Lamb Scott E
Form 4
August 20, 2007

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
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(Print or Type Responses)

1. Name and Address of Reporting Person *
Lamb Scott E

(Last) (First) (Middle)

951 CALLE AMANECER

(Street)

SAN CLEMENTE, CA 92673

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ICU MEDICAL INC/DE [ICUI]

3. Date of Earliest Transaction (Month/Day/Year)
08/14/2007

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Controller

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amou Underlying Secur (Instr. 3 and 4)

(Instr. 3)	Price of Derivative Security		(Month/Day/Year)	(Instr. 8)		Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)					
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Am or Nur of S
Non-Qualified Stock Option (right to buy)	$ 35	08/14/2007		A		20,000		08/14/2012	08/14/2017	Common Stock	20

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Lamb Scott E 951 CALLE AMANECER SAN CLEMENTE, CA 92673			Controller	

Signatures

By: Lynn DeMartini For: Scott E. Lamb	08/20/2007
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 0.67% ------------------------------ Net charge-offs to average loans outstanding 0.35% 0.17% ------------------------------ --------------------------- (1) The increase in the ratio was partially caused by significant loan securitizations during the last two quarters of 2000 and the first quarter of 2001, which reduced the amount of loans held in portfolio which are considered in the calculation at the ratio. Without giving effect to loan securitizations, as of March 31, 2001 and December 31, 2000, the ratio of non-performing loans to total loans would have been 4.75% and 4.46%, respectively. (2) Because of the nature of the collateral, R&G Financial's historical charge-offs with respect to residential real estate loans have been low. Excluding R&G Financial's residential loan portfolio, the allowance for loan losses to total loans and to total non-performing loans at March 31, 2001 and December 31, 2000 would have been 1.58% and 61.2%, respectively, and 1.61% and 73.7%, respectively. 13 14 NOTE 5 - MORTGAGE LOAN SERVICING The changes in the servicing asset of the Company follows: For the three month period ended March 31, 2001 2000 ------------ ------------ (Unaudited) Balance at beginning of period $ 95,078,530 $ 84,252,506 Rights originated 5,278,107 2,275,134 Rights purchased 433,468 2,391,309 Scheduled amortization (2,663,712) (2,315,595) Unscheduled amortization (675,000) -- ------------ ------------ Balance at end of period $ 97,451,393 $ 86,603,354 ============ ============ The portion of the Company's mortgage loans servicing portfolio consisting of the servicing asset that was originated by the Company prior to the adoption of SFAS No. 122 is not reflected as an asset on the Company's Consolidated Financial Statements, and is not subject to amortization or impairment. NOTE 6 - DEPOSITS Deposits are summarized as follows: 14 15 March 31, December 31, 2001 2000 ----------- ----------- (Unaudited) (Dollars in Thousands) Passbook savings $ 120,259 $ 116,776

----------- ----------- NOW accounts 46,163 43,271 Super NOW accounts 105,528 97,172 Regular checking accounts (non-interest bearing) 68,090 70,760 Commercial checking accounts (non-interest bearing) 132,720 101,178 ----------- ----------- 352,501 312,381 ----------- ----------- Certificates of deposit: Under $100,000 520,399 489,221 $100,000 and over 738,288 749,081 ----------- ----------- 1,258,687 1,238,302 ----------- ----------- Accrued interest payable 8,557 8,603 ----------- ----------- $ 1,740,004 $ 1,676,062 =========== =========== NOTE 7 - COMMITMENTS AND CONTINGENCIES COMMITMENTS TO BUY AND SELL GNMA CERTIFICATES As of March 31, 2001, the Company had open commitments to issue GNMA certificates of approximately $77.6 million. COMMITMENTS TO SELL MORTGAGE LOANS As of March 31, 2001, the Company had commitments to sell mortgage loans to third party investors amounting to approximately $19.1 million. LEASE COMMITMENTS The Company is obligated under several noncancellable leases for office space and equipment rentals, all of which are accounted for as operating leases. The leases expire at various dates with options for renewals. OTHER At March 31, 2001, the Company is liable under limited recourse provisions resulting from the sale of loans to several investors, principally FHLMC. The principal balance of these loans, which are serviced by the Company, amounts to approximately $567.8 million at March 31, 2001. Liability, if any, under the recourse provisions at March 31, 2001 is estimated by management to be insignificant. 15 16 NOTE 8 - SUPPLEMENTAL INCOME STATEMENT INFORMATION Employee costs and other administrative and general expenses are shown in the Consolidated Statements of Income net of direct loan origination costs. Direct loan origination costs are capitalized as part of the carrying cost of mortgage loans and are offset against mortgage loan sales and fees when the loans are sold, or amortized as a yield adjustment to interest income on loans held for investment. Total employee costs and other expenses before capitalization follows: (Unaudited) Three month period ended March 31, 2001 2000 ------------ ------------ Employee costs $ 12,697,825 $ 11,110,703 ============ ============ Other administrative and general expenses $ 12,715,609 $ 10,497,469 ============ ============ 16 17 ITEM 2: MANAGEMENT'S DISCUSSION AND ANALYSIS GENERAL R&G Financial Corporation (the "Company") is a diversified financial holding company that, through its its wholly-owned subsidiaries, is engaged in mortgage banking, banking and insurance activities. Its mortgage banking activities include the origination, purchase, sale and servicing of mortgage loans on single-family residences, the issuance and sale of various types of mortgage-backed securities, the holding of mortgage loans, mortgage-backed securities and other investment securities for sale or investment, and the purchase and sale of servicing rights associated with such mortgage loans and, to a lesser extent, the origination of construction loans and mortgage loans secured by income producing real estate and land (the "mortgage banking business"). The Company is also engaged in providing a full range of banking services, including commercial banking services, corporate and construction lending, consumer lending and credit cards, offering a diversified range of deposit products and, to a lesser extent, trust and investment services through its private banking department. R&G Financial is currently in its 29th year of operations. The Company is the second largest mortgage loans originator and servicer of mortgage loans on single family residences in Puerto Rico. R&G Financial's mortgage servicing portfolio increased to approximately $6.8 billion as of March 31, 2001, from $6.3 billion as of the same date a year ago, an increase of 7.5%. R&G Financial's strategy is to increase the size of its mortgage servicing portfolio by relying principally on internal loan originations. As part of its strategy to maximize net interest income, R&G Financial maintains a substantial portfolio of mortgage-backed and investment securities. At March 31, 2001, the Company held securities available for sale with a fair market value of $1.45 billion, which included $1.0 billion of mortgage-backed securities of which $564.4 million consisted primarily of Puerto Rico GNMA securities, the interest on which is tax-exempt to the Company. These securities are generally held by the Company for longer periods prior to sale in order to maximize the tax-exempt interest received thereon. A substantial portion of R&G Financial's total mortgage loan originations has consistently been comprised of refinance loans. R&G Financial's future results could be adversely affected by a significant increase in mortgage interest rates that reduces refinancing activity. However, the Company believes that refinancing activity is less sensitive to interest rate changes in Puerto Rico than in the mainland United States because a significant amount of refinance loans are made for debt consolidation purposes. R&G Financial customarily sells or securitizes into mortgage-backed securities substantially all the loans it originates, except for certain non-conforming conventional mortgage loans and certain consumer, construction, land, and commercial loans which are held for investment and classified as Loans Receivable. FINANCIAL CONDITION At March 31, 2001, total assets amounted to $3.7 billion, as compared to $3.1 billion at March 31, 2000. The $549.6 million or 17.6% increase in total assets between the comparable periods was primarily the result of a $425.9 million or 41.6% increase in mortgage-backed and investment securities available for sale, an $87.2 million or 582.9% increase in mortgage-backed securities held for trading and a $54.5 million or 55.7% increase in mortgage loans held for sale, which more than offset a $52.3 million or 3.0% decline in loans receivable, net. 17 18 At March 31, 2001, total deposits totaled $1.7 billion, an increase of $305.1 million or 21.3% when compared to March 31, 2000. In addition, at March 31, 2001, R&G Financial had $1.5 billion of borrowings (consisting of securities sold under agreements to repurchase, notes payable, FHLB advances and other borrowings), as compared to $1.4 billion at March 31, 2000. R&G Financial utilized deposits (primarily certificates of deposits) and FHLB advances to fund its growth during the period. At March 31, 2001, R&G Financial's allowance for loan losses totaled $12.1 million, which represented a $470,000 or 4.1% increase from the level maintained at December 31, 2000. At March 31, 2001, R&G Financial's allowance represented approximately 0.68% of the total loan portfolio and 11.25% of total non-performing loans. However, excluding R&G Financial's residential loan portfolio, which has minimal charge-off experience, the allowance for loan losses to total loans and to total non-performing loans would have been 1.58% and 61.2%, respectively, at March 31, 2001. The increase in the allowance for loan losses reflects the increase in R&G Financial's commercial real estate and construction loan portfolio as well as the increase in R&G Financial non-performing loans during the year. Non-performing loans amounted to $107.3 million at March 31, 2001, an increase of $47.9 million when compared to $59.4 million at December 31, 1999. However, $40.1 million or 84% of such increase consisted of residential mortgage loans, which resulted to a large extent from increased delays over the period in the foreclosure process in Puerto Rico. Because of the nature of the real estate collateral, R&G Financial has historically experienced a low level of loan charge-offs. R&G Financial's aggregate charge-offs amounted to 0.35% during the first quarter of 2001, 0.17% during 2000 and 0.25% during 1999. Although loan delinquencies have historically been higher in Puerto Rico than in the United States, actual foreclosures and any resulting loan charge-offs have historically been lower than in the United States. While the ratio of non-performing loans to total loans increased from 3.69% to 5.52% from December 31, 1999 to December 31, 2000 and to 6.08% at March 31, 2001, the increase in the ratio was made larger than it would otherwise have been due to significant loan securitizations during the last two quarters of 2000 and the first quarter of 2001, which reduced the amount of loans considered in the calculation of the ratio. Without giving effect to loan securitizations, during the three months ended March 31, 2001 and the year ended December 31, 2000, the ratio of non-performing loans would have been 4.75% and 4.46%, respectively. Stockholders' equity increased from $308.8 million at December 31, 2000 to $389.5 million at March 31, 2001. The $80.6 million or 26.1% increase was due primarily to net income recognized during the period. RESULTS OF OPERATIONS During the three months ended March 31, 2001, R&G Financial reported net income before the cumulative effect of a change in accounting principle of $13.3 million or $0.39 of earnings per diluted share, compared to $9.5 million or $0.28 of earnings per diluted share for the comparative three month period ended March 31, 2000. Net interest income increased by $1.4 million or 8% during the comparable periods to $18.2 million, primarily due to an increase in the average balance of interest-earning assets, which was partially offset by a 25 basis point decline in the net interest margin from 2.43% to 2.18%. With interest rates currently declining, R&G Financial expects a gradual improvement in its net interest margin, as evidenced by the two basis point improvement when compared with the year ended December 31, 2000. The provision for loan losses amounted to $2.0 million during the three months ended March 31, 2001, a 48% increase over the prior comparable period, as R&G Financial increased it general reserves to reflect the expected continued growth in commercial lending, which involves greater credit risk than residential lending. 18 19 R&G Financial also experienced an increase in non-interest income during the three months ended March 31, 2001 over the comparable period. Net gain on sale of loans increased significantly, by $7.7 million or 105% over the prior comparable period, which was due both to the volume of loans originated and sold as well as the increased profits made on loans sold. Loan administration and servicing fees also increased by $412,000 or 5% over the comparable periods, due to the growth in the loan servicing portfolio. Total expenses increased by $3.3 million or 16% during the three months ended March 31, 2001 over the comparable period, primarily due to a $2.3 million or 24% increase in other administrative and general expenses, primarily due to increased amortization of servicing rights and increased advertising expenses associated with increased loan production. INTEREST RATE RISK MANAGEMENT The following table summarizes the anticipated maturities or repricing or R&G Financial's interest-earning assets and interest-bearing liabilities as of March 31, 2001, based on the information and assumptions set forth in the notes below. For purposes of this presentation, the interest earning components of loans held for sale and mortgage-backed securities held in connection with the Company's mortgage banking business, as well as all securities held for trading, are assumed to mature within one year. In addition, investments held by the Company which have call features are presented according to their contractual maturity date. 19 20 Within Four to More Than More Than Three Twelve One Year to Three Years Over Five (Dollars in Thousands) Months Months Three Years to Five Years Years Total -- Interest-earning assets(1): Loans receivable: Residential real estate loans $ 35,164 $ 99,035 $ 222,306 $ 172,392 $ 509,106 $1,038,003 Construction loans 48,876 11,498 14,247 -- -- 74,621 Commercial real estate loans 311,071 -- -- -- -- 311,071 Consumer loans 41,604 38,187 53,431 25,239 14,647 173,108 Commercial business loans 56,229 8,733 9,669 1,705 64 76,400 Mortgage loans held for sale 26,987 19,397 43,642 33,786 28,695 152,507 Mortgage-backed securities(2)(3) 57,747 604,815 109,910 89,628 304,098 1,166,198 Investment Securities(3) 156,765 160,680 82,026 7,007 3,124 409,602 Other interest-earning assets(4) 49,684 -- -- -- -- 49,684 -- Total $ 784,127 $ 942,345 $ 535,231 $ 329,757 $ 859,734 $3,451,194 == Interest bearing liabilities: Deposits(5) NOW and Super NOW accounts $ 7,725 $ 21,216 $ 23,322 $ 18,891 $ 80,537 $ 151,691 Passbook savings accounts 3,006 8,718 21,707 17,365 69,463 120,259 Regular and commercial checking 10,038 28,110 30,904 25,033 106,725 200,810 Certificates of deposit 411,790 593,374 92,442 154,159 6,922 1,258,687 FHLB advances 70,000 83,000 78,125 177,500 -- 408,625 Securities sold under agreements to repurchase(6) 518,615 35,503 -- 103,200 235,000 892,318 Other borrowings(7) 34,332 134,084 13,500 -- -- 181,916 -- Total 1,055,506 904,005 260,000 496,148 498,647 3,214,306 -- Effect of hedging instruments (380,000) 25,000 210,000 65,000 80,000 -- -- $ 675,506 $ 929,005 $ 470,000 $ 561,148 $ 578,647 $236,888 == Excess (deficiency) of interest-earning assets over interest-bearing liabilities $ 108,621 $ 13,340 $ 65,231 $ (231,391) $ 281,087 $ 236,888 == Cumulative excess (deficiency) of interest-earning assets over interest-bearing liabilities $ 108,621 $ 121,961 $ 187,192 $ (44,199) $ 236,888 ===- Cumulative excess (deficiency) of interest-earning assets over interest-bearing liabilities as a percent of total assets 2.96% 3.32% 5.10% (1.20)% 6.45% == (footnotes on following page) 20 21 --------------------- (1) Adjustable-rate loans are included in the period in which interest rates are next scheduled to adjust rather that in the period in which they are due, and fixed-rate loans are included in the periods in which they are scheduled to be repaid, based on scheduled amortization, in each case as adjusted to take into account estimated prepayments. (2) Reflects estimated prepayments in the current interest rate environment. (3) Includes securities held for trading, available for sale and held to maturity. (4) Includes securities purchased under agreement to resell, time deposits with other banks and federal funds sold. (5) Does not include non-interest-bearing deposit accounts. (6) Includes federal funds purchased. (7) Comprised of warehousing lines, notes payable and other borrowings. --------------------- As of March 31, 2001, the Company had a one year positive gap of approximately $122.0 million, which constituted 3.32% of total assets at such date, compared to a negative gap of approximately $477.8 million or 13.5%, of total assets at December 31, 2000. R&G Financial's negative gap within one year at December 31, 2000 was due primarily to its large fixed-rate mortgage loans receivable portfolio held for investment and a portion of its portfolio of FHLB notes and other US agency securities which have call features but were not likely to be exercised by such agencies due to the actual interest rate environment. During the quarter ended March 31, 2001, the Company extended the maturity dates of certain borrowings into longer-term maturities at lower rates to take advantage of reductions in interest rates during the quarter. In addition, the Company entered into certain derivative instruments and increased its portfolio of investment securities held for trading, reducing its gap exposure. While the above table presents the Company's loans receivable portfolio held for investment purposes according to its maturity date, from time to time the Company may negotiate special transactions with FHLMC and/or FNMA or other third party investors for the sale of such loans. There can be no assurance, however, that the Company will be successful in consummating any such transactions. The following table presents for the periods indicated R&G Financial's total dollar amount of interest from average interest-earning assets and the resultant yields, as well as the interest expense on average interest-bearing liabilities expressed both in dollars and rates, and the net interest margin. The table does not reflect any effect of income taxes. All average balances are based on the average of month-end balances for R&G Mortgage and average daily balances for the Bank in each case during the periods presented. 21 22 For the three month period ended March 31, 2001 2000 -- Average Yield / Average Yield / (Dollars in Thousands) Balance Interest Rate Balance Interest Rate -- Interest-Earning Assets: Cash and cash equivalents(1) $ 44,287 609 5.50 $12,746 186 5.84 Investment securities available for sale 349,735 5,939 6.79 253,361 4,374 6.91 Investment securities held to maturity 3,687 53 5.75 5,437 79 5.81 Mortgage-backed securities held for trading 92,657 1,711 7.39 24,387 379 6.22 Mortgage-backed securities available for sale 1,019,067 16,064 6.31 694,432 10,624 6.12 Mortgage-backed securities held to maturity 19,440 295 6.07 22,822 344 6.03 Loans receivable, net (2) 1,759,195 37,428 8.51 1,714,664 36,729 8.57 FHLB of New York Stock 46,240 770 6.66 33,865 568 6.71 -- Total interest-earning assets 3,334,308 $ 62,869 7.54% 2,761,714 $ 53,283 7.72% -- Non-interest-earning assets 271,150 255,200 -- Total assets $3,605,458 $3,016,914 == Interest-Bearing Liabilities: Deposits $1,688,221 23,076 5.47 $1,375,733 17,026 4.95 Securities sold under agreements to repurchase (3) 844,030 12,556 5.95 691,818 10,535 6.09 Notes payable 178,107 2,044 4.59 215,956 3,365 6.23 Other borrowings(4) 487,918 7,026 5.76 379,703 5,597 5.90 -- Total interest-bearing liabilities 3,198,276 $ 44,702 5.59% 2,663,210 $ 36,523 5.49% -- Non-interest-bearing liabilities 58,033 81,322 -- Total liabilities 3,256,309 2,744,532 -- Stockholders' equity 349,149 272,382 -- Total liabilities and stockholders' equity $3,605,458 $3,016,914 == Net interest income; interest rate spread (5) $ 18,167 1.95% $ 16,760 2.23% -------------------- -------------------- Net interest margin 2.18% 2.43% ====== ====== Average interest-earning assets to average interest-bearing liabilities 104.25% 103.70% ====== ====== 22 (footnotes on page 23) 23 --------------------- (1) Comprised of cash and due from banks, securities purchased under agreements to resell, time deposits with other banks and federal funds sold. (2) Includes mortgage loans held for sale and non-accrual loans. (3) Includes federal funds purchased. (4) Comprised of long-term debt, advances from the FHLB of New York and other borrowings. (5) Interest rate spread represents the difference between R&G Financial's weighted average yield on interest-earning assets and the weighted average rate on interest-bearing liabilities. Net interest margin represents net interest income as a percent of average interest-earning assets. --------------------- MORTGAGE LOAN SERVICING The following table sets forth certain information regarding the mortgage loan servicing portfolio of R&G Financial for the periods indicated. At or for the three months ended March 31, ------------------------------- 2001 2000 ----------- ----------- (Dollars in Thousands) Composition of Servicing Portfolio at period end: GNMA $ 3,018,637 $ 2,941,361 FNMA/FHLMC 2,075,226 1,512,169 Other mortgage loans(3) 1,697,698 1,866,477 ----------- ----------- Total servicing portfolio(3) $ 6,791,561 $ 6,320,007 =========== =========== Activity in the Servicing Portfolio: Beginning servicing portfolio $ 6,634,059 $ 6,177,511 Add: Loan originations and purchases 393,512 341,284 Servicing of portfolio loans acquired 1,361 -- Less: Sale of servicing rights(1) (41,249) (36,727) Run-offs(2) (196,122) (162,061) ----------- ----------- Ending servicing portfolio(3) $ 6,791,561 $ 6,320,007 =========== =========== Number of loans serviced 111,925 108,727 Average loan size $ 61 $ 58 Average servicing fee rate 0.50% 0.53% -------------------- (1) Corresponds to loans sold, servicing released, by Continental Capital. 23 24 (2) Run-off refers to regular amortization of loans, prepayments and foreclosures. (3) At the dates shown, included $986.2 million and $1.2 billion of loans serviced for the Bank, respectively, which constituted 14.5% and 18.4% of the total servicing portfolio, respectively.

------------------- Substantially all of the mortgage loans in R&G Financial's servicing portfolio are secured by single (one-to-four) family residences secured by real estate located in Puerto Rico. At March 31, 2001 less than 7% of the Company's mortgage servicing portfolio was related to mortgages secured by real property located outside Puerto Rico. The Company reduces the sensitivity of its servicing income to increases in prepayment rates through a strong retail origination network that has increased or maintained the size of R&G Financial's servicing portfolio even during periods of high prepayments. In addition, a substantial portion of the Company's servicing portfolio consists of tax-exempt FHA/VA mortgage loans which carry lower interest rates than those on conventional loans, which tends to reduce risks related to R&G Financial's servicing portfolio. During the quarter ended March 31, 2001 the Company recognized $675,000 unscheduled amortization of mortgage servicing rights. LIQUIDITY AND CAPITAL RESOURCES LIQUIDITY - Liquidity refers to the Company's ability to generate sufficient cash to meet the funding needs of current loan demand, savings deposit withdrawals, principal and interest payments with respect to outstanding borrowings and to pay operating expenses. It is management's policy to maintain greater liquidity than required in order to be in a position to fund loan purchases and originations, to meet withdrawals from deposit accounts, to make principal and interest payments with respect to outstanding borrowings and to make investments that take advantage of interest rate spreads. The Company monitors its liquidity in accordance with guidelines established by the Company and applicable regulatory requirements. The Company's need for liquidity is affected by loan demand, net changes in deposit levels and the scheduled maturities of its borrowings. The Company can minimize the cash required during the times of heavy loan demand by modifying its credit policies or reducing its marketing efforts. Liquidity demand caused by net reductions in deposits are usually caused by factors over which the Company has limited control. The Company derives its liquidity from both its assets and liabilities. Liquidity is derived from assets by receipt of interest and principal payments and prepayments, by the ability to sell assets at market prices and by utilizing unpledged assets as collateral for borrowings. Liquidity is derived from liabilities by maintaining a variety of funding sources, including deposits, advances from the FHLB of New York and other short and long-term borrowings. The Company's liquidity management is both a daily and long-term function of funds management. Liquid assets are generally invested in short-term investments such as securities purchased under agreements to resell, federal funds sold and certificates of deposit in other financial institutions. If the Company requires funds beyond its ability to generate them internally, various forms of both short and long-term borrowings provide an additional source of funds. At March 31, 2001, the Company had $157.0 million in borrowing capacity under unused warehousing and other lines of credit, $230.7 million in borrowings capacity under unused lines of credit with the FHLB of New York and $40 million under unused fed funds lines of credit. The Company has generally not relied upon brokered deposits as a source of liquidity. At March 31, 2001, the Company had outstanding commitments to originate and/or purchase mortgage and non-mortgage loans (including unused lines of credit) of $137.1 million. Certificates of deposit which are scheduled to mature within one year totaled $1.0 billion at March 31, 2001, and borrowings that are scheduled to mature within the same period amounted to $831.5 million. The Company anticipates that it will have sufficient funds available to meet its current loan commitments. 24 25 CAPITAL RESOURCES - The FDIC's capital regulations establish a minimum 3.0 % Tier I leverage capital requirement for the most highly-rated state-chartered, non-member banks, with an additional cushion of at least 100 to 200 basis points for all other state-chartered, non-member banks, which effectively will increase the minimum Tier 1 leverage ratio for such other banks from 4.0% to 5.0% or more. Under the FDIC's regulations, the highest-rated banks are those that the FDIC determines are not anticipating or experiencing significant growth and have well diversified risk, including no undue interest rate risk exposure, excellent asset quality, high liquidity, good earnings and, in general, which are considered a strong banking organization and are rated composite 1 under the Uniform Financial Institutions Rating System. Leverage or core capital is defined as the sum of common stockholders' equity (including retained earnings), noncumulative perpetual preferred stock and related surplus, and minority interests in consolidated subsidiaries, minus all intangible assets other than certain qualifying supervisory goodwill and certain purchased mortgage servicing rights. The FDIC also requires that banks meet a risk-based capital standard. The risk-based capital standard for banks requires the maintenance of total capital (which is defined as Tier I capital and supplementary (Tier 2) capital) to risk weighted assets of 8%. In determining the amount of risk-weighted assets, all assets, plus certain off-balance sheet assets, are multiplied by a risk-weight of 0% to 100%, based on the risks the FDIC believes are inherent in the type of asset or item. The components of Tier 1 capital are equivalent to those discussed above under the 3% leverage capital standard. The components of supplementary capital include certain perpetual preferred stock, certain mandatory convertible securities, certain subordinated debt and intermediate preferred stock and general allowances for loan and lease losses. Allowance for loan and lease losses includable in supplementary capital is limited to a maximum of 1.25% of risk-weighted assets. Overall, the amount of capital counted toward supplementary capital cannot exceed 100% of core capital. At March 31, 2001, the Bank met each of its capital requirements, with Tier 1 leverage capital, Tier 1 risk-based capital and total risk-based capital ratios of 7.05%, 13.29% and 14.05%, respectively. In addition, the Federal Reserve Board has promulgated capital adequacy guidelines for bank holding companies which are substantially similar to those adopted by FDIC regarding state-chartered banks, as described above. The Company is currently in compliance with such regulatory capital requirements. INFLATION AND CHANGING PRICES The unaudited consolidated financial statements and related data presented herein have been prepared in accordance with generally accepted accounting principles, which require the measurement of financial position and operating results in terms of historical dollars (except with respect to securities which are carried at market value), without considering changes in the relative purchasing power of money over time due to inflation. Unlike most industrial companies, substantially all of the assets and liabilities of the Company are monetary in nature. As a result, interest rates have a more significant impact on the Company's performance than the effects of general levels of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services. "SAFE HARBOR" STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995 In addition to historical information, forward-looking statements are contained herein that are subject to risks and uncertainties that could cause actual results to differ materially from those reflected in the forward-looking statements. Factors that could cause future results to vary from current expectations, include, but are not limited to, the impact of economic conditions (both generally and more specifically in the markets in which the Company operates), the impact of government legislation and regulation (which changes from time to time and over which the Company has no control), and other risks detailed in this Form 10-Q and in the Company's other Securities and Exchange Commission 25 26 ("SEC") filings. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis only as of the date hereof. Readers should carefully review the risk factors described in other documents the Company files from time to time with the SEC. 26 27 PART II - OTHER INFORMATION ITEM 6: Exhibits and Reports on Form 8-K (a) List of Exhibits: EXHIBIT NO. EXHIBIT ----------- ------- 2.0 Amended and Restated Agreement and Plan of Merger by and between R&G Financial Corporation, the Bank and R-G Interim Premier Bank, dated as of September 27, 1996(1) 3.1 Certificate of Incorporation of R&G Financial Corporation(2) 3.2 Certificate of Amendment to Certificate of Incorporation of R&G Financial Corporation(2) 3.2.1 Amended and Restated Certificate of Incorporation of R&G Financial Corporation(4) 3.3 Bylaws of R&G Financial Corporation(2) 3.4 Certificate of Resolutions designating the terms of the Series A Preferred Stock(6) 3.5 Certificate of Resolutions designating the terms of the Series B Preferred Stock(7) 3.6 Certificate of Resolutions designating the terms of the Series C Preferred Stock(8) 4.0 Specimen of Stock Certificate of R&G Financial Corporation(2) 4.1 Form of Series A Preferred Stock Certificate of R&G Financial Corporation(3) 4.2 Form of Series B Preferred Stock Certificate of R&G Financial Corporation(5) 4.3 Form of Series C Preferred Stock Certificate of R&G Financial Corporation(8) 10.1 Master Purchase, Servicing and Collection Agreement between R&G Mortgage and the Bank dated February 16, 1990, as amended on April 1, 1991, December 1, 1991, February 1, 1994 and July 1, 1994(2) 10.2 Master Custodian Agreement between R&G Mortgage and the Bank dated February 16, 1990, as amended on June 27, 1996(2) 10.3 Master Production Agreement between R&G Mortgage and the Bank dated February 16, 1990, as amended on August 30, 1991 and March 31, 1995(2) 10.4 Data Processing Computer Service Agreement between R&G Mortgage and R-G Premier Bank dated December 1, 1994(2) 10.5 Securitization Agreement by and between R&G Mortgage and the Bank, dated as of July 1, 1995(2) 10.6 R&G Financial Corporation Stock Option Plan(2)(*) ------------ (1) Incorporated by reference from the Registration Statement on Form S-4 Registration No. 333-13199) filed by the Registrant with the Securities and Exchange Commission ("SEC") on October 1, 1996. (2) Incorporated by reference from the Registration Statement on Form S-1 (Registration No. 333-06245) filed by the Registrant with the SEC on June 18, 1996, as amended. (3) Incorporated by reference from the Registrant's Registration Statement on Form S-3 (Registration No. 333-60923), as amended, filed with the SEC on August 7, 1998. (4) Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on November 19, 1999. (5) Incorporated by reference from the Registrant's Registration Statement on Form S-3 (Registration No. 333-90463), filed with the SEC on November 5, 1999. (6) Incorporated by reference from the Registrant's Current Report on Form 8-K filed with the SEC on August 31, 1998. (7) Incorporated by reference from the Registrant's Form 10-K filed with the SEC on April 13, 2000. (8) Incorporated by reference from Pre-Effective Amendment No. 1 to the Registrant's Registration Statement on Form S-3 (File No. 333-55834), filed with the SEC on March 7, 2001. (*) Management contract or compensatory plan or arrangement. (b) 8-K filed February 16, 2001. 27 28 SIGNATURES Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized. R&G FINANCIAL CORPORATION Date: October 2, 2001 By: /s/ VICTOR J. GALAN -------------------------------------- Victor J. Galan, Chairman and Chief Executive Officer (Principal Executive Officer) By: /s/ JOSEPH R. SANDOVAL -------------------------------------- Joseph R. Sandoval Senior Vice President and Chief Financial Officer (Principal Financial and Accounting Officer) 28