, 2008, the Recognized Loss shall be the lesser of (i) 25% of \$3.476 per share; (ii) the difference between the purchase price per share and the sales price per share for each share sold; or (iii) the difference between the purchase price per share and the average closing price of R&G common stock between November 5, 2007 and the date of sale.

E. For shares of common stock purchased between October 26, 2005 and February 12, 2007:

1. And sold between October 26, 2005 and February 12, 2007, the Recognized Loss shall be zero.

2. And sold between February 13, 2007 and November 2, 2007, the Recognized Loss shall be the lesser of 25% of \$2.040 per share, or the difference between the purchase price per share and the sales price per share for each share sold.

3. And retained at the end of trading on February 1, 2008, the Recognized Loss shall be the lesser of 25% of \$2.155 per share, or the difference between the purchase price per share and \$0.986.

4. And sold between November 5, 2007 and February 1, 2008, the Recognized Loss shall be the lesser of (i) 25% of \$2.155 per share; (ii) the difference between the purchase price per share and the sales price per share for each share sold; or (iii) the difference between the purchase price per share and the average closing price of R&G common stock between November 5, 2007 and the date of sale.

F. For shares of common stock purchased between February 13, 2007 and November 2, 2007:

1. And sold between February 13, 2007 and November 2, 2007, the Recognized Loss shall be zero.

2. And retained at the end of trading on February 1, 2008, the Recognized Loss shall be the lesser of 10% of \$0.115 per share, or the difference between the purchase price per share and \$0.986.

3. And sold between November 5, 2007 and February 1, 2008, the Recognized Loss shall be the lesser of (i) 10% of \$0.115 per share; (ii) the difference between the purchase price per share and the sales price per share for each share sold; or (iii) the difference between the purchase price per share and the average closing price of R&G common stock between November 5, 2007 and the date of sale.

GENERAL PROVISIONS

48. In the event a Class Member has more than one purchase or sale of R&G common stock during the Class Period, all purchases and sales shall be matched on a First In First Out ("FIFO") basis, Class Period sales will be matched first against any R&G shares held at the beginning of the Class Period, and then against purchases in chronological order, beginning with the earliest purchase made during the Class Period. Purchases and sales of R&G common stock shall be deemed to have occurred on the "contract" or "trade" date as opposed to the "settlement" or

“payment” date. The receipt or grant by gift, devise or operation of law of R&G common stock during the Class Period shall not be deemed a purchase or sale of such R&G shares of common stock for the calculation of an Authorized Claimant’s Recognized Loss, nor shall it be deemed an assignment of any claim relating to the purchase of such R&G shares of common stock unless specifically provided in the instrument of gift or assignment.

49. To the extent a Claimant had a gain from his, her or its overall transactions in R&G common stock during the Class Period, the value of the Recognized Loss will be zero. Such claimants will in any event be bound by the Settlements. To the extent that a Claimant suffered an overall actual loss on his, her or its overall transactions in R&G common stock during the Class Period, but that loss was less than the Recognized Loss calculated above, then the Recognized Loss shall be limited to the amount of the actual loss.

50. For purposes of determining whether a Claimant had a gain from his, her or its overall transactions in R&G common stock during the Class Period or suffered a loss, the Claims Administrator shall: (i) total the amount the Claimant paid for all R&G common stock purchased or otherwise acquired during the Class Period (the “Total Purchase Amount”); match any sales of R&G common stock during the Class Period first against the Claimant’s opening position in the stock (the proceeds of those sales will not be considered for purposes of calculating gains or losses); (ii) total the amount received for sales of the remaining shares of R&G common stock sold during the Class Period (the “Sales Proceeds”); and (iii) ascribe a \$0.986 per share holding value for the number of shares of R&G common stock purchased or otherwise acquired during the Class Period and still held at the end of the Class Period (“Holding Value”). The difference between (x) the Total Purchase Amount ((i) above) and (y) the sum of the Sales Proceeds ((ii) above) and the Holding Value ((iii) above) will be deemed a Claimant’s gain or loss on his, her or its overall transactions in R&G common stock during the Class Period.

51. A payment to any Authorized Claimant of less than **\$10** in total will not be included in the calculation and will not be distributed.

52. Distributions will be made to Authorized Claimants after all claims have been processed and after the Court has finally approved the Settlements. If any funds remain in the Net Settlement Fund by reason of un-cashed distributions or otherwise, then, after the Claims Administrator has made reasonable and diligent efforts to have Class Members who are entitled to participate in the distribution of the Net Settlement Fund cash their distributions, any balance remaining in the Net Settlement Fund one (1) year after the initial distribution of such funds shall be re-distributed to Class Members who have cashed their initial distributions and who would receive at least \$10.00 from such re-distribution, after payment of any unpaid costs or fees incurred in administering the Net Settlement Fund for such re-distribution. If after six months after such re-distribution any funds shall remain in the Net Settlement Fund, then such balance shall be contributed to non-sectarian, not-for-profit, 501(c)(3) organization(s) designated by Lead Counsel.

WHAT RIGHTS AM I GIVING UP BY AGREEING TO THE SETTLEMENTS?

53. If the R&G Settlement is approved and the PwC Settlement is approved, the Court will enter a judgment (the “Judgment”) in each instance. Each Judgment will provide that Lead Plaintiffs and all other Class Members, except those who validly and timely requested to be excluded from the Class, shall upon the “Effective Date” of the R&G Settlement and the PwC Settlement, respectively, be deemed to have, and by operation of each Judgment shall have, fully, finally, and forever released, waived, discharged and dismissed any and all “Settled Claims” (as defined below) against the “Released Parties” (as defined below). Each Judgment also will bar all claims for contribution or indemnification arising out of this Action by any person against the Released Parties and by any Released Party against any person.

54. “Settled Claims” means any and all claims, rights or causes of action or liabilities whatsoever, whether known claims or Unknown Claims (as defined in the Stipulation), whether arising under or based on federal, state, Commonwealth of Puerto Rico, local, statutory or common law or foreign law, or any other law, rule or regulation, whether directly, representatively, derivatively, individually or in any other capacity, that Lead Plaintiffs or any member of the Class (a) asserted against the Released Parties in the Consolidated Action, or (b) could have asserted against the Released Parties in any forum that relate to or arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Consolidated Action or that relate to or arise out of the purchase or sale of shares of the Company’s common stock during the Class Period, including but not limited to all claims relating to (a) PwC’s professional services, including but not limited to audit engagements, performed for the Company in connection with its 2002, 2003 or 2004 financial reporting and any of PwC’s opinions in connection therewith (b) the Company’s announcement on April 25, 2005 that it would restate its financial statements for the period January 1, 2003 to December 31, 2004, (c) the Company’s announcement on July 27, 2005 that it would restate its interim and audited consolidated financial statements for the year ended December 31, 2002, (d) the Restatement (including without limitation the audit committee investigation, the results of which are reflected therein, and any weaknesses in internal controls or remediation of such weaknesses), (e) the alleged

conversation between Mr. Galán and outside counsel referenced in the Restatement, and/or (f) the Company's valuation methodology, accounting treatment and/or financial reporting of (i) the Recharacterized Mortgage Loan Transfers, and (ii) the retained interests initially recognized in connection with the Recharacterized Mortgage Loan Transfers. "Settled Claims" does not include any claims asserted in the Consolidated Derivative Action.

55. "Released Parties" means PwC, the member firms of PricewaterhouseCoopers International Limited, R&G, any and all of the Individual Defendants and their respective present or former officers, directors, agents, employees, attorneys, stockholders, advisors, investment bankers, commercial bankers, insurers, representatives, trustees, parents and officers and directors thereof, affiliates and officers and directors thereof, subsidiaries and officers and directors thereof, general and limited partners, principals, spouses, heirs, executors, administrators, successors and assigns.

56. The "Effective Date" for the R&G Settlement and the PwC Settlement will occur when the Judgment approving the each of those Settlements becomes final and not subject to appeal.

WHAT PAYMENT ARE THE ATTORNEYS FOR THE CLASS SEEKING? HOW WILL THE LAWYERS BE PAID?

57. Lead Counsel has not received any payment for their services in pursuing claims against R&G, the Individual Defendants and PwC on behalf of the Class, nor has Lead Counsel been reimbursed for their out-of-pocket expenses. At the Settlement Hearing described below, or at such other time as the Court may direct, Lead Counsel intends to apply to the Court for an award of attorney fees in an amount not to exceed 22.5% of the Settlement Fund net of Court-approved litigation expenses. The amount of fees sought by Lead Counsel in the fee application is pursuant to the terms of an agreement negotiated and entered into with Lead Plaintiffs.

58. Lead Counsel also intends to apply for reimbursement of litigation expenses in an amount not to exceed \$425,000, which may include the reasonable costs and expenses (including lost wages) of Lead Plaintiffs directly related to the representation of the Class. If the application for attorney fees and reimbursement of litigation expenses is approved by the Court, the average cost per affected share would be approximately \$0.20. **THE COURT HAS NOT EXPRESSED ANY OPINION ON THE APPLICATION FOR ATTORNEY FEES AND REIMBURSEMENT OF LITIGATION EXPENSES.**

59. The fee requested by Lead Counsel would compensate Lead Counsel for its efforts in achieving the Settlements for the benefit of the Class, and for its risk in undertaking this representation on a contingency basis. The fee requested is within the range of fees awarded under similar circumstances in litigation of this type. The Court will determine the amount of the award.

HOW DO I PARTICIPATE IN THE SETTLEMENTS? WHAT DO I NEED TO DO?

60. The Court has certified this action as a class action. If you purchased or otherwise acquired R&G publicly traded securities during the period between January 21, 2003 and November 2, 2007, inclusive, and you are not excluded by the definition of the Class and do not elect to exclude yourself, then you are a Class Member, and you will be bound by the proposed Settlements provided for in the Stipulation, in the event it is approved by the Court, and you will be bound by any judgment or determination of the Court affecting the Class now and in the future. Unless otherwise provided by the Court, any Class Member who fails to submit a Claim Form postmarked no later than September 26, 2008 unless otherwise approved by the Court shall be forever barred from receiving any payments pursuant to the Settlements set forth in the Stipulation but will in all other respects be subject to the provisions of the Stipulation, including the terms of any judgments entered and the releases given.

61. If you wish to remain a Class Member, you may be eligible to share in the proceeds of the Settlements, provided that you timely submit an acceptable Claim Form. The Claim Form must be supported by such documents as specified in the Claim Form. The Claim Form is enclosed. Extra copies of the Claim Form may be obtained from the Claims Administrator at the website noted below or downloaded from Lead Counsel's website at www.blbglaw.com or www.barrack.com.

62. The Court may disallow or adjust the Claim of any Class Member. The Court also may modify the Plan of Allocation without further notice to the Class. Payments pursuant to the Plan of Allocation, as approved by the Court, will be conclusive against all Authorized Claimants. No Person shall have any claim against Lead Plaintiffs, Lead Counsel or the Claims Administrator, or any other agent designated by Lead Counsel, based on the distributions made substantially in accordance with the Stipulation and the Settlements, the Plan of Allocation or further orders of the Court. Each Claimant shall be deemed to have submitted to the jurisdiction of the United States District Court for the Southern District of New York with respect to his, her or its Claim.

63. As a Class Member, you are represented by Lead Plaintiffs and Lead Counsel, unless you enter an appearance through counsel of your own choice at your own expense. You are not required to retain your own counsel, but if you choose to do so, such counsel must file an appearance on your behalf and must serve copies of such appearance on the attorneys listed in the section entitled, “When and Where Will the Court Decide Whether to Approve the Settlements?” below.

64. If you do not wish to remain a Class Member, you may exclude yourself from the Class by following the instructions in the section entitled, “What If I Do Not Want To Be A Part Of The Class And The Settlements? How Do I Exclude Myself?” below.

65. If you object to the Settlements or any of their terms, the proposed Plan of Allocation, or Lead Counsel’s application for attorney fees and reimbursement of litigation expenses, and if you do not exclude yourself from the Class, you may present your objections by following the instructions in the section entitled, “When and Where Will the Court Decide Whether to Approve the Settlements?” below.

**WHAT IF I DO NOT WANT TO BE A PART OF THE CLASS AND THE SETTLEMENTS?
HOW DO I EXCLUDE MYSELF?**

66. Each Class Member will be bound by all determinations and judgments in this lawsuit, including those concerning the Settlements, whether favorable or unfavorable, unless such Class Member mails, by first-class mail, a written Request for Exclusion from the Class, addressed to *In re R&G Financial Corporation Securities Litigation*—EXCLUSIONS,—c/o Heffler, Radetich & Saitta LLP, P.O. Box 1200, Philadelphia, PA, 19105-1200, postmarked no later than September 2, 2008. You will not be able to exclude yourself from the Class after that date. Each Request for Exclusion must set forth the name and address of the person or entity requesting exclusion; must state that such person “requests exclusion from the Class in *In re R&G Financial Corporation Securities Litigation*, 05 Civ. 4186 (JES)”; be signed by such person; and provide a telephone number and documentation verifying membership in the Class, including all purchases and sales of R&G publicly traded securities during the Class Period (including each date of acquisition, purchase and sale and each price and amount paid and/or received). Requests for Exclusion will not be valid if they are not made within the time and manner stated above, unless the Requests for Exclusion are otherwise accepted by the Court.

67. If a Class Member requests to be excluded from the Class, that Class Member will not receive any benefit provided for in the Stipulation.

**WHEN AND WHERE WILL THE COURT DECIDE WHETHER TO APPROVE THE SETTLEMENTS?
DO I HAVE TO COME TO THE HEARING? MAY I SPEAK AT THE HEARING IF I DON’T LIKE THE SETTLEMENTS?**

If you do not wish to object to the proposed Settlements, the application for attorney fees and reimbursement of litigation expenses, and/or the proposed Plan of Allocation, you need not attend the Settlement Hearing.

68. The Settlement Hearing will be held on September 16, 2008 at 3:00 p. m. before the Honorable John E. Sprizzo, at the United States District Court for the Southern District of New York, 500 Pearl Street, New York, NY 10007. The Court reserves the right to approve the R&G Settlement and the PwC Settlement at or after the Settlement Hearing with such modifications as may be consented to by the Parties to the Stipulations and without further notice to the members of the Class.

69. Any Class Member who does not request exclusion postmarked no later than September 2, 2008 may appear at the Settlement Hearing and be heard on any of the matters to be considered at the hearing; provided, however, that no such Class Member shall be heard unless his, her or its objection or opposition is made in writing setting forth the basis therefore, and is filed, together with copies of all other papers (including proof of all purchases and sales of R&G publicly traded securities during the Class Period) and briefs, with the Clerk’s Office at the United States District Court for the Southern District of New York, 500 Pearl Street, New York, NY 10007 on or before September 2, 2008, and is sent for receipt no later than September 2, 2008 to each of the following:

Lead Counsel for the Class		Counsel for R&G	Counsel for Victor J. Galán	Counsel for PwC
BERNSTEIN LITOWITZ BERGER & GROSSMANN LLP Steven B. Singer, Esq. 1285 Avenue of the Americas New York, NY 10019	BARRACK, RODOS & BACINE M. Richard Komins, Esq. 3300 Two Commerce Square 2001 Market Street Philadelphia, PA 19103	SULLIVAN & CROMWELL LLP Maite Aquino, Esq. 125 Broad Street New York, NY 10004	SIMPSON THACHER & BARTLETT LLP Mark J. Stein, Esq. 425 Lexington Avenue New York, NY 10017	ORRICK, HERRINGTON & SUTCLIFFE LLP Diana L. Weiss, Esq. 1152 15th Street N.W. Washington, D.C. 20005

70. The filing must demonstrate your membership in the Class, including the number of shares of R&G publicly traded securities purchased or otherwise acquired and the number of shares sold during the Class Period and the price(s) paid and received, and must state the basis for your objection to any matter before the Court. Only Class Members who have submitted their position in this manner will be entitled to be heard at the Settlement Hearing, unless the Court orders otherwise. You may file an objection without having to appear at the Settlement Hearing. Class Members who approve of the Settlements need not appear at the Settlement Hearing.

71. Attendance at the hearing is not necessary; however, persons wishing to be heard orally in opposition to the approval of the Settlements, the proposed Plan of Allocation and/or the request for attorney fees and reimbursement of litigation expenses are required to notify the above counsel in advance of the hearing. Persons who intend to object to the Settlements, the proposed Plan of Allocation and/or Lead Counsel's application for an award of attorney fees and reimbursement of litigation expenses and desire to present evidence at the Settlement Hearing must include in their written objections the identity of any witnesses they may call to testify and exhibits they intend to introduce into evidence at the Settlement Hearing.

72. The Settlement Hearing may be delayed from time to time by the Court without further written notice to the Class. If you intend to attend the Settlement Hearing, you should confirm the date and time with Lead Counsel.

Unless otherwise ordered by the Court, any Class Member who does not object in the manner described herein will be deemed to have waived any objection and shall be forever foreclosed from making any objection to the proposed Settlements, the application for attorney fees and reimbursement of litigation expenses and/or the proposed Plan of Allocation. Class Members do not need to appear at the hearing or take any other action to indicate their approval.

WHAT IF I BOUGHT SHARES ON SOMEONE ELSE'S BEHALF?

73. If you purchased or otherwise acquired R&G publicly traded securities during the Class Period for the beneficial interest of a person or organization other than yourself, you are directed to send a copy of this Notice and the Claim Form, to the beneficial owner of the shares postmarked no later than fourteen (14) days from the date of this Notice, or to provide the names and addresses of such persons no later than fourteen (14) days from the date of this Notice to the Claims Administrator at: *In re R&G Financial Corporation Securities Litigation*, c/o Heffler, Radetich & Saitta LLP, P.O. Box 1200, Philadelphia, PA 19105-1200, in which case the beneficial owner will be sent a copy of the Notice. Upon full compliance with these directions, such nominees may seek reimbursement of their documented reasonable expenses actually incurred in complying herewith by providing the Claims Administrator with proper documentation supporting the expenses for which reimbursement is sought. Copies of this Notice and the Claim Form may also be obtained from the Claims Administrator's website www.hrsclaimadministration.com, or calling toll-free 1-888-665-1124, or may be downloaded from Lead Counsel's website at www.blbglaw.com or www.barrack.com.

CAN I SEE THE COURT FILE? WHOM SHOULD I CONTACT IF I HAVE QUESTIONS?

74. This Notice contains only a summary of the terms of the proposed Settlements. For a more detailed statement of the matters involved in the Action, you are referred to the papers on file in the Action, including the Stipulation, which may be inspected during regular office hours at the Office of the Clerk, United States District Court for the Southern District of New York, 500 Pearl Street, New York, NY 10007.

75. All inquiries concerning this Notice or the Claim Form should be directed to:

*In re R&G Financial Corporation
Securities Litigation*
Heffler, Radetich & Saitta LLP
P.O. Box 1200
Philadelphia, PA 19105-1200
(888) 665-1124

OR

Lead Counsel for the Class
BERNSTEIN LITOWITZ BERGER
& GROSSMANN LLP
Steven B. Singer, Esq.
1285 Avenue of the Americas
New York, NY 10019

OR

BARRACK, RODOS & BACINE
M. Richard Komins, Esq.
3300 Two Commerce Square
2001 Market Street
Philadelphia, PA 19103

**DO NOT CALL OR WRITE THE COURT OR THE OFFICE OF THE CLERK OF THE COURT
REGARDING THIS NOTICE.**

Dated: June 18, 2008

By Order of the Clerk of the Court
United States District Court
for the Southern District of New York

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

_____	X	
IN RE R&G FINANCIAL CORPORATION	:	
SECURITIES LITIGATION	:	<u>ECF CASE</u>
_____	X	
This Document relates to:	:	MASTER FILE NO.
All Actions.	:	05 Civ. 4186 (JES)
_____	X	

PROOF OF CLAIM AND RELEASE

DEADLINE FOR SUBMISSION SEPTEMBER 26, 2008.

GENERAL INSTRUCTIONS

1. It is important that you completely read and understand the Notice of Pendency of Class Action and Proposed Settlements, Settlement Hearing and Motion for Attorney Fees and Reimbursement of Litigation Expenses (the "Notice") that accompanies this Proof of Claim and Release and Proposed Plan of Allocation of Net Settlement Fund included therein (the "Plan of Allocation"). The Notice and Plan of Allocation describe the two proposed settlements that together will resolve this Action, how the Class Members are affected by those settlements, and the manner in which the Settlement Fund will be distributed, if the settlements and the Plan of Allocation are approved by the Court. The Notice also contains the definitions of many of the defined terms (which are indicated by initial capital letters) used in this Proof of Claim and Release. By signing and submitting the Proof of Claim and Release, you will be certifying that you have read and that you understand the Notice.

2. IN ORDER TO PARTICIPATE IN THE SETTLEMENTS, YOU MUST MAIL YOUR COMPLETED AND SIGNED PROOF OF CLAIM AND RELEASE, BY FIRST-CLASS MAIL, POSTAGE PREPAID, POSTMARKED ON OR BEFORE SEPTEMBER 26, 2008, ADDRESSED TO:

In re R&G Financial Corporation Securities Litigation
Heffler, Radetich & Saitta LLP
P.O. Box 1200
Philadelphia, PA 19105-1200
(888) 665-1124

3. This Proof of Claim and Release is directed to all persons who purchased or otherwise acquired publicly traded securities of R&G Financial Corporation ("R&G") between January 21, 2003 and November 2, 2007, inclusive, and who, based on the conduct asserted in the Action, were allegedly injured thereby. Excluded from the Class are (a) the Defendants; (b) members of the families of the Individual Defendants; (c) the subsidiaries and affiliates of the Defendants; (d) any person or entity who is a partner, officer, director, or controlling person of R&G (including any of its subsidiaries or affiliates) or of any Defendant; (e) any entity in which any Defendant has a controlling interest; (f) the Defendants' directors' and officers' liability insurance carriers; and (g) the legal representatives, heirs, successors and assigns of any such excluded party. Also excluded from the Class are any putative Class Members who exclude themselves by filing a request for exclusion in accordance with the requirements set forth in the Notice.

4. "Class Member" means any person who is included in the definition of the Class and who did not timely submit proper request for exclusion in accordance with the requirements set forth in the Notice.

5. "Authorized Claimant" means a Class Member who timely submits to the Claims Administrator a valid Proof of Claim and Release that has been allowed pursuant to the terms of the Stipulation.

6. IF YOU ARE NOT A CLASS MEMBER, OR IF YOU, OR SOMEONE ACTING ON YOUR BEHALF, FILES A REQUEST FOR EXCLUSION FROM THE CLASS, DO NOT SUBMIT A PROOF OF CLAIM AND RELEASE. YOU MAY NOT, DIRECTLY OR INDIRECTLY, PARTICIPATE IN THE SETTLEMENTS IF YOU ARE NOT A CLASS MEMBER. THUS, IF YOU FILE A REQUEST FOR EXCLUSION IN A TIMELY MANNER, ANY PROOF OF CLAIM AND RELEASE THAT YOU SUBMIT, OR WHICH MAY BE SUBMITTED ON YOUR BEHALF, WILL NOT BE ACCEPTED.

7. To recover as a Class Member, you must complete and sign this Proof of Claim and Release and mail it to the Claims Administrator on or before September 26, 2008. If you fail to file a timely, properly addressed, and completed Proof of Claim and Release, your claim may be rejected and you may be precluded from receiving any distribution from the Net Settlement Fund.

8. Submission of this Proof of Claim and Release does not ensure that you will share in the Net Settlement Fund. Distributions from the Net Settlement Fund are governed by the Plan of Allocation approved by the Court. The proposed Plan of Allocation, which is subject to the Court's approval, is included in the Notice.
9. If you have questions concerning the Proof of Claim and Release, or need additional copies of the Proof of Claim and Release or Notice, you may contact the Claims Administrator, Heffler, Radetich & Saitta LLP, at the above address or by toll-free phone at 888-665-1124 or you can e-mail your inquiries through or download the documents from the Claims Administrator's internet web site, www.hrsclaimadministration.com.
10. If you are a Class Member and you do not, or someone acting on your behalf does not, submit a timely request for exclusion from the Class, and if the Court approves the settlements, you will be bound by the terms of any judgments that the Court enters. You will be bound by the judgments whether or not you submit a Proof of Claim and Release. Each judgment enjoins the filing or continued prosecution of Settled Claims. Each judgment also releases the Settled Claims against the Released Parties, including those that are subject to pending lawsuits or arbitrations.
11. You are required to submit genuine and sufficient documentation for all your transactions in R&G publicly traded securities during the Class Period of January 21, 2003 through and including November 2, 2007. Documentation may be photocopies of stockbrokers' confirmation slips or stockbrokers' monthly statements (reflecting your opening and closing balances for the months specified on the actual claim form, and in which transactions during the Class Period occurred). IF SUCH DOCUMENTS ARE NOT IN YOUR POSSESSION, PLEASE OBTAIN COPIES OR EQUIVALENT CONTEMPORANEOUS DOCUMENTS FROM YOUR BROKER. FAILURE TO SUPPLY THIS DOCUMENTATION MAY RESULT IN REJECTION OF YOUR CLAIM. DO NOT SEND ORIGINAL STOCK CERTIFICATES.
12. The date of covering a "short sale" is deemed to be the date of purchase of R&G common stock. The date of a "short sale" is deemed to be the date of sale of R&G common stock. However, please note that "short sales" are not covered by the Plan of Allocation and the Recognized Loss will be zero.
13. R&G Securities "transferred into," "delivered into" or "received into" the claimant's account will NOT be considered purchases of R&G Securities unless claimant submits documents supporting that the original purchase of the R&G Securities occurred during the Class Period. Also, R&G Securities purchased and subsequently "transferred out" or "delivered out" of claimant's account will NOT be considered part of claimant's claim, as the right to file for those R&G Securities belongs to the person/entity receiving the R&G Securities.
14. All joint purchasers must each sign this Proof of Claim and Release.
15. Agents, executors, administrators, guardians, and trustees must complete and sign the Proof of Claim and Release on behalf of persons represented by them and they must:
- (a) expressly state the capacity in which they are acting;
 - (b) identify the name, account number, Social Security Number (or taxpayer identification number), address and telephone number of the beneficial owner of (or other person or entity on whose behalf they are acting with respect to) the R&G securities; and
 - (c) furnish herewith evidence of their authority to bind the person or entity on whose behalf they are acting to the Proof of Claim and Release. (Authority to complete and sign a Proof of Claim and Release cannot be established by stockbrokers only demonstrating that they have discretionary authority to trade stock in another's accounts.)
16. By submitting a signed Proof of Claim and Release, you will be swearing that you:
- (a) own(ed) the R&G securities you have listed in the Proof of Claim and Release; or
 - (b) are expressly authorized to act on behalf of the owner thereof.
17. By submitting a signed Proof of Claim and Release, you will be swearing to the truth of the statements contained therein and the genuineness of the documents attached thereto, subject to penalties of perjury under the laws of the United States of America. The making of false statements, or the submission of forged or fraudulent documentation, will result in the rejection of your claim and may subject you to civil liability or criminal prosecution.

PART II: OPENING POSITION AS OF CLOSE OF TRADING ON JANUARY 20, 2003

A. Indicate the number of shares of R&G common stock the Claimant owned at the close of business on January 20, 2003. If none, write "zero" or "0". If other than zero, be sure to attach the required documentation. _____

PART III: PURCHASES

B. List all purchases of R&G common stock made during the period January 21, 2003 through and including February 1, 2008. (NOTE: If you acquired your R&G common stock during this period other than by an open market purchase, please provide a complete description of the terms of the acquisition on a separate page.) Be sure to attach the required documentation.

Trade Date(s) (List Chronologically) (Month / Day / Year)	Number of Shares Purchased	Purchase Price Per Share	Total Purchase Price*
□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
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□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□

State the total number of R&G common stock purchased during the period between January 21, 2003 and February 1, 2008: _____

*excluding commissions, transfer taxes or other fees

PART IV: SALES

C. List all sales of R&G common stock made during the period January 21, 2003 through and including February 1, 2008. Be sure to attach the required documentation.

Trade Date(s) (List Chronologically) (Month / Day / Year)	Number of Shares Sold	Sales Price Per Share	Total Sales Price*
□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□
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□□/□□/□□	□□□□□□□□	\$ □□□□.□□□□	\$ □□□□□□□□.□□

State the total number of R&G common stock sold during the period between January 21, 2003 and February 1, 2008: _____

*excluding commissions, transfer taxes or other fees

PART V: POSITION AS OF CLOSE OF TRADING ON FEBRUARY 1, 2008

D. Indicate the number of shares of R&G common stock the Claimant owned at the close of business on February 1, 2008. Be sure to attach the required documentation. _____

YOU MUST READ THE FOLLOWING RELEASE AND SIGN ON PAGE 21.

RELEASE OF CLAIMS

Definitions

For the purpose of the Proof of Claim, defined terms have the following meanings. (Other defined terms have the meanings given them in the Stipulation and Agreement of Settlement dated May 21, 2008 (the "Stipulation").

"Effective Date" means the date the Judgment becomes Final (as defined in ¶1(q) of the Stipulation).

"Individual Defendants" means Victor J. Galán, Joseph R. Sandoval, Ramon Prats, Benigno R. Fernandez, Gilberto Rivera-Arreaga and Ileana M. Colon-Carlo.

"Judgment" means the Order or Orders entered by the Court, if and upon approval of the settlements, dismissing the Action with prejudice and without costs (except to the extent awarded by the Court) to any Released Party, certifying the Class for settlement purposes, releasing all Settled Claims as against the Released Parties, and enjoining Class Members from instituting, continuing or prosecuting any action asserting any Settled Claims against any Released Party.

"PwC" means PricewaterhouseCoopers LLP.

"R&G" means R&G Financial Corporation.

"Released Parties" means PwC, the member firms of PricewaterhouseCoopers International Limited, R&G and any and all of the Individual Defendants, their respective present or former officers, directors, agents, employees, attorneys, stockholders, advisors, investment bankers, commercial bankers, insurers, representatives, trustees, parents and officers and directors thereof, affiliates and officers and directors thereof, subsidiaries and officers and directors thereof, general and limited partners, principals, spouses, heirs, executors, administrators, successors and assigns.

"Settled Claims" means any and all claims, rights or causes of action or liabilities whatsoever, whether known claims or Unknown Claims (as defined below), whether arising under or based on federal, state, Commonwealth of Puerto Rico, common law, foreign law or any other law, rule or regulation, whether directly, representatively, derivatively, individually or in any other capacity, that Lead Plaintiffs or any member of the Class (a) asserted against the Released Parties in the Consolidated Action, or (b) could have asserted against the Released Parties in any forum that relate to or arise out of or are based upon the allegations, transactions, facts, matters or occurrences, representations or omissions involved, set forth, or referred to in the Consolidated Action or that relate to or arise out of the purchase or sale of shares of the Company's common stock during the Class Period, including but not limited to all claims relating to (a) PwC's professional services, including but not limited to audit engagements, performed for the Company in connection with its 2002, 2003 or 2004 financial reporting and any of PwC's opinions in connection therewith; (b) the Company's announcement on April 25, 2005 that it would restate its financial statements for the period January 1, 2003 to December 31, 2004, (c) the Company's announcement on July 27, 2005 that it would restate its interim and audited consolidated financial statements for the year ended December 31, 2002, (d) the Restatement (including without limitation the audit committee investigation, the results of which are reflected therein, and any weaknesses in internal controls or remediation of such weaknesses), (e) the alleged conversation between Mr. Galán and outside counsel referenced in the Restatement, and/or (f) the Company's valuation methodology, accounting treatment and/or financial reporting of (i) the Recharacterized Mortgage Loan Transfers and (ii) the retained interests initially recognized in connection with the Recharacterized Mortgage Loan Transfer. "Settled Claims" does not include any claims asserted in the Consolidated Derivative Action.

"Unknown Claims" means any and all Settled Claims which any Lead Plaintiff or Class Member does not know or suspect to exist in his, her or its favor at the time of the release of the Released Parties, and any Released Parties' Claims which any Released Party does not know or suspect to exist in his, her or its favor, which if known by him, her or it might have affected his, her or its decision(s) with respect to the Settlements. With respect to any and all Settled Claims and Released Parties' Claims, the parties stipulate and agree that upon the Effective Date, the Lead Plaintiffs and the Released Parties shall expressly waive, and each Class Member shall be deemed to have waived, and by operation of the Judgments shall have expressly waived, any and all provisions, rights and benefits conferred by any law of any state or territory of the United States, or principle of common law, which is similar, comparable, or equivalent to Cal. Civ. Code § 1542, which provides:

A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor.

Lead Plaintiffs and the Released Parties acknowledge, and Class Members by operation of law shall be deemed to have acknowledged, that the inclusion of "Unknown Claims" in the definition of Settled Claims and Released Parties' Claims was separately bargained for and was a key element of the Settlement.

The Release

I (We) understand and acknowledge that without further action by anyone, on and after the Effective Date, each Class Member, ***including Class Members who are parties to any other actions, arbitrations, or other proceedings against any of R&G, the Individual Defendants or PwC that are pending on the Effective Date***, on behalf of themselves, their heirs, executors, administrators, successors, assigns, and any person they represent, for good and sufficient consideration, the receipt and adequacy of which are hereby acknowledged, shall be deemed to have, and by operation of law and of the Judgments shall have fully, finally, and forever released relinquished, settled and discharged all Settled Claims against each and every one of the Released Parties, including such Settled Claims as already may have been asserted in any pending actions, arbitrations, or other proceedings, and whether or not a Proof of Claim and Release is executed and delivered by, or on behalf of, such Class Member.

SIGNATURE AND CERTIFICATIONS

By signing and submitting this Proof of Claim and Release, the Claimant or the person who represents the Claimant certifies, as follows:

1. that the Claimant is a Class Member, as defined in the Notice;
2. that I (we) have read and understand the contents of the Notice and the Proof of Claim;
3. that I (we) are not acting for any of the Defendants, nor am I (are we) such a Defendant or otherwise excluded from the Class;
4. that I (we) have not filed a request for exclusion from the Class and that I (we) do not know of any request for exclusion from the Class filed on my (our) behalf with respect to my (our) transactions in R&G securities;
5. that I (we) own(ed) the R&G securities identified in the Proof of Claim, or that, in signing and submitting this Proof of Claim, I (we) have the authority to act on behalf of the owner(s) thereof;
6. that Claimant may be entitled to receive a distribution from the Net Settlement Fund;
7. that Claimant desires to participate in the settlements described in the Notice and agrees to the terms and conditions thereof;
8. that I (we) submit to the jurisdiction of the United States District Court for the Southern District of New York for purposes of investigation and discovery under the Federal Rules of Civil Procedure with respect to this Proof of Claim;
9. that I (we) agree to furnish such additional information with respect to this Proof of Claim as the parties or the Court may require;
10. that I (we) waive trial by jury, to the extent it exists, and agree to the Court's summary disposition of the determination of the validity or amount of the claim made by this Proof of Claim; and
11. that I (we) certify that I am (we are) **not** subject to backup withholding under the provisions of Section 3406(a)(1)(C) of the Internal Revenue Code.

NOTE: If you have been notified by the Internal Revenue Service that you are subject to backup withholding, please strike the language that you are not subject to backup withholding in the certification above and check here _____.

The Internal Revenue Service does not require your consent to any provision other than the certification required to avoid backup withholding.

I declare, under penalty of perjury under the laws of the United States of America, that the statements made and answers given in this Proof of Claim are true and correct and that the documents submitted herewith are true and genuine.

Signature of Claimant

Print Name of Claimant

Date

Signature of Joint Claimant, if any

Print Name of Joint Claimant

Date

If Claimant is other than an individual, or is not the person completing this form, the following also must be provided:

Signature of Person Completing Form

Print Name of Person Completing Form

Date

Capacity of Person Signing (Executor, President, Trustee, etc.)

REMINDER CHECKLIST

1. Please sign the Proof of Claim on page 21.
2. If this Claim is being made on behalf of Joint Claimants, then both must sign.
3. Please remember to attach supporting documents. These must include documentation of: (a) all opening and closing balances, as set forth in the specific sections of the Claim Form; and (b) all purchases and sales of R&G publicly traded securities during the Class Period of January 21, 2003 through and including February 1, 2008, as set forth in the specific sections of the Claim Form.
4. If you move, please send your new address to:

In re R&G Financial Corporation Securities Litigation
c/o Heffler, Radetich & Saitta LLP
P.O. Box 1200
Philadelphia, PA 19105-1200

5. **DO NOT SEND ORIGINALS OF ANY SUPPORTING DOCUMENTS.**
6. Keep a copy of your Proof of Claim and all documentation submitted for your records.
7. You will not receive confirmation that your Proof of Claim has been received **unless** you send it via Certified Mail, Return Receipt Requested, or by some other means which provides you with proof of receipt.

ACCURATE CLAIMS PROCESSING TAKES A SIGNIFICANT AMOUNT OF TIME.

THANK YOU FOR YOUR PATIENCE

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Claim Administrator
In re R&G Financial Corporation Securities Litigation
Heffler, Radetich & Saitta LLP
P.O. Box 1200
Philadelphia, PA 19105-1200

FIRST CLASS MAIL

PLEASE FORWARD—IMPORTANT LEGAL NOTICE